

ASIM: Much ado about proposed dues increase



NEW YORK—A proposal by American Society of Insurance Management president E. William Altstaetter that the society's membership dues be raised more than 200% has drawn sharp reaction from society members, including some officers who serve with Mr. Altstaetter.

At present, ASIM corporate members pay \$65 a year to the society's national office here. Mr. Altstaetter is asking that this figure be increased to \$200. In a letter to members he termed the increase "essential" to the society's growth and development.

In interviews with *Business Insurance*,

however, many members expressed indignation at the proposal, calling it "exorbitant" and "unreasonable." Still others reacted not so much to the increase—it's really nickels and dimes compared to their total departmental budgets, they admitted—as to the way it was proposed and the lack of justification in terms of disclosing to the membership financial data that would support such an increase.

The proposal will be acted upon by ASIM's board of directors at a meeting here Oct. 8. It was learned that ASIM's executive committee will recommend an across-the-board increase of \$55, from the

current \$65 to \$120. The society's chief financial officer will make the same recommendation.

"I will be making a motion for a dues increase to \$120 a year at the board meeting," said Ralph E. Gentry, ASIM's vp and treasurer. "I think \$120 is an adequate amount to cover the society's planned activities at this time," he added.

Daniel E. Sullivan, ASIM's first vp agreed.

"That to me is more realistic," he said of the \$120 figure. Mr. Sullivan pointed out that dues income represents only

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business insurance

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

Largest wrongful death award in state history

By SUSAN ALT and
PAUL R. MERRION

CHICAGO—A Cook County circuit court judge Sept. 17 awarded damages totalling \$2,166,000 to the survivors of two men killed in a 1971 highway crash which involved a Beatrice Foods Inc. truck driver.

This is the largest wrongful death judgment in Illinois history. And Beatrice will likely end up paying the lion's share of the award, although there is a squabble over whether damages will be shared by other corporate de-

fendants in the suits, who were declared by the jury to be not guilty of negligence as charged.

Beatrice Foods is self-insured for the primary layer of liability, with multiple excess insurance policies for layers above the primary, *Business Insurance* learned.

Now Beatrice is looking forward to a declaratory judgment the end of September in which liability for damages could be apportioned between National Car Rental Co., Minneapolis, lessor of the truck, and Chicago-based Beatrice, which rented the truck.

The jury determined only that two other co-defendants with Beatrice, Ford Motor Co., maker of the truck, and National, were not negligent.

REGARDLESS of who pays what, insurance will cover much of the loss. Beatrice's primary layer reportedly extends up to about \$100,000, with Transport Insurance Co. underwriting the second layer of liability coverage to \$250,000; Reserve Insurance Co. the third layer of liability to \$500,000; and Continental National Insurance Co. the layer above

\$500,000 to a high limit.

National Car Rental, with whom Beatrice is arguing liability, is known to be insured practically from the first dollar with Travelers Insurance Co.

Beatrice contends that it is National's job to provide the insurance on the vehicle, because the rental of this truck, per se, did not come under the lease contract signed with National under which Beatrice would provide all liability coverage for a specific leased fleet of vehicles.

The truck involved, however, was not one of the leased fleet. It was an extra, rented by Beatrice because it had need for an additional truck for a specific time.

National Car Rental is arguing that it is, indeed, Beatrice who should provide the liability insurance on this truck as well as others in the regular leased fleet because the driver had driven it several times before the accident and Beatrice obtained its normal contractual fleet discount when it rented the extra vehicle.

Jerry Ciardelli, corporate claims supervisor for National Car in Minneapolis, said "This additional vehicle was obtained at a discount, so we're assuming it comes under the lease agreement, and that Beatrice would provide the insurance."

In this case, Bernice Kovaciny, administrator of the estate of Edward Kovaciny, and Joan C. Devine, executor of the estate of Jack R. Devine, sued Beatrice, Ford and National (as well as Bill Boyer Ford Inc., seller of the truck, but that was thrown out right away) for \$4 million. The plaintiffs charged negligence in the ownership, operation, and maintenance of the truck.

BEATRICE countersued Ford, National and Bill Boyer charging the tractor-trailer semi-unit should have been equipped with front wheel brakes, even though they are not required under Illinois law. The jury decided for the three counter-defendants.

Mrs. Devine was awarded \$1,444,000, and Mrs. Kovaciny was awarded \$572,000. The reason for the difference in the awards was age of families and ability to support young children.

The accident involving the Beatrice driver and the leased truck occurred when cars were lined up at an exit off an interstate highway outside Chicago. Mr. Devine and Mr. Kovaciny were in the last car. The truck driver was unable to stop quickly enough when he noticed the line of stopped cars.

Could prevent multi-million dollar losses

FAA proposes warning device rule

By RICHARD L. GORDON

WASHINGTON—The pressure suddenly on to equip commercial jet airliners with an electronic "black box" that could provide the seconds meaning the difference between a safe flight and a multi-million dollar crash.

The Federal Aviation Administration (FAA) this month, after more than a year of thinking it over, has proposed a rule to require the big jet to carry a

Ground Proximity Warning Device (GPWD).

A year ago, this magazine reported that many National Transportation Safety Board officials believed the FAA was "willfully footdragging" on recommending the device in the face of mounting evidence of its worth in preventing future aviation disasters.

The device, a 16-pound computer costing about \$10,000, is designed to prevent what the air

safety experts call Controlled Flight Into Terrain (CFIT), i.e., crashes in which a mechanically sound aircraft crashes into the ground or water. For loss control men the effects of the move could be very significant.

THE BOEING CO. recently estimated that CFIT crashes normally result in total hull loss and an 88% fatality rate among passengers.

Estimating the replacement cost of a Boeing 747, the largest commercial jet now in use, at around \$25 million, and the average death settlement at \$250,000, the dollar loss for a Boeing 747 with 200 passengers aboard would be \$69 million.

Boeing, moving more quickly than the FAA, is already installing GPWD's on its new 747's as standard equipment and is offering it as a retrofit option on its other planes now in operation.

Pan American Airways, in deep financial trouble, is nonetheless spending \$2.9 million to install the device on its entire 145-plane fleet after being stung by a number of recent, costly crashes of this type.

Several foreign airlines, such as KLM and SAS have also installed the service on their aircraft.

American domestic carriers have been slow to adopt use of the GPWD, however, apparently because they believe the present high level of instrumentation aboard the plane and on the ground at U.S. airports is sufficient to prevent such accidents.

The FAA, which has the power
Continued on page 2

SAFETY/SECURITY REPORT

Nothing gets closer to the heart of the conservation of a corporation's human and physical assets than does the subject of safety and security. Our special annual report on the state of the art is on pages 29-70.

We look at the latest advances in the world of electronic security on pages 29 and 31; the controversy over who should be responsible for EDP security is looked at on page 34; industrial arsenics and health screening get attention on pages 36 and 38; the security in a Chicago department store is reported on page 40; the money crunch and what it's done, or not done, to corporate security budgets is on page 44; product safety at Samsonite Corp. is discussed on page 48; and, in our Perspective section (page 51), the insurance manager at Philip Morris Inc. writes of the unique safety planning at his company, while the manager of safety and loss prevention at SCM Corp. writes that "OSHA compliance is not enough."

Southern Pacific rail blast self-insured

Firemen battle fires in Southern Pacific Transportation Co. freight cars in Houston, Sept. 21, after an explosion ripped through yard. Damages have been estimated at up to \$10 million. In addition to self-insurance, the railroad has umbrella liability coverage, including third party liability with limits of \$50 million, with a \$1 million deductible. Lloyd's of London and numerous domestic insurers shares the risk.

(See story on page 12.)



National health plan to squeeze employers

NEW YORK—A national health insurance plan may supplant much of the current corporate employee benefit structure, but seems unlikely to lower employer health care costs.

These are several of the conclusions to come out of a study by The Conference Board, which compares 10 major health insurance bills now before Congress with health benefits provided by nearly 1,800 companies in a broad cross section of industries.

Under any national health program, corporations will pay a very large share of the total health bill, through payroll taxes, premium payments or general tax increases, the study notes. Premiums now paid by companies for employee health insurance plans would not necessarily be saved if a federal plan is enacted, author David A. Weeks, director of compensation and labor relations for The Conference Board, believes.

Given present inflation and union pressures, this money is likely to be used to purchase additional benefits or find its way into employee paychecks, he added.

"IF EVENTUAL legislation provides both full basis coverage and substantial protection against the catastrophic financial effects of serious and complicated illness, about 10% to 20% of American workers will have improved coverage," the study states.

But, workers "may have to begin paying for the first time;

they may have to fill out more, not fewer, claim forms; they may have to await Congressional action, rather than union contract expiration to obtain major benefit improvements, but their basic entitlements will, for the most part, remain undiminished," according to The Conference Board study.

FEDERAL ENTRY into the health insurance business would, the study predicts, have a five-pronged impact on corporate benefit programs:

- While the current private health insurance system is work-related, new minimum benefit levels would be established for both workers and nonworkers.

- To discourage hospitalization, major emphasis would be placed on preventive medicine and outpatient treatment, concepts which are not commonly found in private plans.

- Current corporate trends toward major medical care and dental insurance would be speeded up.

- Company costs would escalate regardless of which federal plan is adopted because benefit supplement, employer payments for premiums, and shifts in bargaining tactics can be expected.

- Present benefits from in-company health programs and so-called experience-rating plans may be lost.

The study notes that under all proposed federal programs new minimum health insurance

benefits would be established, and many of the poor, including some 20 million low wage earners not now covered by private insurance, would be protected.

Most bills emphasize preventive medicine and outpatient and ambulatory care, particularly for children, the study explains. Under some proposals benefits would be paid for child care, eye and ear exams, prenatal care and routine physicals. These features are not designed to alleviate shortcomings in private plans, but to reduce the role played by hospitals and lower the cost pressures of full time hospital care, The Conference Board study said.

Mr. Weeks believes that two burgeoning trends in corporate

health plans would be accelerated by national health insurance: Major medical insurance and dental coverage.

In the typical corporate plan, major medical coverage has increased from a maximum limit of \$10,000 to \$50,000 over the last ten years, he notes. Federal proposals would escalate this trend by including catastrophe insurance with no maximum limit provisions.

ONLY 10% to 20% of the surveyed companies offer dental insurance today, The Conference Board found. Almost all proposals for national health insurance would include dental coverage at least for children.

Americans spent more than \$60 billion for health care in 1973 and about 25% of this total was paid by private insurance, the bulk of it through group policies sponsored by companies and unions, the Board noted.

ger demands for new employer benefits, because many firms believe they must offer unique health care packages which stand out from the typical program. The Conference Board said.

If federal legislation and union bargaining patterns significantly increase the scope of coverage for the poor, high health-risk groups and the aged, the corporate share of costs for workers' coverage could rise more rapidly than the medical costs, the Board said.

House prods FAA into action . . .

Continued from page 1

to compel the American carriers to buy the equipment, has until this month tended to agree with the American carriers in the face of mounting criticism from the NTSB.

The FAA rule proposed this month would still not have the device on all aircraft much before late 1976, according to FAA officials.

Within days of the FAA announcement, however, the investigations subcommittee of the House interstate and foreign commerce committee bluntly told the FAA that they wanted the device on board sooner than that.

THE SUBCOMMITTEE also was openly curious about why the FAA had been so slow in moving to require use of the device.

Part of the reason has been that the only manufacturer of the equipment, Sunstrand Data Control Inc., has only recently perfected the instrument to make it useful in a number of different flying situations.

The device is triggered whenever the aircraft flies below electronically computed terrain clearance levels.

The warning it gives includes flashing lights, a whooping siren, and a voice command to the flight crew to "Pull up! Pull up!"

NTSB chairman John W. Reed told the subcommittee it believed the device might have prevented 15 air crashes since 1968 involving 490 fatalities, among them a crash in 1971 that killed 75 persons in West Virginia, including the entire Marshall University football team.

The subcommittee's chairman is Rep. Harley Staggers, a West Virginia Democrat.

CPIT crashes investigated by foreign governments during the same period accounted for another 841 fatalities.

In addition to that, there are five crashes still under investigation, which killed 179, similar to

these previous accidents. They include the Sept. 11 crash of an Eastern Airlines DC-9 jet in Charlotte, N.C. while on a landing approach.

"We believe that many, if not all, of these accidents would have been avoided had the pilot been alerted to impending impact by a ground proximity system," Mr. Reed told the subcommittee.

INCLUDED IN the list of potentially preventable crashes was the Sept., 1971, Alaska Airlines accident near Juneau, which killed 111, the worst death count in U.S. aviation history.

Boeing studies estimate that the device would prevent on the average 75% of these CPIT crashes, which already account for 56% of all commercial airline accidents.

The equipment additionally gives flight safety experts some idea of the flight practices of their crews since, every time the device is triggered by a near miss with the ground, the warning is recorded.

Pan American's director of technical flight operations told

the subcommittee that his airline has investigated one case in which the alarm on one of its planes already was triggered—and found that the aircraft was indeed dangerously close to the ground.

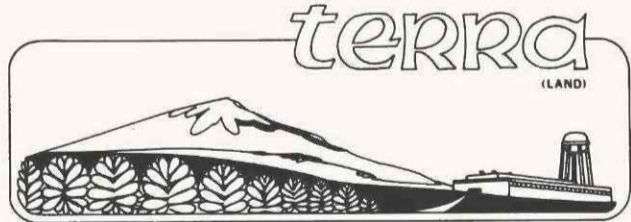
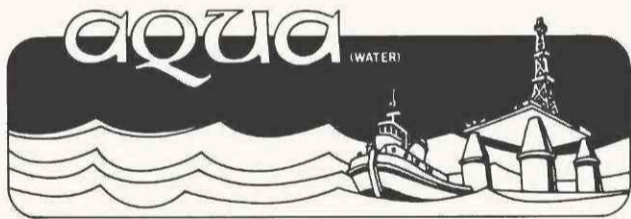
FAA chief Alexander Butterfield insisted to the subcommittee that the time the FAA has taken in moving on the issue has not been "unusually" long, but that Congressmen were not swayed.

The impact of the device on aircraft hull insurance rates, already considered to be very low, probably will be uncertain for at least a few years, particularly with insurers still reeling under the crash losses of the past two years.

Insurance rates on a Boeing 747 now range between 75 cents an \$2 per \$100 of coverage, according to a leading brokerage firm involved in aircraft lines.

That means annual premium for a 747 could run as high as \$500,000 a year for hull coverage alone, said an official at the firm. That is still less than the premium paid as recently as three years ago, however.

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Lloyd's profits hit \$185 million

LONDON—Worldwide profits for Lloyd's of London reached a record \$185 million for its latest accounting year. Results for the succeeding period should be reasonable, though there must be uncertainty because of the way competition is still affecting the market.

This is the overall assessment of the financial details which were presented at Lloyd's annual conference on underwriting business for the many countries it serves.

Chairman Paul Dixey told *Business Insurance*: "As inflation is now increasing at a faster rate than ever, many underwriters are naturally worried about the conditions in which they do business.

"Capacity in world markets is rising. But in order to keep up commitments, a great deal of cover is being placed in London at rates which must be unprofitable. Lloyd's premium income hasn't grown at the same pace as inflation.

"I reckon this is because we're having to accept lower rates so as to keep our usual business. I'm bound to say that some of it's still going to competitors at even lower-than-usual rates."

The accounting year in question—1971—showed as much as an 8.89% profit on a premium income of more than \$2 billion. These are new records. But there is still a doubt over the effect of succeeding years, as inflation and competition bite hard. Lloyd's traditionally bases its returns on a three-year accounting period, and hence is only now closing its books for 1971.

Mr. Dixey forecast: "The figures for the year 1972 give every indication that they will be as good as 1971, and these are results of which we can be proud.

"But it is extremely difficult to make any indication about the profitability of 1973 yet. Although the overall settlements show an increase, the final result should not be unsatisfactory.



The underwriting room at Lloyd's where almost every type of insurance is handled. Figures are in for 1971.

"I've every confidence that we'll come through difficult times without too much trouble, and that membership in Lloyd's will be a profitable long-term in-

vestment," Mr. Dixey said.

Challenging those who may feel rates are getting higher, he said: "Without a reasonable profit people cannot be expected to

put the whole of their fortunes at risk. Every member of Lloyd's does this to cover the very highly-valued risks that need protection in the world today." ■

Many grades are already under fire

OSHA 'report card' is due before end of the year

By RICHARD L. GORDON

WASHINGTON—Sometime late this year, the "report card" will be out on the Occupational Safety and Health Administration.

That's when the Bureau of Labor Statistics will grind out its second annual comprehensive survey of occupational injuries and illnesses, allowing a comparison of workplace safety in 1973 against 1972.

For people who like numbers, it will be very interesting reading, particularly inside OSHA, where one official admitted, "We seem to have alienated practically everyone."

That includes many sections of Congress, both management and

labor circles, and perhaps even the White House. It's no small accomplishment for an agency that only began operations in the spring of 1971.

This month, for example, Sen. Harrison A. Williams Jr. (D-N.J.), whose subcommittee on labor oversees OSHA activities, flatly stated that it was his belief that the federal job safety health law "has never been properly implemented."

IN THE HOUSE, more than 100 amendments to the Occupational Safety and Health Act were placed before the Congress, including some that would have abolished OSHA outright.

The White House is interested in the effect of OSHA requirements, as well as those from the Environmental Protection Agency (EPA), on cost pressures that have led to inflationary price increases for industrial goods.

In the private sector, management groups such as the National Association of Manufacturers and the United States Chamber of Commerce have been active in expressing their dislike for OSHA, particularly for its complex regulations and policies that call for mandatory fines for first instance violations.

Labor has more or less turned its back on OSHA citing its small force of about 800 federal inspectors as ludicrous in the face of the enormity of the nationwide safety and health problem.

The AFL-CIO, in fact, still has a federal court suit pending that challenges OSHA's authority to delegate its job safety and health responsibilities to state agencies.

SEN. WILLIAMS and others are particularly disturbed about OSHA's slowness in moving, whether it be in establishing new workplace safety and health standards or simply in adequately explaining existing standards to employers.

OSHA has not been particularly effective in refuting these charges. Early this summer,

OSHA chief John Stender told Sen. Williams that simplified explanations of OSHA standards had been delayed because his agency had trouble getting them printed by the Government Printing Office.

"Immediate applications of corrective measures" appears necessary, said the Senator "if OSHA is to have any meaningful effect on the safety and health conditions of the American workplace."

The Senator points to a number of "more disturbing" problem areas.

"After three years of record collecting OSHA has failed to develop the necessary statistical information by which to measure OSHA's impact on safety and health conditions. In fact, the current data system does not provide information in a form that is useful for management information and monitoring purposes," he stated.

"For instance, it is impossible to determine whether serious violations have been followed up, whether hazards have in fact

been abated, and whether OSHA is inspecting those establishments which seem to be more accident prone.

"There seems to be no uniform application of guidelines covering the issuance of citations in circumstances where there is employer unawareness of hazardous conditions; where multiple employer work sites are involved where there is no obvious employee exposure; and where the employer agrees to the immediate abatement of the hazard," said Sen. Williams.

"NON-SERIOUS VIOLATIONS account for an incredible 98.6% of all violations, with average penalty assessments of only \$18. In contrast, the number of serious violations totals only 1.3%, while willful, repeat and imminent danger violations constitute less than 1%. The low number of serious violations would seem to indicate either that (1) there is haphazard selection of establishments to be inspected which, subsequently,

bears little or no relationship to the serious accidents and illnesses which are occupationally related; or that (2) serious hazards are, in fact, being found but are not being cited as serious violations; or that (3) OSHA is devoting an inordinate amount of time to investigating and processing non-serious violations.

THERE HAVE been instances of unduly lengthy periods between inspections and the issuance of a citation even where death of an employee was involved, long delays, sometimes averaging over three months, are also involved in the processing of complaints," Sen. Williams criticized.

"OSHA has not exercised its authority to require employers to conduct inspections of their own work sites. Inspector activity in the maritime industry has declined dramatically since OSHA's preemption of the safety and health program formerly administered by the Bureau of Labor Standards under the Longshoremen's and Harbor Workers' Compensation Act. During fiscal year 1974, the number of establishments found in compliance by OSEA officials was 65% as compared to the general industry average of 26% in spite of the fact that accident frequency rates in the maritime industry remain excessively high. This indicates that OSEA has failed to direct its inspection activity to high hazard areas.

"OSHA has promulgated standards for only three hazardous substances in the past three years. Criteria documents submitted as long as two years ago are still languishing somewhere in OSHA's standards making process."

The Senator told Labor secretary Peter Brennan that "our subcommittee has been forced to conclude that the act has yet to be properly implemented. It has been shackled by an administrative ineptness which is being compounded by the lack of rele-

Continued on page 4

OSHA's objectives

WASHINGTON—The Bureau of Labor Statistics is expected to release 1973 occupational safety and health figures later this year.

The 1972 results that the Occupational Safety and Health Administration is out to improve are:

- reduce the nearly 5.7 million work related injuries and illnesses of 1972, including 5,500 fatalities;

- reduce the incidence rate of injuries and illnesses below 10.9 per 100 full time workers;

- reduce the 24.7 million work days lost to injury and illness suffered on the job;

- reduce the six out of every 100 occupational fatalities that are due to occupational illnesses, although illnesses accounted for only four percent of total of combined injuries and illnesses;

- reduce the disproportionately high injury and illness rate in the construction and manufacturing areas.

These figures exclude farms, mines, railroads, and government.



Worker welds a piece of steel. OSHA is watching through the use of a portable air-sampling instrument running through tube at the mouth.

OSHA 'report card' . . .

Continued from page 3
vant information."

Add to this general dissatisfaction, the serious ripples that were produced by having OSHA connected to questionable campaign practices in 1972. A memo from George Guenther, the OSHA chief at the time, suggested that the agency could serve as a sales point for the Nixon administration if it offered to industrial contributors a promise that no controversial standards would be proposed.

Congress, for the time being, has accepted OSHA assurances that no action was taken on that idea, but the bad aftertaste certainly remains.

Even insurance companies, said OSHA officials, have some criticisms for the agency's activities, although the insurers stand to

gain from OSHA's efforts.

"Their position is that OSHA essentially gets employers to follow a set of standards," said an OSHA official. "They believe that employers should get much more involved in the whole climate of safety."

THE OFFICIALS admitted that the insurance companies may be partially correct. "A good percentage of our standards are just common sense. They are standards that have been around for 5 years. It's not that they are being hit with anything new."

He said, however, that OSHA is moving ahead in what could be one of its most critical areas—education. The agency has allocated almost \$11 million to find out what the best method will be for carrying its safety and health

message to workers, where it counts.

And OSHA will be moving forward in the health area, although that promises to produce even more controversy than already exists.

"We don't know, nor does anybody else, the possible consequences of health hazards," an agency official said. "It's much easier to see a safety hazard than a health hazard."

OSHA officials are aware that when the 1973 data is available, they will be judged on just two years' performance.

"We think there will be a decline," said an official, "but everyone will reach their own conclusion."

"Obviously, unions and management have different expectations about what a safety program will do," he said. "The fact that we don't meet everyone's expectations is not surprising."

Carla responsible for extensive crop losses

NEW ORLEANS, LA.—Crop losses, particularly in sugar cane, may far exceed property losses in the wake of Hurricane Carla, which slammed into Louisiana early Sept. 8 with wind gusts of up to 144 miles per hour.

The Insurance Information Institute estimated insured property losses at about \$10 million, but the American Sugar Cane League estimated that cane growers might be out as much as \$100 million with only a small amount of that loss insured.

Crop insurance for sugar cane is written in 12 Louisiana counties by the Agriculture department's Federal Crop Insurance Corp. (FCIC), but FCIC officials told *Business Insurance*

only about 6% of the Louisiana crop is insured.

The \$100 million crop loss figure is about a 20% reduction on what growers had hoped would be a \$500 million crop.

GOOD WEATHER conditions could improve the crop situation by the time harvest begins next month, however, Charles Hodson, the Sugar Cane League's economist said.

Rice, another major group in the storm area, was about 70% harvested when Carla struck so crop damages, some of which are also insured, are not considered too serious.

FCIC has written crop insurance on sugar cane in Louisiana since 1960 and has yet to have a losing year. Agency officials estimate their risk exposure in the area to be about \$5 million.

The loss ratio through the 1972 sugar cane group is a comfortable 0.47, said FCIC officials. The ratio hit 0.89 in 1971 and 0.94 in 1972, however.

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State Blues add prepaid drug plan

HARTFORD—The state of Connecticut has added a prescription drug rider on policies for state employees and dependents with basic Connecticut Blue Cross health insurance coverage.

The prepaid prescription plan, being honored in an estimated 97% of Connecticut's pharmacies, covers upwards of 186,000 CBC group policyholders.

In a separate action, Connecticut Blue Cross is offering its 1.1 million group members additional coverage for outpatient diagnostic laboratory services and physical therapy treatments effective Jan. 1, with no rate hike anticipated.

State insurance commissioner Thomas White has approved contract changes, according to CBC vp John J. Kennedy.

Mr. Kennedy remarked, "For the first time, CBC members enrolled on a group basis can receive benefits for physical therapy treatments not only at a hospital, but also at a rehabilitation center, a physician's office, a chiropractor's office, or in a licensed physical therapist's office. The 30 physical therapy treatments to be available in a calendar year will not be contingent on a prior hospital stay.

"**DIAGNOSTIC** laboratory services," he said, "will also be covered when rendered in a hospital, physician's office or a private laboratory. These will include electrocardiograms, electroencephalograms and basal metabolism tests."

Benefits available under the state's basic no-fault automobile law will be excluded from coverage under existing CBC group contracts.

There will be no duplication of payments, since reimbursement will be considered secondary to coverage by Connecticut Medical Service (CMS) and other insurance company programs. The new benefits are not applicable at present to members enrolled on a direct-pay basis.

Mr. Kennedy added that the expanded outpatient coverage is "evidence of Blue Cross' continuing effort to encourage alternatives to inpatient services."

How to "chop down" a 185-foot smokestack

When long-time policyholder Al Paschke Construction Company Inc., of Ephraim, Wisconsin, came to us for coverage on their plan to dynamite a 19-story high, steel-reinforced concrete smokestack . . . well, candidly, we were a bit apprehensive. Especially because it had to drop *between* buildings containing hundreds of thousands of dollars worth of goods and equipment.

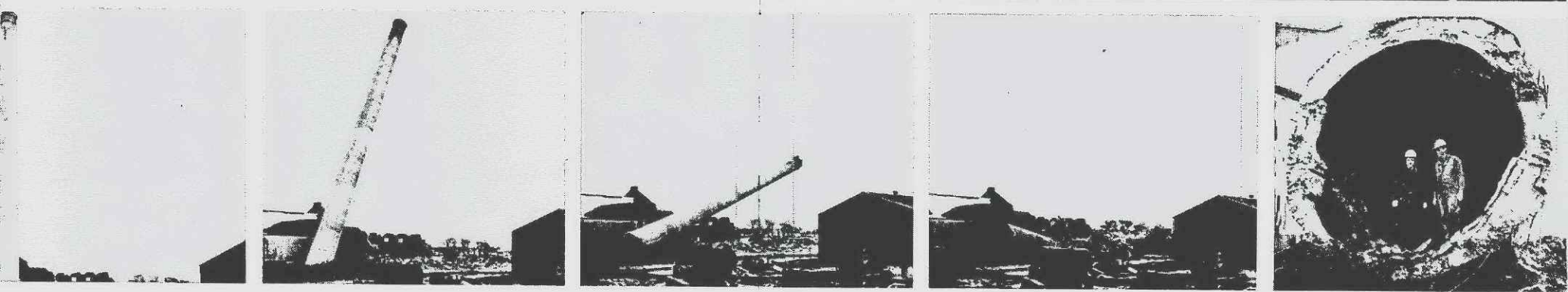
However, Paschke has a reputation for both skill and safety. And we have a reputation for sticking with our clients, and providing them with practically *any* kind of insurance that any kind of business could need.

So we studied the plan, helped develop the operating safety procedure, and provided our

own on-site safety consultant for the duration of the operation.

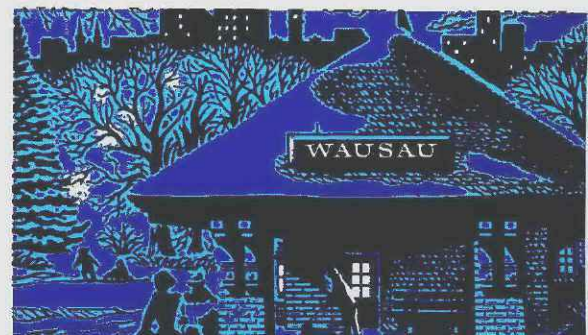
And, as always, they pulled off a perfect job. Using a technique similar to notching a tree on the "fall" side, Paschke severed it from its base with a carefully measured charge. The giant shivered momentarily, then fell in a slow, stately, heart-stopping arc that ended precisely where planned. No injuries, no damaged property, no sweat!

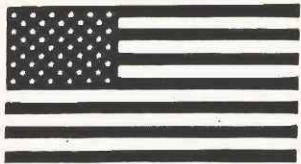
Paschke's case illustrates our assertion that we help our policyholders for all we're worth. And the degree of help you get is just exactly what an insurance company *is* worth. At Employers of Wausau, we make sure insurance works for you.



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washington watch

No penalties or interest on pension insurance premiums paid by Dec. 2

WASHINGTON—The Pension Benefit Guaranty Corp. (PBGC) will accept payment of termination insurance premiums, due Oct. 2, as late as Dec. 2 without imposing interest or penalty charges, the Labor department disclosed.

The premiums will be based on coverage for the remainder of any plan year now in effect. In other words, plans usually a calendar year will be assessed a prorated amount based on the

Sept. 2-Dec. 31 period.

The grace period for late payments of initial premiums was expected.

THOSE WHO file after the Dec. 2 deadline will be liable to interest charges at the rate of 6% a year. If payment is as much as 60 days after the Dec. 2 cutoff, an additional late payment penalty will be imposed on top of the interest.

Payments made 60 to 90 days after Dec. 2 will be in-

creased by a penalty amounting to 25% of the premium due. The penalty climbs to 50% for payments three to four months late, 75% for those five to six months late, and 100% for those more than six months late.

PBGC is to send premium billing information, including its first form, PBGC-1, to about 100,000 defined benefit pension plans. Officials said there is a chance for duplication because the agency is using both Labor

department and IRS lists.

Additional forms are available from PBGC at P.O. Box 7119, Washington, D.C., 20044, or at the regional offices of the Labor department's labor-management services administration.

Two copies of the PBGC-1 form, which is one page long, must be filed with PBGC for each plan supervised by a plan administrator.

Premium rates initially are set at \$1 per plan participant in single employer plans and 50 cents per participant in multi-employer plans.

PBGC OFFICIALS said there may be some confusion over who qualifies for the lower, single employer plan premium and advises plan administrators to adhere to the pension reform law's definition of "multiemployer plan."

To qualify, a multiemployer plan must have more than one employer required to contribute,

be maintained by one or more collective bargaining agreements, have no single employer making more than half of the annual contributions to the fund, and have benefits payable to all participants.

Form PBGC-1 will probably only be used for the first plan year that begins following the Sept. 2 enactment of the Employee Retirement Income Security Act.

PBGC officials said they expect to draw up new rules and regulations for future payments of termination insurance premiums.

PBGC also reminded plan administrators that they must notify the corporation within 30 days after the plan administrator learns of any of the following events:

- loss of tax qualification;
- a plan amendment which may result in a decrease in benefits;
- a decrease in active participants of more than 25% in one year or more than 25% in two years;
- an IRS determination that there has been a plan termination or partial determination for tax purposes;
- failure to meet minimum funding standards;
- inability to pay benefits when due;
- plan merger, consolidation or transfer of assets;
- any other occurrence that PBGC should decide in the future may be indicative of a need to terminate the plan.

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4-BI-2-20-1

Markets for marine cover to tighten

BERLIN—Despite a drop in the number of marine casualty losses in 1973, the dollar volume of losses soared, particularly in the collision category.

This record of heavy losses may cause a tightening in the world hull insurance market, said the American Institute of Marine Underwriters in its report to the ocean hull committee of the International Union of Marine Insurance, meeting here.

Marine underwriters are likely to be more conservative in their underwriting policies as a result of last year's losses, the worldwide conference was told.

However, in contrast to tighter markets resulting from heavy losses last year, the AIMU also pointed out that one of the factors creating a "weakness" in the world markets is "capacity which is in excess of present requirements and which has fostered extreme competition among brokers."

The AIMU also decried the practice of marine underwriters who "virtually ignore judgment in their quest for premium for investment opportunities at present inflated levels of return."

The institute's hull report also noted the continuing shift in loss payment patterns toward catastrophe insurance. A significant occurrence last year, AIMU said, was that total and partial losses paid accounted for only 3% of the number of payments made, yet consumed 48% of its premium.

The number of casualty losses dropped to 55 for the year, down from 64 in 1972. Increases however, were registered in collision and machinery damage areas. But the dollar volume of these lower losses rose 21% over 1972. This substantial rise was outstripped by the whopping 203% jump in collision losses and 133% in stranding losses, especially.

Michigan utility sues nuclear equipment suppliers

GRAND RAPIDS, MI.—Five suppliers of nuclear power equipment named in a Consumers Power Co. suit seeking "not less than \$300 million" in damages will probably be insured under their companies' liability policies.

Defendants named in the suit, filed here in federal district court last month are Combustion Engineering Inc., Ingersoll-Rand Co., Wolverine Tube division of Universal Oil Products Co., Bechtel Corp. and its subsidiary Bechtel Co.

A \$180 million nuclear plant near South Haven, Mi. was closed down last August due to corrosion in the steam-generator tubes, and damage caused by vibrations in the reactor-core internals, Consumers Power said.

Consumers Power is asking the court to "compel specific performance of the defendants' contractual obligations."

THE UTILITY contends that the "defendants breached the warranties and other obligations made in contracts for the design and supply of components for the plant." It also claims that equipment was defective and operating instructions for the equipment's use was inadequate.

It is a "reasonable assumption that they (the defendants) have insurance, but I don't know. Our suit is against the defendants, not their insurance companies," a Consumers Power spokesman told *Business Insurance*.

It is still too early to determine what type of insurance might cover a suit of this type, the defendants said.

If the damages are insured, it "would be under product liability, but is a lot more complicated than that," an insurance source at Ingersoll-Rand Co. said.

Although Combustion Engineering Inc. admitted that it has product liability coverage, the firm was not convinced that

damages would be insurable under the product liability policy.

A legal expert at Combustion Engineering said it could be insurable under a number of different policies.

"The complaint doesn't allege facts. It covers the waterfront.

Any one part or all of it may be covered by insurance," he said.

Wolverine Tube division wasn't even sure which product was being named in the suit. Therefore, it offered no comment on possible insurance coverage.

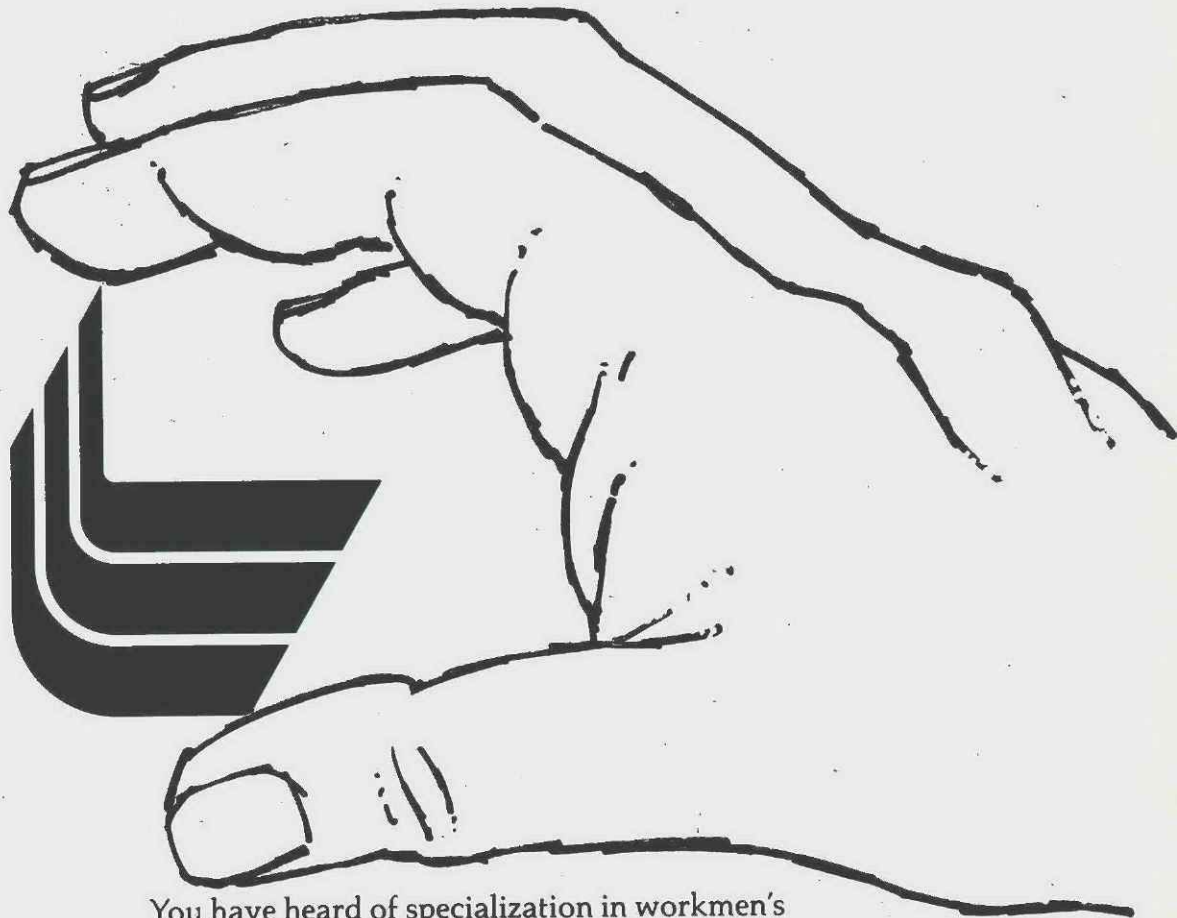
The actual breakdown of lia-

bility has not been set forth by Consumers Power Co., a spokesman there said. He added that the damage figure for each defendant will probably not be determined until the case comes to court.

Repairs at the nuclear plant

are underway, the company said. However, corrosion damage caused the utility to purchase what it considers less adequate replacement power costing in excess of \$30 million. The utility is seeking Atomic Energy Commission approval to reopen the plant. ■

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Premium income limit is proposed

WASHINGTON—The National Assn. of Mutual Insurance Agents (NAMIA) proposed to the Federal Reserve Board an amendment that would limit premium income for insurance-selling bank holding companies.

Presently a bank holding company and its subsidiaries may sell convenience insurance only to the extent that the entire holding system derives less than 5% of its overall insurance premium from such sales.

If the proposed amendment is adopted, the limitation on premium income will be extended to each individual insurance selling office of the holding company.

"Although adoption of the amendment will not end our debate with the Federal Reserve Board," Charles M. Boteler, Jr., president of NAMIA said, "it will be a step in the right direction." ■

Surplus lines carrier

The Sequoia Insurance Co., Menlo Park, Ca., a subsidiary of Kemper Corp., was approved by the Massachusetts insurance department as a surplus lines carrier. The company is licensed in California and operates as an approved non-admitted carrier in 45 other states.

Another move toward guaranteed interest income

NEW YORK—The deal isn't signed, sealed and delivered yet, but the Tennessee division of a large Chicago-based manufacturer is on the brink of selecting a new manager for its thrift plan.

More significantly, the Memphis unit is leaning towards an insurance company's guaranteed interest income plan instead of a large southern equity and bond manager aggressively pitching the same account.

This is the latest evidence of a growing interest in guaranteed interest income pension, profit-sharing and thrift plans. They've been available for several years from insurance companies but there hasn't exactly been a rush on them.

Although guaranteed interest income plans operate much like an annuity contract, guarantee-

ing principle and a specific interest, they differ in a number of ways from the more traditional annuity. And it's these differences, apparently, that are making pension, profit-sharing and thrift plans sit up and take notice.

"INSTEAD OF AN open-ended contract period offered by traditional annuities," most new guaranteed income plans offer five- to 10-year contract periods. Eight-year contracts seem to be the most popular.

And although that is hardly what a pension fund manager would consider "instant liquidity" it does give more flexibility with assets.

The guaranteed interest plans are frequently offered as an option in a larger master contract, and offer higher interest rates

than the typical long-term annuity.

Equitable Life Assurance Society, which has the largest spread among pension funds with its guaranteed interest income plan product, says that contracts yielding 8% and even 9% are "not unusual for us."

Leo M. Walsh Jr., Equitable's vp of pensions, notes that this year the insurance company has some \$50 million of pension fund assets invested in guaranteed interest income plans. Thrift plan assets in the same type of plan are approximately double that at Equitable.

The smaller Union Labor Life Insurance Co. jumped in the marketing race for guaranteed interest income plans in mid-1973. For pension funds it already has about \$25 million in pension assets in

the plans.

(Equitable has been marketing guaranteed interest income plans "in some form or other" for about five years, Mr. Walsh said.)

Charles R. Sormani, second vp, actuarial, for Union Labor Life said response from pension funds to the guaranteed principle-plus-interest features of the plan was "pretty good."

Union Labor Life sells and administers these plans only for pension funds. It also designs the plans for thrift plans and profit-sharing funds, but does not administer them as it does for pension funds, Mr. Sormani explained.

HE BLAMES ATTRACTIVE short-term rates for stemming what would have been even a bigger response by pension funds to guaranteed interest income

plans.

Aetna Life Insurance has been marketing a product called "Multivestor" since May 1972. Under this master contract, the giant insurer has options that are similar to the guaranteed interest income plans of Equitable, Prudential and Union Labor Life.

F. X. McLellan, Aetna's regional marketing manager, says qualified plan assets of pension, profit-sharing and thrift plans make up about \$40 million of Multivestor's \$50 million total.

The Aetna fixed-income option of Multivestor offers a per-contract minimum interest rate of 7.75% with a maximum of 8.35%.

Most of the major insurance companies are making guaranteed return plans available to pension funds now. Typically they skim about 1% off the top for their efforts, according to one midwest pension fund manager who is an avid fan of the eight-year, 8.75% interest set-ups.

Officials from insurance companies that offer guaranteed interest income plans disagree about whether any great marketing offensive is being launched.

Richard W. McLaughlin, vp of Travelers Insurance Co., Hartford, was the only one who said his company was pushing guaranteed interest income plans.

"WE'VE HAD A tremendous response from pension funds to this product, and we've been marketing it aggressively for about 18 months now, although it has been available for about four or five years, like Equitable's."

Mr. McLaughlin said that Travelers had about \$100 million in contracts from qualified pension, profit-sharing and thrift plans so far from for the product.

"We'll write them for any time frame up to 10 years," the vp said, but declined to reveal the interest rate span, calling it competitive information.

Other insurance company spokesmen were definitely more reticent about saying their companies were pushing this product more now than in the past.

Equitable's Leo Walsh also stopped short of citing a "trend" to more purchasing of guaranteed interest income plans.

"We're in an atmosphere of high interest that makes this look pretty sexy right now, but I would say it is pretty much a time thing," he added.

Maybe insurance companies aren't pushing guaranteed return contracts to pension funds more energetically than in the past, but to at least one bank marketing man who sells equity management programs, it would seem so.

Complaining about insurance companies edging in on his territory, he said:

"A few years ago you never even saw these guys. Now you bump into the monkeys every time you turn around.

"I think now is the time to buy equities, but they're really pushing their plans that pay 8.75% for eight years."

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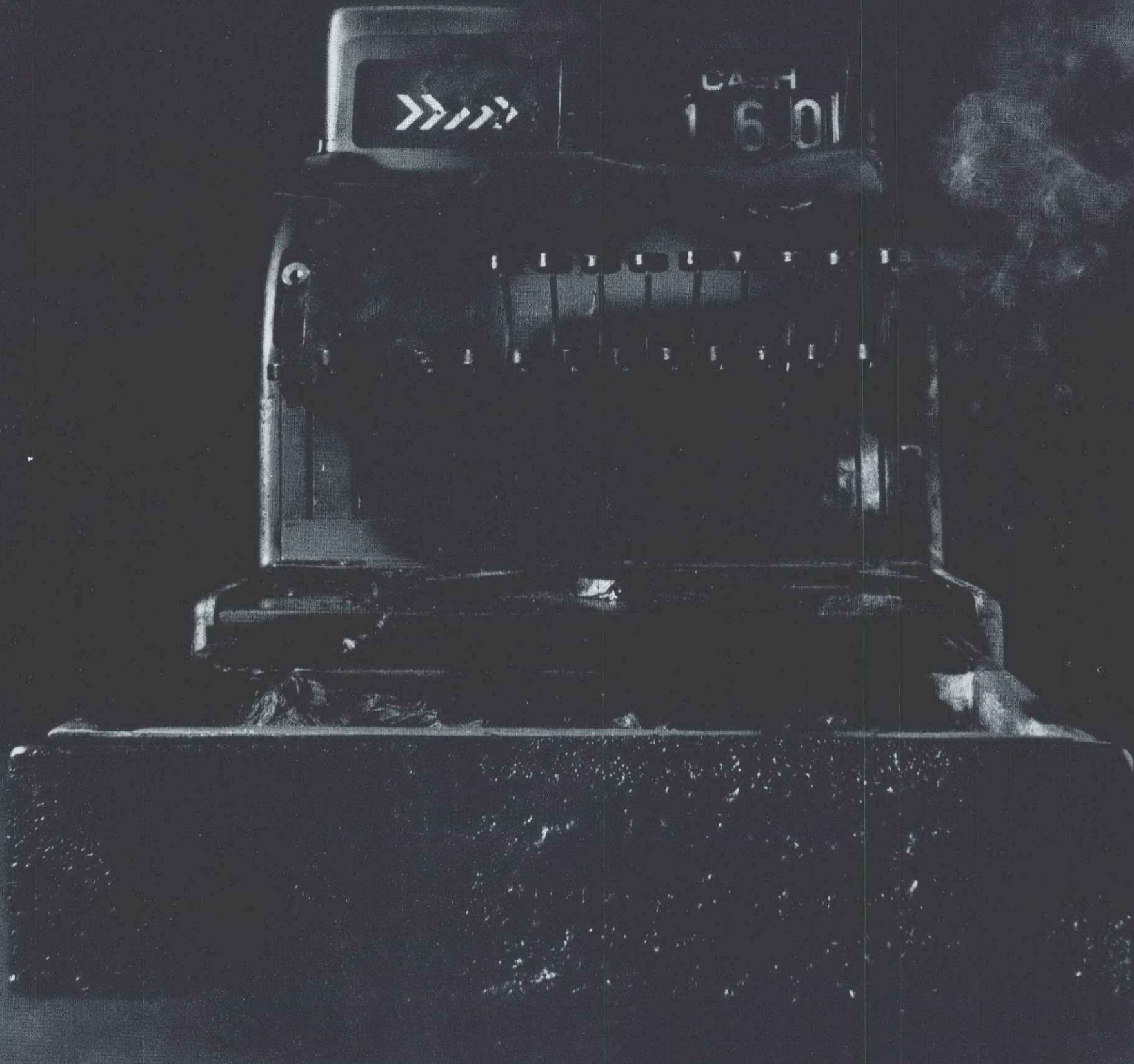
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ASIM chapter elects

At a recent meeting of the Minnesota chapter of the American Society of Insurance Management, the following members were elected to office: Dale Noyed, Dayton Hudson Corp., President; Ronald Johnson, Northern States Power, vp; and Burdell Wessels, International Multifoods Corp., secretary/treasurer. Also elected to the Board of Directors were: Wally Bell, Burlington-Northern Inc., and Howard Helberg, the Pillsbury Co.

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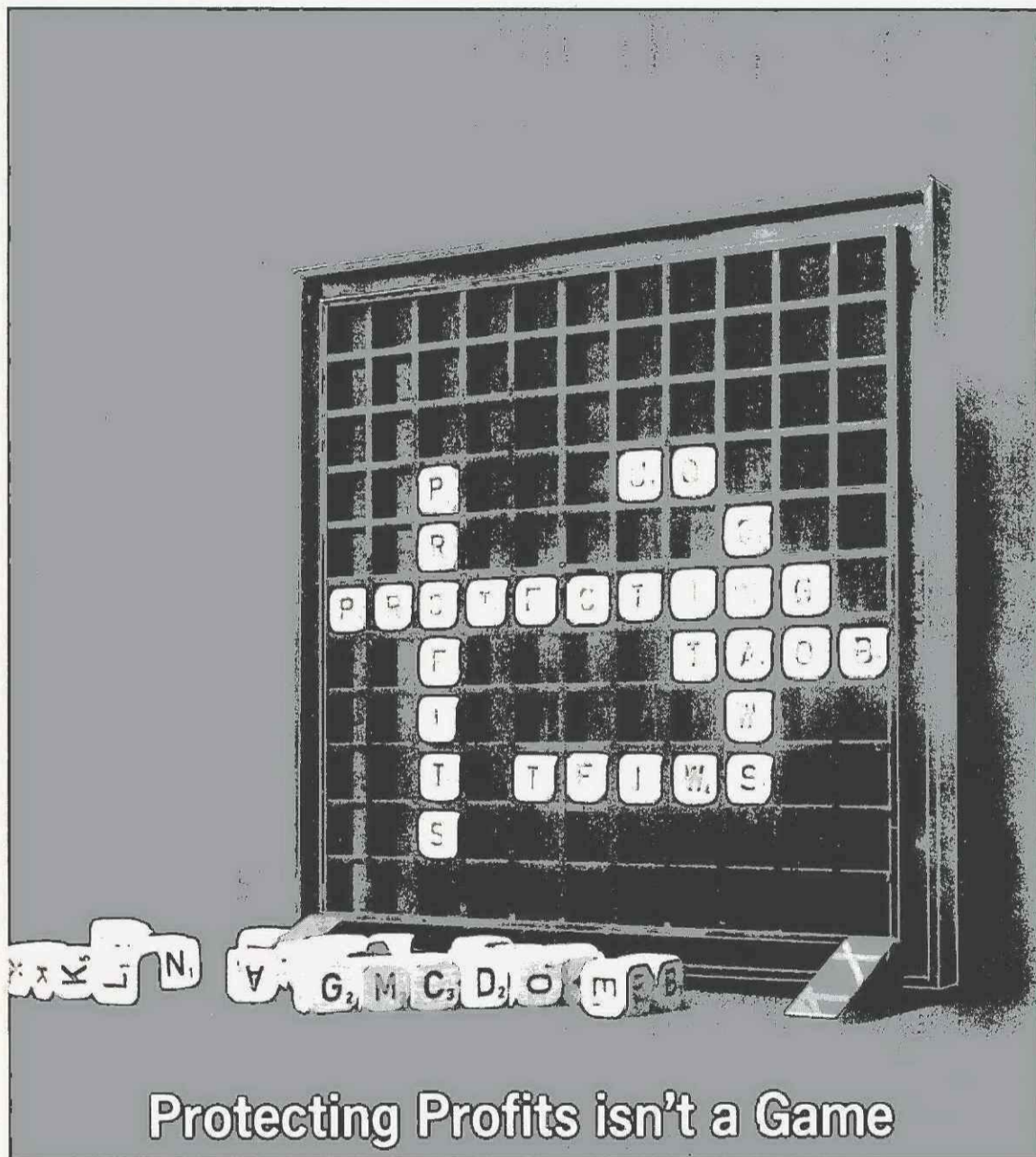
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• **Crime protection** for small businesses is the topic of **Crime Is Everybody's Business**, a brochure available from Zurich-American Insurance Cos. Included are 14 tips for protection of business property plus guidelines for keeping homes and apartments safe. For free copies write Communications Dept., Zurich-American Insurance Cos., 111 W. Jackson Blvd., Chicago, Il. 60604.

• **Code Call** is a fire protection code monitoring and advisory service which is offering subscriptions to its newsletter only for \$25. Write to James M. Hammack, Editor, Code Call, 100 Wilmot Road, Deerfield, Il. 60015.

• **Incendio!** is a 17-minute color film depicting a fire that took 179 lives and consumed much of the 25-floor Joelma Building in Sao Paulo, Brazil, on Feb. 1, 1974. Produced by the National Fire Protection Assoc., the film emphasizes the need to build fire protection into highrise buildings. 16mm prints are \$235 each from the NFPA Publications Sales Dept., 470 Atlantic Ave., Boston, Ma. 02210.

• The revised edition of **Digest of Bank Insurance** is available from the American Bankers Assoc. It covers all areas of bank insurance: evaluation of various bank insurance contracts, advice on assumption transfer and other risk-handling methods and insight into the coverages offered by essential and optional policies. The digest is kept up to date by periodic supplements that easily fit into its loose-leaf binder. Copies are \$17.50 each. Write the Order Processing Dept., American Bankers Assoc., 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

• **The Broker**, a publication of the Western Assn. of Insurance Brokers and the Insurance Brokers Assn. of California, lists the guidelines for highrise fire training and evacuation plans. This booklet includes procedures of training all persons who could be affected in a fire emergency. For a free single copy of the magazine write The Broker, 235 Montgomery St., Room 962, San Francisco, Ca. 94104.

• **Guidebook to Occupational Safety and Health**, published by Commerce Clearing House Inc. is designed, to help employers meet their obligations and understand their rights under OSHA. The book is written in nontechnical language and treats every aspect of the law, with emphasis on the employer's general duty, standards, inspections, citations and penalties. The guidebook is \$6 a copy and may be obtained by writing the company, 4025 W. Peterson Ave., Chicago, Il. 60646.

• A brochure from Cardkey Systems analyzes five different levels of security in terms of the types of access controls best suited for each level. Access controls covered range from the simplest mechanical type to sophisticated electronic multiple access control systems. For a free copy of the

brochure contact Cardkey Systems, 20339 Nordhoff St., Chatsworth, Ca. 91311.

• **Restore** is a CNA Insurance program to return persons with permanent physical disabilities to their fullest usefulness: physically, mentally, socially and vocationally. The program is described in an eight-page pamphlet available from George Hamilton, CNA Plaza, Chicago, Il. 60685.

• **Flood Insurance** questions and answers are available in a booklet from the Kemper Insurance Cos. The discussion follows from the opportunities available to



property owners under the new national flood insurance act. For a free copy write Advertising Dept., Kemper Insurance Cos., Long Grove, Ill. 60649.

• The Gypsum Assn.'s **Fire Resistance** manual has become the first industry document listing fire-rated construction assemblies to be referenced in the three major model codes. This manual can be used across the United States and lends uniformity to building codes. Copies are available, in bulk, at 85 cents each, plus postage. Write the association, 201 N. Wells St., Chicago, Il. 60606.

• **Friskem Magnetic Detection Devices**, a division of Infinetics Inc., has made available a folder of material describing the company's hand-held, walk-thru and intrusion detectors. The literature includes descriptions, applications, specifications and price information. For copies write Infinetics Inc., 1601 Jessup St., Wilmington, De. 19802.

• **High Rise Fire Safety**, a brochure from Honeywell, spells out the company's "control tower" philosophy of security and fire protection. The Honeywell control tower brings all intrusion and fire alarms to one central command post. The 20-page booklet covers the basic systems: electronic security and fire alarms, closed-circuit TV, cardreader access control, patrol tour and audio intercom. Copies of the brochure are available without charge from

Honeywell's commercial division, 2707 South Fourth Ave., Minneapolis, Mn. 55408.

• Insurors Press will offer a **Protection of Assets Manual** beginning in February. The two-volume handbook touches on all aspects of security, including structural barriers, locks, alarms, insurance on the protection of assets, data processing operations protection, theft and fraud prevention. It will contain an index, and supplements will be printed monthly. Cost of the manual is \$135 the first year and \$75 each following year. Inquiries should be sent to George Nordhaus, Insurors Press, P.O. Box 1430, Santa Monica, Ca. 90406.

• **This is OSHA**, a U.S. Dept. of Labor film on job safety and health, is available on a free loan or purchase basis throughout the country. The 16mm color film reports progress in the agency's first two years and covers standards-setting, inspections, training and education, state programs and voluntary compliance. The film may be obtained by free loan from any of 27 film libraries of the Modern Talking Picture Service in 19 states and D.C. For additional information about this and other films, write the U.S. Dept. of Labor, Occupational Safety and Health Administration, Washington, D.C. 20210.

• Fire Protection Co. has come out with a 28-page illustrated brochure entitled **Halon Vapor and its 10-Second War Against Fire**. It reviews in depth the Halon qualities in automatic fire protection. The brochure is informative and profusely illustrated. For a free copy, write Attn: R. C. Elder, Norris Industries, Fire & Safety Equipment Div., P.O. Box 2750, Newark, N. J. 07114.

• Norris Industries Fire and Safety Equipment division has a new catalogue of **Interior Fire Protection Equipment**. The 12-page brochure provides charts and illustrations of hoses, extinguisher cabinets, valves and other devices that will assist architectural and engineering firms choose insurance-compliance equipment for new building plans. For a free copy of the catalogue write Assn: R. C. Elder, Norris Industries, Fire & Safety Div., P.O. Box 2750, Newark, N.J. 07114.

• Literature from Mosler details the company's concept of lock security and explains the variety of lock systems available. Seven different types of locks are shown and their function and applications are explained. For a copy of the literature write Mosler, Dept. LF-73, 1561 Grand Blvd., Hamilton, Oh. 45012.

• Valuable information pertaining to the fire extinguishing mechanism of dry chemicals appears in the expanded appendix of the 1973 edition of the **Standard for Dry Chemical Extinguishing Systems**, now available from the National Fire Protection Assn. Copies are available for \$1.25. Write the NFPA Publications Service Dept., 470 Atlantic Ave., Boston, Ma.

• The National Safety Council has published a 1973 **Accident Facts** book, an annual statistical tool to determine causes of accidents and their prevention. The book is available for \$2.80 from the National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611. Orders should include Stock number 021.53.

• Top national experts describe the ultimate in community emergency

medical service from every aspect in **Emergency Medical Service, Systems—A Community Challenge**. Communication, transportation, training, the emergency department and financial support is discussed in this brochure by Employers Insurance of Wausau and the Liberty Mutual Insurance Cos. For your free copy write Roger Drayna, Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wi. 54401.

• Commerce Clearing House Inc. has published **Playing it Safe with CCH**, a summary of rights and responsibilities under the Occupational Safety and Health Act of 1970. The booklet emphasizes the act's general duty clause and employer responsibility to provide a safe workplace in compliance with OSHA standards. For a free copy write James Golden, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Il. 60646.

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ASIM . . .

Continued from page 1

about 20% of the society's revenues and that the society has been depending very heavily on income from its annual conference (about \$400,000 last year) for its year-round support.

Robert S. Spencer, vp-technical services for ASIM, said that any increase voted by the board next week "will probably be less than the \$200 that Bill Altstaetter proposed, but there's no question in my mind that we need one."

Some ASIM members complained bitterly to this magazine that society officers and directors have traditionally been very tight-lipped about society finances and that their handling of the dues increase question in recent weeks provokes the need for full and candid disclosure.

"We're financial managers," said one member. "We want facts and

figures. Why is the national ASIM office so damned secretive about the figures we need to justify an increase such as this?"

ASIM's Mr. Gentry, who is risk manager for the Times Mirror Co., Los Angeles, told *Business Insurance* that the society's first financial report to members "is now in the hands of the printer" and should be in the mail shortly.

ASIM HAD revenues for fiscal year ending June 30 of about \$700,000, according to Mr. Gentry. There was a deficit for the year of \$10,648, due largely to a \$10,000 contribution by the national office to the newly-created Risk Studies Foundation.

About 60% of ASIM's income is derived from the society's annual conference; 20% comes from dues; 16% comes from advertising revenues of the society's magazine, Risk Management; the balance is from miscellaneous sources.

For several prior years, the so-

ciety had annual surpluses of from \$5,000 to \$25,000 per year. From these surpluses, ASIM has built up a reserve of about \$100,000. This fund could be used if a financial emergency occurred.

If a dues increase of \$55 to \$120 a year is approved it will bring in additional revenues of \$121,000 (the society has about 2,200 member corporations).

However, because the society's fiscal year (July 1 to June 30) differs from its dues year (Jan. 1 to Dec. 31) only 50% of the additional dues revenues will be available for fiscal 1975.

About \$50,000 of the estimated \$60,500 in additional dues revenue available for this fiscal year has been earmarked for the following, Mr. Gentry said:

- Additional contribution to the Risk Studies Foundation—\$10,000;
- Additional research support for the national office—\$10,000;
- Additional legislative activities—\$17,000 (of this, \$12,000 is

planned for "Whereas," a new legislative newsletter that will be sent to members);

• Additional public relations efforts—\$10,000.

The society has also earmarked about \$3,000 for national office staff salary increases.

THE ALTSTAETTER proposal for the increase to \$200—described by one ASIM insider as "Bill's honest-to-God feeling of what dues 'ought to be'"—apparently received early support from Paul Kipp, ASIM's vp-public affairs and Ron Judd, the society's fulltime executive director. Both touted the proposal at several chapter meetings they visited in recent weeks.

A major concern of all three is that the society has depended very heavily on income from the annual conference to meet its fiscal needs. If a conference had to be canceled on short notice, or if attendance at one dropped dra-

matically, the society could be thrown into a deficit position rather suddenly, they say.

Initial concern along these lines arose just before last spring's conference in Toronto. Until a week before the meeting air traffic controllers in Canada were on strike, throwing air travel in that country off. At the time there was some very real concern by officers that there would be wholesale cancellations by those unable to fly into the country or, worse, a cancellation of the conference.

"Historically, we've worked on very small margins," said ASIM's Altstaetter, who is corporate risk man for Rockwell International.

"I said earlier that we would have to wrestle with the thorny question of dues, and now we must."

He added that a committee that has studied ASIM's fiscal position has recommended that the society accumulate a reserve that is equivalent to one year's fixed and continuing expenses (estimated at more than \$300,000 at present).

R.R. damage may reach \$10 million

HOUSTON—Southern Pacific Transportation Co. is fully insured through its self-insurance and layers of property and liability umbrella policies to cover damages estimated at "between \$8.5 million and \$10 million" as a result of an explosion here Sept. 21, a spokesman told *Business Insurance*.

The cause of the blast that killed the locomotive engineer, injured 74 others and caused moderate building damage in the area, has not yet been determined. One strong possibility currently being investigated is that a vapor gas, butadine, ignited and triggered the explosion.

Investigators on the scene looking into other possible causes include the Federal Railroad Assn., Department of Transportation, National Transportation Safety Board, Assn. of American Railroads and various insurance companies.

Southern Pacific is "self-insured for everything" one source said. In addition, the railroad has umbrella liability coverage, including third party liability with limits of \$50 million, with a \$1 million deductible. Sharing the risk are Lloyd's of London and domestic insurers, "too numerous to mention," the railroad said.

THIRD PARTY liability "may go as high as \$1.5 million for bodily injury and property to outsiders," as a result of claims filing, the source estimated. So far, the spokesman said, "very few claims have been filed here."

Property coverage, which includes rolling stock, track bill of lading and other equipment is carried by the Railroad Insurance Underwriters, Southern Pacific said. Limits on this policy were noted as \$18 million, with a \$2.5 million deductible.

Losses from railroad car damage alone may take a good chunk out of the property coverage.

In the explosion, 300 railroad cars were either destroyed or damaged. It is questionable, at this point, whether parts of the locomotive itself will be salvaged, a company source surmised.

Regular box cars are valued at \$20,000. Higher values are placed on more sophisticated, refrigerated models, costing between \$30,000 to \$40,000 each. The locomotive was valued at \$200,000 to \$300,000 by company employees.

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	(THOUSANDS)													
	10	25	50	75	100	300	500	1000	3000	5000	5010	5050	5100	5300
Auto B. I. Per Person	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Auto B. I. Per Occurrence	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Auto P. D. Per Occurrence	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
General Liability B. I. Per Occurrence	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Aggregate Products B. I.	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
General Liability P. D. Per Occurrence	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
General Liability P.D. Aggregate	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Personal Injury (e.g. Libel, Slander, etc.)	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Blanket Contractual B. I.	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Blanket Contractual P. D.	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Advertising Liability	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Care, Custody & Control	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Aircraft (Non-owned)	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Watercraft (Non-owned)	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Malpractice (Incidental Medical)	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing
Worldwide	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing	Existing

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Survey finds small firms lack risk managers, but buy sophisticated covers

WASHINGTON—A sizeable group of smaller employers already purchases group dental insurance for employees, and over one-third of the employers responding to a Nation's Business magazine survey also purchase group disability and group accident coverage for their personnel.

Nation's Business, published by the U.S. Chamber of Commerce, surveyed over 3,000 of its subscribers about their business insurance, and received answers from 722 subscribers, primarily in manufacturing, retail and service industries. They were small businesses, for the most part, with nearly three-fourths of the firms employing under 100 people.

Other survey findings included:

- None of the employers responding purchase group prepaid legal insurance or services for employees.

- More employers offer employees group auto coverage (3.5%) than group homeowner's insurance (0.1%).

- Nearly one out of every five firms buys directors and officers liability insurance for owners and management, the same percentage as those purchasing key man coverage.

- Most firms buy insurance from at least two underwriters, with a hefty 17.2% saying they deal with five or more insurance companies.

"We believe some coverages are entirely reasonable in cost (all forms of property, for example) and some unreasonable (D&O, products liability)," said a director of insurance and safety

RR not guilty in personal injury lawsuit

SPOKANE, WA.—The state court of appeals upheld a Walla Walla superior court judgment dismissing Union Pacific Railroad as a defendant in a personal injury lawsuit.

Also affirmed by the appellate court was a jury verdict favoring the remaining defendant in the action, Rickie Magnaghi, driver of the vehicle which allegedly struck and injured Gerald McKillip.

The injury to the UP employe occurred December 5, 1969, where railroad tracks cross Rose Street in the Walla Walla, Wa., area.

In a unanimous opinion the court ruled there was no evidence to support Mr. McKillip's contention that the railroad should have furnished him with reflective clothing while he was working at a crossing on a dark misty night, and that the crossing was improperly equipped with warning devices. ■

Acquisition raises gross

McDonough-Caperton Shepherd-Goldsmith, West Virginia's largest insurance brokerage firm purchased controlling interest in Smith-Hetzel Co., Charleston. The acquisition raises the annual gross business of the McDonough firm to more than \$10 million.

for a large manufacturing firm with over 500 employees. Nation's Business asked for comments from respondents as part of the mail query.

THE SECRETARY of a services firm employing over 100 but under 500 noted: "On our comprehensive general liability insurance, we notice too many exceptions in the products hazard exceptions. The costs for liability insurance policies jumped 15% in the last two years."

Some 73.3% of the firms purchase automobile insurance, fol-

lowed in frequency by general liability insurance (70.8%), fire and allied lines (59.4%), burglary and theft (49.4%), commercial multi-peril (33.9%), product liability (31.9%), and surety and fidelity bonds (31.3%). Just over one-fifth of respondents said they purchase boiler and machinery, and glass insurance. Inland marine is at the bottom of the list at 7.9%.

A high proportion of companies purchase group hospitalization (70.4%). Similarly, nearly three-fourths of the firms said they buy workmen's compensation coverage. The figures showed, however, that after these two leaders, utilization dropped off for such things as group life (56.1%), group disability (38.2%), group accident (34.5%), and private pension and retirement (31.2%). A rather surprising 7.2% said they now purchase group dental coverage.

One out of every four firms re-

sponding have changed insurance companies within the last two years, the survey showed. Over half the time they changed because of lower costs, but they also sought increased benefits.

MOST EMPLOYERS plan to leave employee benefit coverage the same in the next 12 months, with only 15% noting that they foresaw changes ahead. Several commented that they were keeping plans unchanged pending passage of a pension reform law.

A very large group of firms (71.5%) said they do not employ anyone whose primary responsibility it is to manage insurance and/or employee benefit plans. Over 45% of the responses, in fact, came from the owners and presidents of firms.

Brokerage firms were the object of several corporate comments. "For 30 years all insurance has been handled through one national brokerage firm,"

said a vp for a manufacturing company in the 100 to 499 employee size range, indicating satisfaction. (Insurance) "is a complex area and objective advice is hard to obtain. We hire a consulting firm but even they are brokers," grumbled the president of the same size firm in agriculture-forestry-fishery group.

The vp of a slightly smaller manufacturing organization sees insurance costs as excessive, and as a result "while not contemplating change in coverages, we will be shopping this year." This manager finds "major medical benefits difficult to administer and thinks employee major medical plans "should cover preventive maintenance" such as physicals before illness.

President of a company in the wholesale trade (25-49 employees) foresees that "inflation of inventory values will have a costly effect on our fire coverage before the year is over." ■

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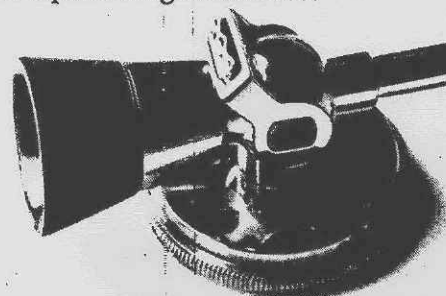
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Developer may save \$500,000 on wrapup covers in Michigan

DETROIT—Lower costs on insurance coverage for construction workers are the object of a special workmen's compensation wrapup policy which could save PIC Realty Corp., a Prudential Insurance Co. of American affiliate, some \$500,000 on a single project.

The project in question is the \$150 million Town Center in Southfield, northwest of Detroit, phase one of which is scheduled to be finished by the end of 1975. Three 32-story office buildings, three 30-story apartment buildings, two hotels, theaters, restaurants, a shopping mall, a tropical garden and a major retail store are being constructed under sole ownership of PIC with Henry C. Beck Inc. of Dallas, as general

contractor.

A PIC spokesman said that it is to date the largest PIC-owned project in the United States. The project's work comp coverage highlights legislation passed by the state legislature (HB 5010) and signed in August, 1973 which permits a wrapup policy to cover workmen engaged on projects of \$100 million or more.

THE BILL STATES specifically that the policy covers "in one and the same insurance policy, all the businesses, employes, enterprises, and activities of the employer. Under procedures and conditions specifically determined by the state director (department of labor) a separate

insurance policy may be issued to cover employes performing work at a specified construction site if the director finds that the liability under this act of each employer to all his employes would at all times be fully covered and the cost of construction of the site will exceed \$100 million and the contemplated completion period for the construction will be 10 years or less."

Ernest C. Fackler, director of Michigan's bureau of workmen's compensation, told *Business Insurance* that "the wrapup policy should help businessmen and provide for speedier notice to us should there be a claim problem." He stated "We hope that other large construction projects

will make full use of this new law. It should be an important incentive for further economic expansion in this state."

Along with executives of PIC and Marsh & McLennan, general agent handling insurance for the Town Center, Mr. Fackler noted that analysis of the workings of the wrapup policy could possibly lead to a reduction in the requirement that such projects be \$100 million or more.

THE WRAPUP policy, as such, is not new. It has been employed in New York, Pennsylvania, Illinois, Wisconsin, and other states, the executives said.

But Mr. Fackler said, "we are looking toward the future" and indicated that the Town Center project, as well as the \$500 million Renaissance Center project on Detroit's waterfront, are providing case histories on the workings of the policy for Michigan applications of the law.

The first policy approved by Mr. Fackler under the law was for the Renaissance Center project. The company which has insured the co-owners of the riverfront object (for which the developer is Ford Motor Land Development Corp.) is Employers Commercial Union, here.

The insurer for the Town Center project in Southfield is Travelers Insurance Co. There are other insurance companies involved in this coverage under a reinsurance program, sources noted.

THOMAS WELMERS of Marsh & McLennan, and Gerald Burpee, of PIC's real estate investment office, here, explained the workings of the wrapup policy:

The key to developing the premium base is workmen's compensation. Instead of policies for each of 50 or more contractors and subcontractors, (each of whom may add to his bill the premium paid to individual insurers, plus perhaps another 10% to 15% for profit and overhead when billing the general contractor, the wrapup policy obviates the need for this traditional procedure.

Instead of everybody "speaking for themselves, filing law suits, etc. and burying insurance sins" in the bills rendered individually by contractors and subcontractors, the paybacks go to the single owner when there are claims under the law, the insurance experts said.

Each of the contractors and subcontractors is covered alike under the wrapup policy, instead of having a variance in compensation ratings from the Michigan department of labor. Each of these contractors and subcontractors develops safety credits during the course of the construction project. The general contractor—through a safety engineer from PIC—"can exercise control over everybody."

Thus, the owner's costs are directly dependent on actual loss experience, according to Mr. Welmers, who observes that "a well-coordinated safety program will diminish loss."

"A GENERALLY accepted rule of thumb" for a safety program results in 1% to 2% off overall insurance costs," he added. He emphasized that it is extremely difficult to assess the cost savings of a wrapup project until after it is completed. A fact that may be misunderstood by contractors and subcontractors who balk at the wrapup concept is that each of them "goes in at par" under the wrapup policy, because of the blanket compensation rating.

Instead of a lot of safety engineers, adjusters, etc. running all over the project site, the general contractor's safety engineer and the PIC safety engineer have charge, Mr. Burpee noted. The general contractor provides ambulance, emergency ward, complete medical service, etc. The wrapup policy provides owner and contractor protective liability insurance while protecting workers on the project site.

Another factor in the wrapup concept that contributes to efficiency and less confusion is that bookkeeping on workmen's compensation matters is kept by one company—the general contractor, the broker and developer added. ■

Atlanta ASIM seminar

The Atlanta chapter of the American Society of Insurance Management will host a southeastern regional seminar Oct. 9 through 11 at the Stone Mountain Inn in Atlanta. For more information, write the chapter at 3800 First National Bank Tower, Atlanta 30303.

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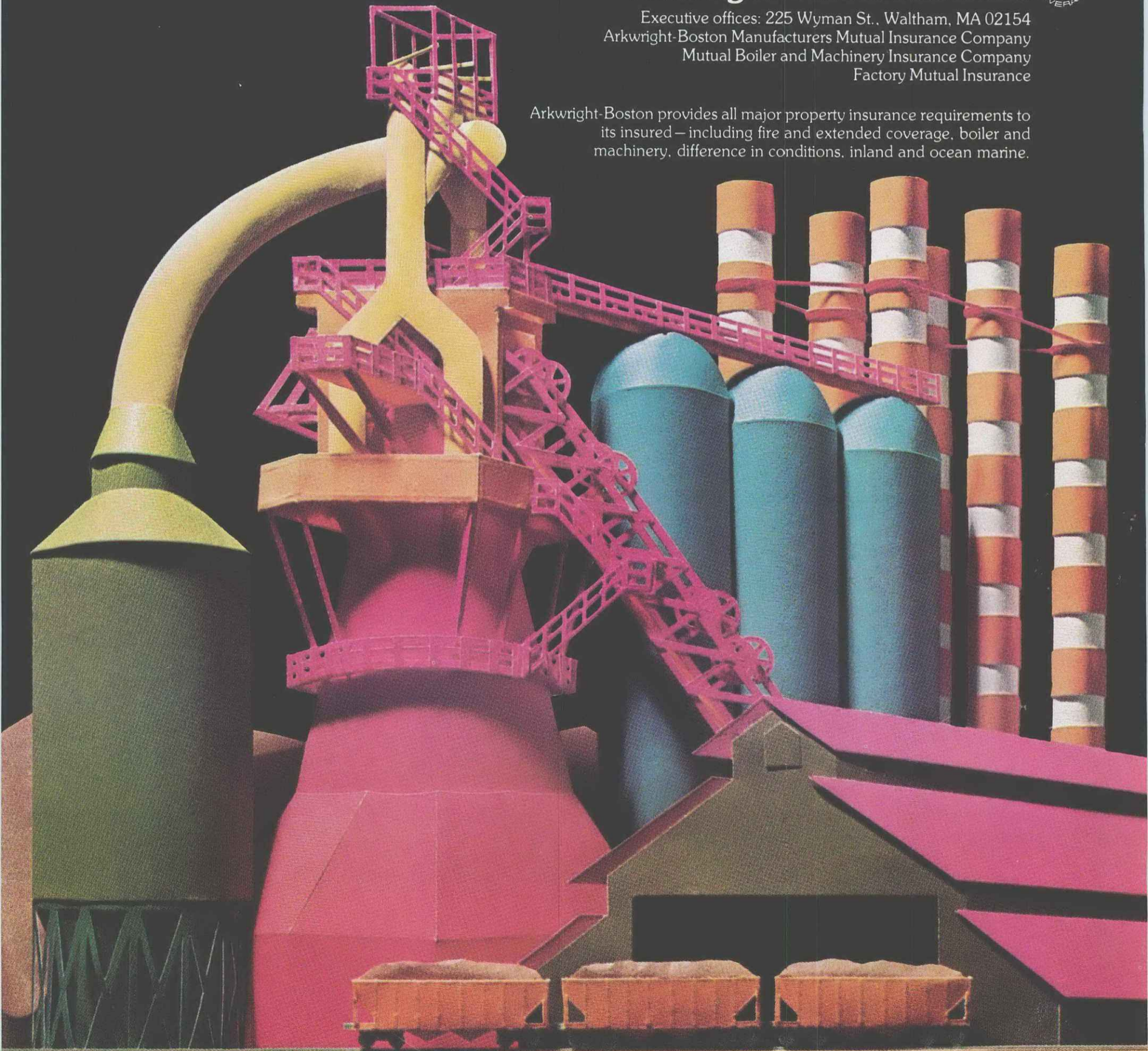
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Insuring federal employes' mental health benefits

WASHINGTON—Soaring costs and utilization rates of the "rich" mental health benefits package provided 5.2 million federal employes have injected a note of crisis into the annual negotiations between Blue Cross-Blue Shield and the Civil Service Commission.

The negotiations are conducted behind closed doors, but Blue Cross-Blue Shield reportedly has threatened, and then backed away from, a cut in the mental health benefits program.

The key to continuing the present high level of mental health benefits for federal employes is a commitment by the American Psychiatric Assn. to push ahead more rapidly with a peer review program to contain costs and eliminate over-use abuses.

The final 1975 Blue Cross-Blue Shield federal benefits package for 1975 is expected to be announced sometime next month.

BLUE CROSS-Blue Shield insures about 60% of the federal employes, with Aetna Life Insurance Co. handling about 20% of the rest. The remaining 20% is split among several smaller insurers and among some prepaid programs.

The cost crunch could have spelled the end to the mental health program experiment begun in 1967 which sought to cover mental illness to about the same extent that most plans covered physical health problems.

Under its "high option" program, Blue Cross-Blue Shield covered 80% of all doctor's fees, after a \$100 deductible, and 100% of any inpatient hospitalization fees, a mental health package considerably more comprehensive than most offered by private employers.

Blue Cross-Blue Shield officials said, however, that the mental health share of its benefits payout under the program has about doubled since 1967, to 10% from 5%. It currently amounts to about \$100 million of a total payout of \$1 billion a year.

The extensive mental coverage "high option" plan is subscribed to by about 91% of Blue

Cross-Blue Shield's federal customers, officials said.

The cutback proposal put forward this summer would have slashed benefits to 50% of all doctors' fees and a 45-day annual limit on hospital care.

Blue Cross-Blue Shield targeted some specific areas of abuse that they want the psychiatrists

to correct. Among those specified were doctors who charge more expensive individual treatment rates for group treatment; those who see 15 patients in a group when they should work with only about eight; and those who file multiple charges for a single visit to a hospitalized patient.

As mental health coverages be-

come more common, and more costly, the problem with the federal employes' plan opens several question areas that are likely to need time to be resolved, if they can be resolved at all.

BLUE CROSS-Blue Shield officials said they need the active help of the psychiatric communi-

ty to determine what are reasonable treatments and costs for services, but they frankly admit that there is often little agreement among the psychiatrists themselves about what methods are best.

There is also the question of what constitutes a mental "illness." One Blue Cross official told

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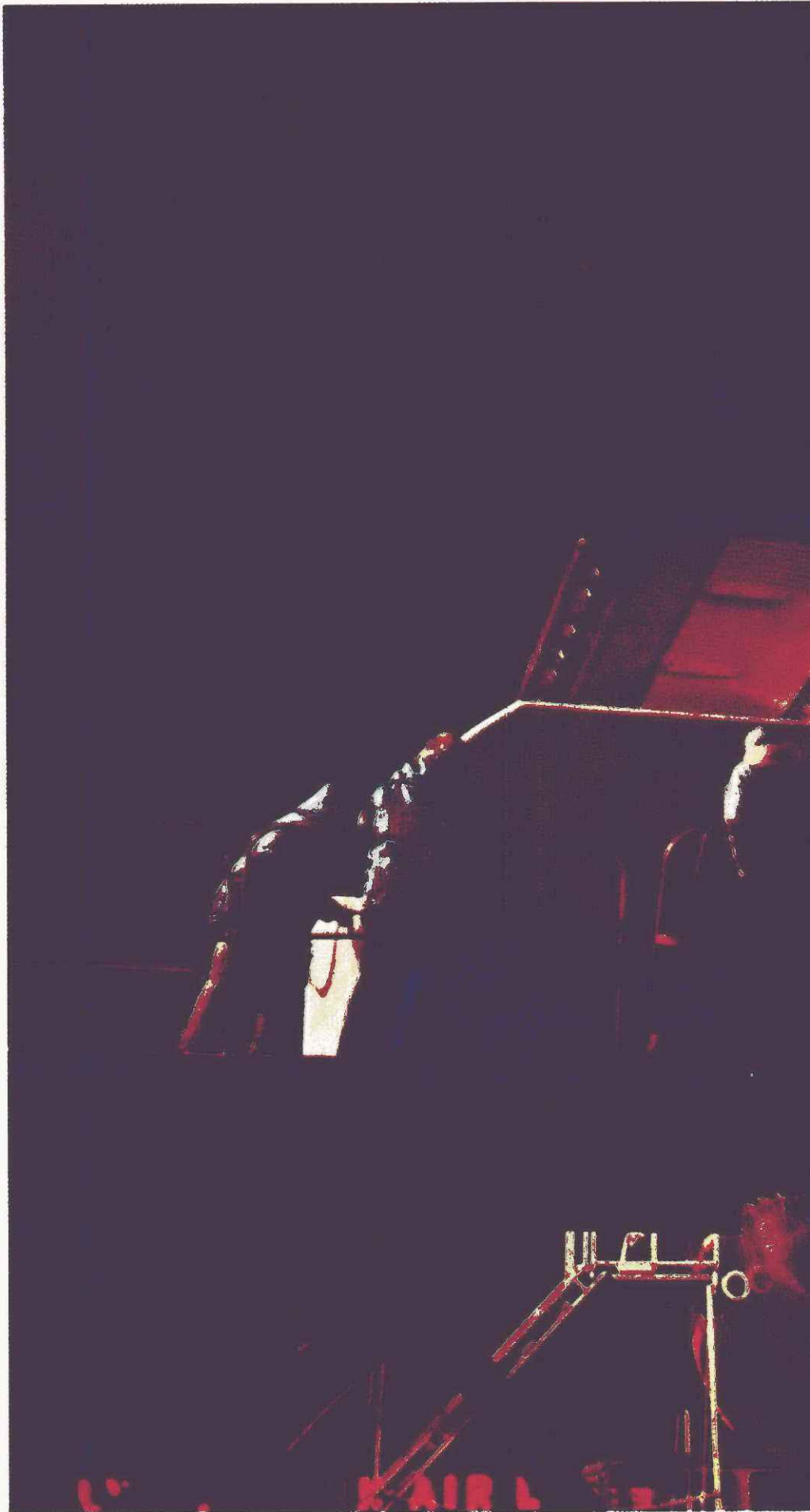
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causing concern

Business Insurance, "Blue Cross should not have to pay to keep people 'happy,' it should pay to keep them well."

The officials said that of the 10% or so of Blue Cross-Blue Shield covered employes that receive benefits in a year, about 1% receive benefits for mental health treatment. A year's treat-

ment can commonly cost \$2,000 per patient.

The psychiatrists, who have an enormous economic interest in what happens with this question, are working to take action to answer some of the questions for both the insurers and the employers who pay for the bill.

"We're very much involved in

trying to establish an effective peer review system across the country," Dr. Donald Hammersley, deputy medical director for the American Psychiatric Assn. told this magazine.

THIS MEANS, he said, "closer collaboration between providers and third party payers to make certain that programs serve the purpose they are designed for."

Such an effort will mean determining what reasonable level

of mental health benefits should be," Dr. Hammersley said.

"We're most anxious to dispel myths about mental health benefits and replace them with hard data to get an idea of what is a balanced package of mental health benefits.

"If you don't have an adequate mental health benefits program, mental health care tends to get disguised as a physical illness benefit," he said.

An adequate mental health

package should, therefore, cut some of the present physical care costs now being incurred by plans.

Dr. Hammersley admitted, however, that the psychiatrists' efforts at cost and quality control "haven't been too successful as far as the insurance industry is concerned."

WHILE THE benefits negotiated for federal employes frequently is a "bellweather" development for private plans, a Blue Cross-Blue Shield spokesman said he saw no immediate impact, whatever decision Blue Cross-Blue Shield eventually makes, on the mental health question.

"The extent of the mental health benefits makes the federal program unique," he said. "I do not necessarily see any immediate connection here for private employers to be concerned with."

There would appear to be little argument that the insurer's experience with the federal plan will affect their thinking on similar expansions for private employer plans, however.

Officials at Aetna, the second largest insurer of federal employes, said they were still in negotiations with the Civil Service Commission and declined to comment officially on their problems with spiraling costs.

MALCOLM McINTYRE, manager of governmental relations for Aetna's group division, said, however, "Peer review to handle utilization and cost controls is something we're very interested in, too."

Aetna, he said, would "applaud" any move by the psychiatric profession in that direction.

Both Aetna and Blue Cross-Blue Shield have a \$250,000 limit on health care benefits under their "high option plans."

Aetna's present policy for federal employes covers 100% of inpatient care costs up to \$2,000 a year. There is 20% coinsurance after that amount under the high option and 25% coinsurance on the low option.

Professional services, such as psychiatric fees, have a \$50 deductible and 20% coinsurance under the high option and a \$75 deductible and 25% coinsurance under the low option.

The civil service area is the second to draw government and insurance industry concern about the cost of mental health benefits. On July 1, the Defense department cut mental health benefits for seven million military dependents to 40 outpatient visits and 120 hospital days a year. ■

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Form new prepaid legal group in state

PORTLAND—The newly-formed Prepaid Legal Insurance Inc., will provide legal insurance on a statewide basis, said attorney Martin J. Howard, treasurer, and F. Jay Lutz, executive director.

The two officials described the proposed program to members of the Multnomah Bar Assn. as a professionally sponsored service which will resemble Oregon Physicians' Service-Blue Cross-Blue Shield and other prepaid health care programs.

Mr. Lutz said the premium per group enrollment member would be about \$7 per month, plus \$2.40 per month for inclusion of other family members. The insurance, he said, will be sold only on a group enrollment basis for the

first few years.

Mr. Howard explained that the Oregon state bar's board of governors appointed a study committee on prepaid legal insurance about 18 months ago. Last year, he noted, the bar membership appropriated \$25,000 to put the plan into effect.

MR. LUTZ said the purpose of prepaid legal services is to help persons in the middle-income group . . . approximately 70% of the population . . . better afford the legal advice they increasingly need.

The proposed program, he said, will emphasize "preventive law" by encouraging persons to go to lawyers before they get into

problems, and before their problems become severe or insurmountable.

After talking to 20 insurance companies, the new corporation selected Midwest Mutual Insurance Co. to underwrite the risk of claims outstripping premiums, he said.

Mr. Lutz pointed out that seed money to get the corporation into operation can be provided through a \$14 contribution by each of the Oregon state bar's 4,000 active members.

The prepaid legal insurance will cover a wide variety of legal needs, including "major trial benefits," he added.

The attorney of the policyholder's choice will be paid directly by the insurance company. Maximum benefits will be determined by a study now underway.

He emphasized that insured persons in Oregon will have unlimited choice of attorneys participating in the program. ■

Inflation hits retirees to tune of 8% to 9%

WASHINGTON—Inflation has raised budgets for the Labor department's typical retired couple by between 8% and 9% between the autumn of 1972 and the autumn of 1973.

The department's bureau of labor statistics has revised upwards its three sample budgets for retired couples over 65 years of age. The figures exclude personal income tax.

- A lower tier budget of \$3,763 a year, up 9.3% from the comparable 1971-72 period.

- A middle tier budget of \$5,414, up 9.2%.

- An upper tier budget of \$8,043, up 8.3.

"These increases were caused primarily by the very substantial

increases in food prices over this period," said the bureau of labor statistics, "about 20% for all three levels of budgets.

"At each budget level, the rise in food costs was more than triple the increase in any other consumption component," the bureau said.

"BOTH THE housing and medical components increased approximately five percent at each budget level."

These figures do not take into account the rapid rate of inflation in the last 12 months.

The Labor department describes the retired couple as a husband, age 65 or over, and his wife. They are assumed to be self-supporting and living in an urban area; they are in reasonably good health and able to take care of themselves.

The most expensive cities to live in, excluding Anchorage, Ak., were:

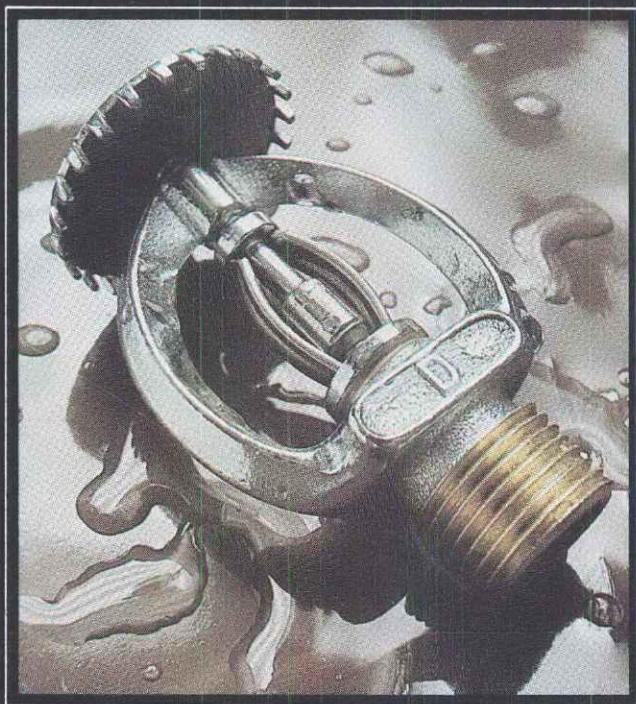
- Lower level—Hartford, Cn., \$4,290.

- Intermediate level—Boston, \$6,415.

- Higher level—Boston, \$10,013.

The cheapest place for the retired couple to live was, for all three budget classes, Baton Rouge, La., with typical budget levels of \$3,325; \$4,788; and \$7,156. ■

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Civil servants achieve new health plan

LAS VEGAS—A new health insurance plan which will save Clark County library district employees \$2,928 a year collectively was approved by the board of trustees.

Library director Charles Hunsberger reported the plan also will save the library about \$4,620 a year in premiums.

"After meeting for several hours with insurance groups we feel this is the best route to take," said Mr. Hunsberger.

Most county employees are insured by Fidelity Insurance Co. but premiums on the firm's coverage increased 41% during the last year, according to Mr. Hunsberger.

FIDELITY ALSO represented some 71 members of the Clark County library employe group plan, he added.

Mr. Hunsberger said Fidelity offered a monthly group package of \$2,270 while Sentry Insurance Co., which was awarded the new insurance contract, bid a total of \$1,640 a month.

He said the prime reason for approving the low Sentry bid was because of a sum of \$13,300 budgeted by library trustees in 1973 for insurance care.

The new plan will save both the library and library employees some \$7,500 a year.

The library trustees also approved an option for employees to enroll in Nevada Health Plans to further reduce health costs.

All premiums over and above what the library would pay for an individual's coverage by Sentry would be paid by those employees who enroll in the plan.

The library presently covers the worker's medical costs and one-third of all immediate family members' health costs.

At least ten workers would have to enroll in the Nevada Health Plans program to make it a valid plan. ■

WE'LL TAKE THE TURTLE

It's become quite fashionable for many companies, including some of our competitors, to characterize themselves as the "tigers" of the business world. When you stop to think about it however, the turtle is really a more remarkable animal.

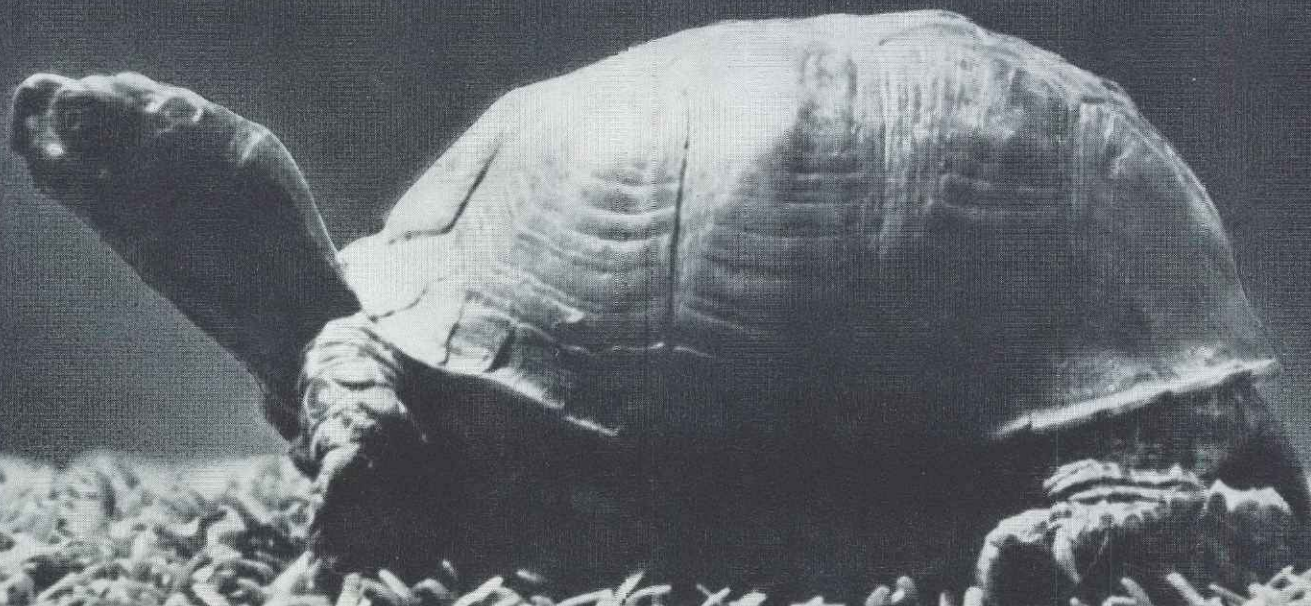
As a species, he's nearly 20 million years old. The tiger is a baby by comparison. Individual turtles often live for 120 years or more. Tigers are lucky to reach age twenty. Unlike the tiger, the turtle can live almost anywhere, and his basic design is so sound, it hasn't changed since the day he arrived. Legend has it that his steadfast character even earned him a victory over a rival with far greater speed.

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labor beat

UAW asks changes in profit-sharing plan it has with American Motors

DETROIT—A profit-sharing plan that has been in effect between American Motors Corp. and United Auto Workers since 1961 is currently under review.

Labeled a Progress Sharing Plan, it currently has a formula for allocation each year of 15% of the company's net earnings, less 10% of AMC's net worth. The plan to re-negotiate the PSP is included in a 38 page list of UAW collective bargaining proposals now being discussed by union-management representatives. The

new contract will replace a 47-month contract which expired Sept. 16.

The last distribution or sharing of profits was from an accumulation of \$3.3 million in a jointly-administered UAW-AMC fund which was paid to each of some 21,000 workers who were eligible in December, 1973.

THE DISTRIBUTION was the first from the fund since 1966. It included UAW workers at Jeep, in Toledo, which AMC acquired in

the late 1960s, along with AMC's other employees.

AMC's long history of ups and downs as fourth ranking automaker now appears to be headed for a second consecutive profitable year, after registering \$44.4 million net earnings in the fiscal year ended Sept. 30, 1973.

It is too early to ascertain what each worker's share will be of the expected distribution at the end of 1974 under the Progress Sharing Plan. Profit-sharing per eligible employe will depend upon

terms negotiated under a new contract.

The plan remains unique to the auto industry. It has not become a pattern for the industry as some thought it would when then-AMC president George Romney and the UAW negotiated it in 1961 as a sort of economic vehicle, a UAW spokesman noted.

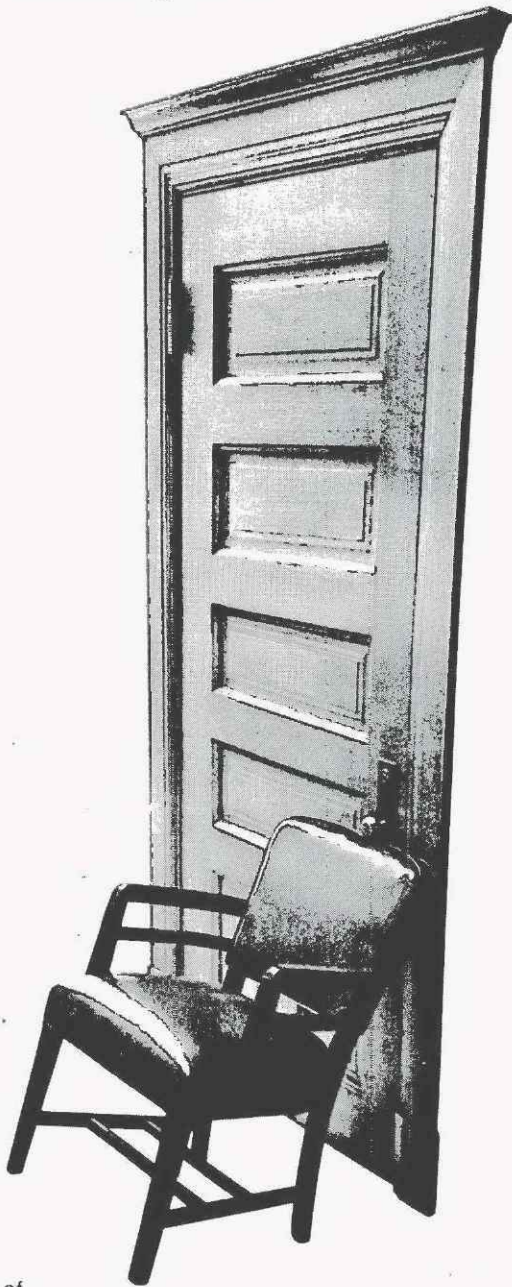
NEGOTIATIONS in Wisconsin (AMC's production base) are currently asking that all bargaining units be included in the program, or some 17,000 workers, and that the plan be reviewed "to improve the benefits and the eligibility provisions, including the progress sharing provisions for represented and excluded salaried employees."

Talks in Milwaukee also focus on UAW efforts to improve pension benefits, which the union claims lag behind those paid by the big three (Ford, General Motors and Chrysler). The UAW

also seeks a dental care program which would provide for comprehensive family dental benefits. One of the union's proposals, the dental program covers a "comprehensive prepayment plan of family dental care services with a full range of preventive, diagnostic, treatment and restorative services . . ." It would become effective Oct. 1, 1974. The big three last year agreed to a similar proposal in negotiations with the UAW.

Another UAW proposal is the 30-and-out option to retire from AMC with 30 or more years of credited service, regardless of age. The big three workers won this early retirement option in last year's talks. The UAW seeks to gain for such retirees at AMC a total income of \$625 monthly including Social Security retirement benefits. The UAW proposal on this issue states "the assumed Social Security amounts are \$230 for retirements between Oct. 1, 1974 and Oct. 1, 1976."

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AMC FOR its part is asking that the unrestricted right of union workers to refuse overtime be changed to the industry pattern. The company contends that this unconditional right (of workers) to refuse overtime limits its competitive position in the industry. The big three and the UAW finally came to an agreement over a limited form of voluntary overtime last year.

UAW rates pension benefits and pension funding and wages (8 to 9 cents an hour less at AMC than at the big three) as major problems. AMC rates steward-worker ratios and voluntary overtime as major problems. ■

Utility uses self-insurance to cover loss

SACRAMENTO—Self-insurance funds will be used by Pacific Gas and Electric Co., San Francisco, to cover costs resulting from a mid-May blowout and fire at the natural gas well the utility operates on McDonald Island near Stockton.

California state oil and gas supervisor John F. Matthews Jr. ruled that an "improperly trained" drilling crew following "poor drilling practices" was the leading cause of the natural gas catastrophe.

The well burned from May 17 until June 4, when the fire was controlled by drilling an adjacent relief well.

MR. MATTHEWS charged that both PG&E and the drilling operator, R.B. Montgomery Drilling Co., had "failed to fulfill the proper training needs of the crew."

According to Mr. Matthews "the crew followed poor practices while pulling pipe from the well and the crew was not fully aware of what its responsibilities were."

As a result of the catastrophe, on which PG&E refused to disclose losses and damage costs, Mr. Matthews recommended that the California division of oil and gas review its blowout prevention specifications.

In addition, each drilling crew in California will be required to participate in weekly blowout prevention training courses when drilling for either high pressure oil or natural gas.

Alarm systems to warn of impending blowouts must also be installed and be maintained in working order at all times. ■

MARSH & McLENNAN

The Knowledge Broker

Norse seeking bigger share of oil rig market

OSLO—Problems involved in risk coverage for the rapidly expanding offshore oil rig explorations in the North Sea are being studied by Norwegian insurance companies, traditionally interested in the marine market.

Many U.S.-owned oil companies are already engaged in the deepsea research off the various coasts of Britain, Holland and Norway.

They have primarily placed their insurance either with their own domestic insurers, or through the Lloyd's (and London) markets, which have the reputation of capacity and experience to deal with the huge liabilities to be faced.

But the Norwegian Oil Insurance Pool, of which the Storebrand Insurance Group was one of the founders, is now taking an active interest in drilling and production companies operating from its shores.

OIL CONSORTIUMS from other countries such as those with corporations in the U.S., have tended to use umbrella coverage placed in their own markets for worldwide operations.

But the Norwegian insurance companies now believe they can offer special services, based on knowledge of local laws and working conditions, which can supplement such coverage.

Marine insurance expert Gunnar Høy, of the Storebrand group, told *Business Insurance* in Oslo: "Much of the exploration work is based at Stavanger, on the west coast of Norway, so we think we can be the people on the spot to offer special services.

"We have set up a base in Stavanger where we can provide advice. Loss prevention is prominent in our thoughts. We have investigations going into loss prevention techniques as far as the special difficulties of the Norwegian oil shelf are concerned."

The Norwegian Oil Insurance Pool got its first oil rig cover last year when forty semi-submersible drilling rigs at a value of nearly \$2 billion were on order for Norwegian firms.

LIABILITY ISSUES which might arise from an offshore oil catastrophe have been assessed by another Storebrand official, Gunnar Brask.

He said, "Most people believe that the operating firm which has got a licence to explore a specific area must be absolutely liable for pollution damage which arises from it. Norwegian authorities, right up to the top level in our parliament, are studying the report of an official committee which has been reviewing complex liability questions.

"One of the questions to be settled is whether other people than the operating firm can be held liable.

"Under Norway's nuclear energy act, which became law two years ago, a nuclear plant has absolute liability for pollution, and liability for contamination damages cannot be placed elsewhere. If this concept is adopted on the oil side, it would mean that the operator, and only the operator, is held liable for any pollution damages. The rig would be free from liability.

"Because oil rig work is risky, but done for the welfare of all of us, the public ought perhaps to bear part of the top liability and there should be a limitation of the operating firm's liability.

"Oil companies have today to

give liability guarantees to the government which grants them a license for exploring, and this system may prevail alongside pollution insurance for years to come. But in the long run I think the idea of obligatory liability insurance being placed in national pools must be the right answer.

"In the case of pollution coverage, feel the damaged third-party should have the right to sue the insurance company directly. This is the system for Norwegian auto and motor car insurance, ski lift insurance and nuclear energy risks. To a Norwegian this is therefore an acceptable solution. But I fear we will have lots of protests from the London insurance market," he concluded. ■

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Vauxhall Motors sets pattern for British pensions

LONDON—Major new pension plans have been introduced for the 40,000 employees of Vauxhall Motors, Ltd., the U.K. vehicle manufacturing subsidiary of General Motors.

Vauxhall set a new pattern for the British auto industry, with improved benefits that will now allow plant workers to retire at 62 if they wish.

This is a big step forward in the U.K. pensions scene, where the traditional retirement age for

millions of workers has always been 65 for men, or 60 for women.

Social Security benefits provided by the state take over at these ages, with rates at the level of \$24 a week for a single man or woman, and just under \$40 for a married couple, though further improvements are foreshadowed to reflect inflation and rises in the cost of living. Corporate pensions provide additional benefits.

PENSIONS EXECUTIVES at the Luton headquarters of the company, thirty miles from London explained that the financial position of Vauxhall Motors in relation to General Motors is on these lines:

- Vauxhall Motors was founded in 1903 and has been the UK vehicle manufacturing subsidiary

of GM since 1925.

- It is a wholly owned subsidiary of its U.S. parent.

Also, as far as pensions are concerned, the Vauxhall (UK) plant in a pay agreement last year, confirmed an undertaking with employees to study and introduce improvements to the corporation's own and associated companies pension plan. These associated companies are General Motors Ltd. (manufacturers of automotive components) and General Motors Acceptance Corp. (UK) Ltd., (a finance corporation).

From the time the original corporate pension plan was inaugurated in 1946 the companies have set aside funds from their own trading operations to provide pensions for employees.

UNTIL THIS year no contribution was required from the employees themselves unless they wanted to make voluntary payments to increase their final pensions. Benefits were therefore lower than the new plan, being geared to one percent per year of pensionable service of the employee's last 10 years average base pay. Under the new plan all employees over 21 will contribute. Contributions will now be 2.5% of their pay, which will enable them to receive, combined with management contributions, a pension based on one and two-thirds percent per year of pensionable service of the employee's last five years average base pay. This figure is arrived at after taking account Social Security benefits which may be applicable on retirement.

Under the new scheme full credit for service with the company will start from entry age of 21, instead of 25, and earlier retirement is provided for in a variety of ways.

A management spokesman for Vauxhall Motors told *Business Insurance*: "We like to conform to the British pattern of employee pensions, which are naturally different in some respects from U.S. schemes.

"U.S. thinking comes into the exercise because the companies

are owned by a U.S. corporation. But we are not required to follow any pensions schemes arranged with the U.A.W., since we are British companies bound by U.K. tax laws and regulations.

"So the domestic U.K. pensions approach in general is the overriding influence. At Vauxhall Motors we checked out forty other British companies of various kinds to update our knowledge of U.K. pensions practices" the spokesman continued.

"THEY INCLUDED major competitors in the auto and component industry, and extended also to the leading companies in retailing, engineering, chemical and manufacturing industries. For there was a general feeling that our pensions plan, last revised in 1962 after being in existence for many years, was capable of improvement in line with modern thinking and development.

"As well as making comparisons with other companies, the fund's actuaries were regularly consulted and the forward pattern of state Social Security benefits, as anticipated early this year, played a significant part in determining the new plan.

"When we decided the pensions plan ought to be improved, we also invited appropriate union representatives to meet the management. Discussion groups met on average once a month and were of great help in formulating the new plan.

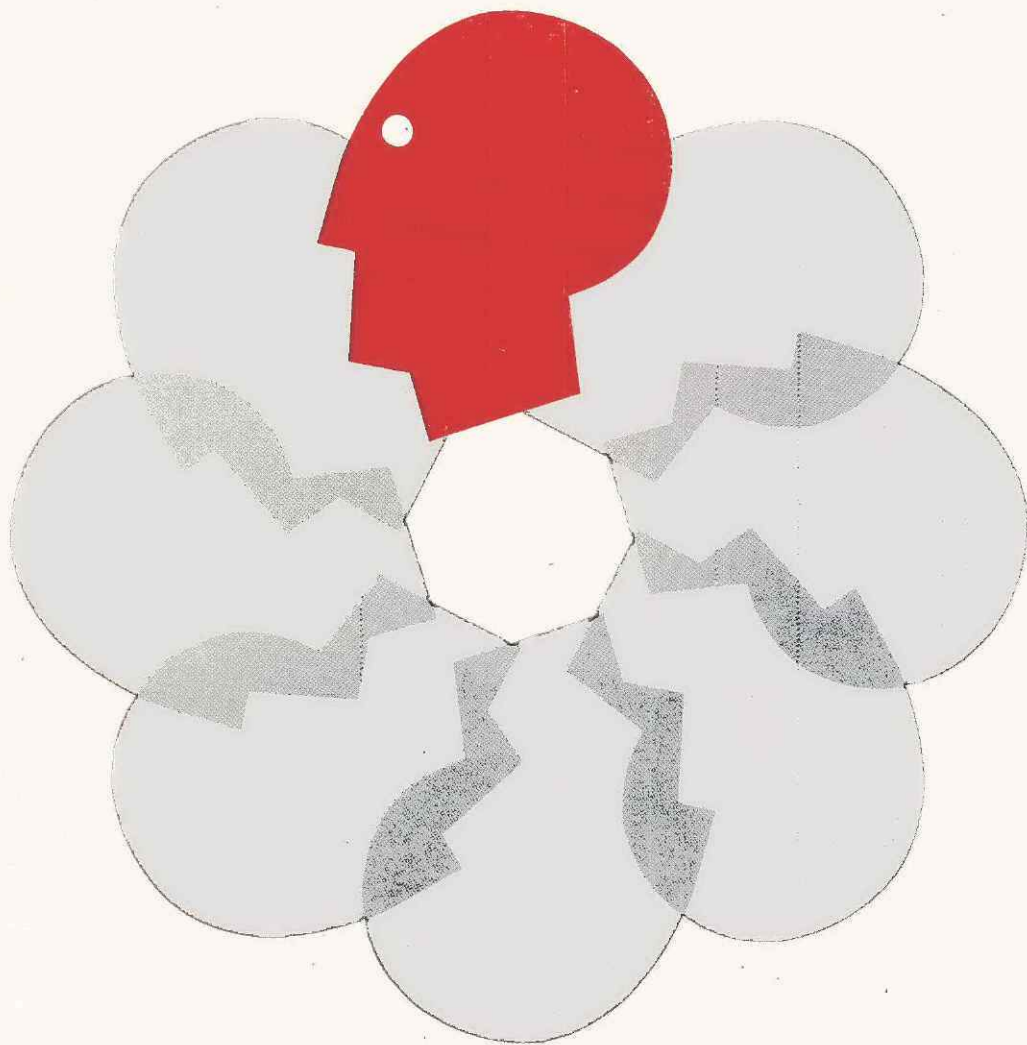
"VARIOUS technical changes were made in existing plans. The concept of a common pension plan for all employees, as originally propounded, was thereby reinforced. Importantly, the new plan has been well accepted by employees of all grades, resulting in a mutual improvement in employee relations," the spokesman pointed out.

It seems clear that the Vauxhall Motors approach points to an emerging new pattern of corporate pension arrangements in the U.K. and will be emulated by many other leading British companies in the future.

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Shirt-Sleeve Forum

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Rail car blasts trigger federal shield rules

WASHINGTON—The Transportation department this month refused industry protests and is insisting that railroad tank cars carrying compressed gasses be equipped with shields on each end of the car.

A \$20-million freight yard blast in Decatur, Ill., on July 19 would have been prevented had a tank car carrying Liquefied Petroleum Gas (LPG) been equipped with the shields, the department's Hazardous Materials Regulations Board said.

The tank car was apparently punctured by the coupler of a box car in a Norfolk & Western Railway yard. Seven railroad employees were killed.

"When these losses are considered, the economic 'cost/benefit' of applying head shields in accordance with these amendments becomes more advantageous," the board said in turning down industry arguments about cost.

INDUSTRY GROUPS had urged the board to consider requiring only a new and improved type coupler, which the board admitted would probably lessen the likelihood of punctures.

However, the board said a study of 29 cars punctured in accidents from January, 1970, to June, 1974, determined that 11 cars, or 38%, were punctured by rails or other objects.

The improved couplers alone would not have prevented these accidents, while the head shields would, the board insisted.

Industry officials argued that the installation of the shields is costly and time consuming, while the new coupler could be installed in much less time.

"The board was and is aware that installation of protective head shields will cause tank cars to be out of service," the board's refusal notice said.

"However, the board has weighted public safety against

inconvenience and believes that safety demands the installation of shields in order to prevent tank head punctures."

The companies seeking modification of the board's shield rule included the Phillips Petroleum Co., Cities Service Oil Co., Ethyl Corp., Pennwalt Corp., Amoco Oil Co., FMC Corp., Continental Oil Co., and three manufacturers of tank cars—General American Transportation Corp., North American Car Corp., and Trans Union Corp.

The Compressed Gas Association, Association of American Railroads, Manufacturing Chemists Association, and the American Petroleum Institute were among the associations to oppose the rule. ■

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Accounting seminar at U. of Dallas

DALLAS—The University of Dallas plans to hold a special fall seminar on financial and managerial accounting at its campus in Irving, Tx., with special emphasis on risk management accounting and accounting for captive insurance companies.

Scheduled speakers for the Oct. 14 through 18 conference include several risk managers: Jim Corboy of Dresser Industries, Ralph Gentry of the Times Mirror Co., Tom McMahon of Bonanza International and Dick Soper of Levi Strauss.

Ward Halla, a certified public accountant, will discuss the role and responsibilities of the corporate auditor, and the auditor's relation to the risk manager, with a focus on internal control.

Other topics to be covered are: Allocation of risk management costs to divisions; managerial accounting techniques for the risk manager including time value of money, capital budgeting, break-even analysis, and cost benefit studies; impact and timing of risk management on total corporate costs; self-insured funds; and contingency reserves.

For more information, contact Bruce Evans at 214-253-1123. ■

editorial opinions

Risk managers need product safety role

THE CONSUMER Product Safety Commission is still kicking around the problem of how to warn the public about "imminently hazardous" products that may be developed and marketed in the future.

The CPSC, in fact, has called a meeting of 32 representatives from the media, advertising and public relations in Washington this week. It's a meeting, we think, some savvy risk managers and an insurer or two should have been invited to also.

The concern of the CPSC apparently arises out of a recent test case involving a hazardous "trouble" light manufactured and distributed nationwide. The CPSC wanted the manufacturer and distributors to warn the public via paid spot advertisements on all three tv networks to run concurrently for three nights.

The manufacturer and distributors insisted, however that the warning could be effected through a comprehensive public relations job and hired a firm to get working on it.

In the meantime, Chief Judge George Hart of the Washington (D.C.) federal district court, weary of the wrangling over how the ad campaign would be done, and uneasy about the initial results of the public relations drive, got on the phone to tv network presidents and urged them to get the problem to the public on their evening news shows.

It worked, making NBC and ABC news on a Thursday. The following morning (Friday before Labor Day, a dull news weekend) all three networks showed up for a repeat of the "trouble" light demonstration staged by CPSC chairman Richard Simpson at Judge Hart's instruction.

It seems the judge is now convinced a public relations campaign alone will be sufficient when future imminent dangers occur. The judge praised the "magnificent cooperation" of news media.

A sister publication of ours, Advertising Age, had this to

say the other day: "It is by no means certain that the next time the Consumer Product Safety Commission needs to warn the public about an 'imminently hazardous' product it will find a federal judge who will volunteer to pick up the phone and plead with network presidents to make time available on the highly rated evening tv news shows. So," the magazine went on, "we need something better than pick-up arrangements where CPSC staffers concoct a strategy; respondent companies checkmate with a counter proposition; and federal judges find themselves trying to decide what constitutes an effective communications plan."

We agree with Ad Age's suggestion that some sort of device be found that would let the CPSC and other regulatory agencies (the Federal Drug Administration, for example, when a drug is deemed "imminently hazardous") "submit problems and proposals to a neutral panel of competent (communications) professionals so that fair and reasonable people can feel assured that the decisions carry the weight of peer review."

We think there's a place on such a panel for a qualified risk manager, too. After all, it's this person who must first confront the problem of recalling a hazardous product.

There's also a place for an insurer or two, for when it comes to product recalls or expensive alerts to the dangers of a product insurers can provide the valuable funding mechanism and spread of risk. Who knows, perhaps insurers might include such a thing as "hazardous product advertising" coverage in future product liability policies.

An insurer like Fireman's Fund American, for instance, has had many years' experience with a line of insurance that pays for product recalls. We bet they've learned a thing or two about communications.

The Consumer Product Safety Commission, like the good judge, should get on the phone.

Survey will assist readers, profession

THIS MAGAZINE asked 600 corporate financial executives for five minutes of their time last last month when we mailed out a letter and two-page questionnaire.

The intent was simple: We want to put a face on the corporate risk manager/insurance buyer. We want to find out who buys property and liability insurance, who buys employee benefits and who they report to.

We want to learn who directs and manages safety and loss control for a company and who that person reports to. We also want to learn how the responsibilities of these people are changing; what they are paid; how many people they manage; what the budgets of their departments are; how much in premiums they pay for property and casualty coverage.

We also want to learn whether the company self-insures in any areas and, if so, where and for how long. We're also curious about the number of captives the nation's 600 largest corporations own and operate. And we'd like to know what

educational and work experience is now required of the risk/insurance manager.

To our knowledge, no one has ever come up with a statistically valid survey that answers all or many of these questions. Naturally we think such a survey, conducted by an independent and influential magazine such as ours, will be enormously helpful to corporate readers—and, we're certain, to the risk management profession. Later this year we'll disclose our findings.

So far, more than 100 executives have given us five minutes of their time, so we're well on our way to a statistically valid sample.

If the questionnaire is still on the left side of your desk, we'd appreciate it if you'd give us those five minutes now (our survey does not seek corporate identification). If you may have misplaced the questionnaire and would like to get another call 312/649-5278.

letters

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

Qualified points

To the Editor: There are several points in next to the last paragraph of the article on The Federation of Jewish Philanthropies on page 22 of your August 19 issue that should be qualified.

The name of the Chubb Company is Federal Insurance Company not Federation.

Furthermore, Federal Insurance Company does not provide primary liability coverage on ambulances. What they do provide for the ambulance is physical damage coverage, and an excess policy for the property damage liability portion only. This latter policy is for \$90,000 excess of \$10,000 property damage. All other vehicles are covered by Federal Insurance Company.

Bruce Angus

Bruce Angus Advertising Inc.,
New York, N.Y.

List of captives

To the Editor: Your report on the ASIM Conference which appeared in the May 13, 1974 edition of Business Insurance covered the Tuesday session sponsored by the Captive Insurance Company Association.

We are wondering if you have compiled any book or listing of all the known captive insurers and the identity of their owners. If such is available, we would appreciate it if you could furnish us such a list.

Gleeson L. Payne

Insurance Commissioner, state
of California, Los Angeles Ca.

Editor's note: The only list we've seen is one dated 1972 compiled by a European branch of American Risk Management Inc. Perhaps one of our readers can offer information on a more current list of captive insurance companies.

Reprint permission

To the Editor: May we have your permission to reprint an article entitled "State licensing of agents/brokers to toughen" that appeared in the August 5, 1974 issue of Business Insurance.

We would like to reprint this in our house organ "Contact" which goes to our agents.

Jeffrey W. Going

Director of public relations, The Home Insurance Co., Manchester, N.J.

Editor's note: Permission granted, with credit given to Business Insurance.

business insurance

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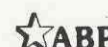
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Highrise life system laws grow tougher, but many 'monsters' left

By CHARLES WINGIS

LOS ANGELES—In the aftermath of recent horrifying highrise building fires in this country and around the world, there are encouraging signs that U.S. fire safety laws are changing to cope with the threat of fire beyond the reach of present firefighting equipment.

"Unfortunately," said a Los Angeles insurance executive who requested anonymity, "changes in the nation's building and fire codes are not due to any economic insurance incentives for building owners or pressure on legislators by the insurance industry.

"It's a shameful fact," he added, "but the hundreds of people who've died in highrise fires in the past couple of years can take full credit for bringing these code changes about."

CHARGES OF inaction on the part of insurance industry and its lack of leadership in fostering highrise building safety will undoubtedly be hotly debated in the years to come. But for the present, virtually everybody seems to agree, that with the spread of highrise buildings in land-scarce areas of the world, the highrise fire takes on a terrifying uniqueness.

A community fire chief in a Los Angeles suburb recently commented, "What we've done is taken our ordinary fire problems and put them 100 feet or more in the air. The builders are creating giant incinerators beyond the reach of the longest fire ladder. The structures are fire-resistant, but they're filled with combustibles that turn them into cookeries for humans."

A typical example of this unique characteristic of the highrise fire was grimly illustrated Feb. 1, 1974, when a fire broke out in a window air conditioner on the twelfth floor of the 25-story Joelma building in Sao Paulo, Brazil. The fire caused 179 deaths, 300 injuries and total destruction of the structure's office contents.

In his report, "South America Burning," in the July 1974 issue of the National Fire Protection Assn.'s Fire Journal, John Sherry writes, "... wiring for this air conditioner had bypassed the electrical control switch and circuit breakers for this floor . . . the building was not provided with even minimum life safety features necessary for survival in a fire situation . . ."

MANY OF THE occupants, said Mr. Sherry, went to the roof expecting to be rescued by helicopters, but heavy smoke obscured the roof and thermal columns created up-draft and lift problems that prevented the use of helicopters. He commented, "Money to create heliports on roof-

SAFETY/SECURITY REPORT

tops for the express purpose of rescue in a fire emergency would be better spent for the inclusion of more reliable life safety features such as fire evacuation alarms, fire detection equipment, protected means of egress from the building, compartmentation of the building to control fire spread, and fire control equipment such as sprinklers."

Of the 179 who died in the Joelma fire, 90 died on the roof awaiting rescue, 40 jumped from the building and 49 were incinerated inside. A survey of the building after the fire by structural engineers found it to be structurally safe. Conceivably, the burnt-out highrise could be rebuilt.

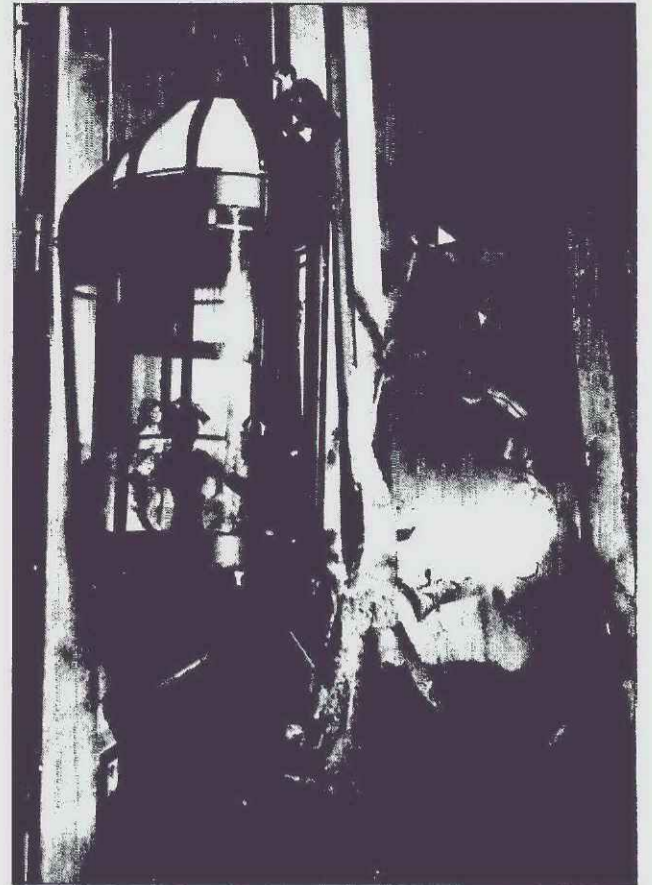
Although Los Angeles has not experienced a highrise fire anything like the Joelma catastrophe, there have been several others with loss of life that moved the city council to enact more stringent building codes. Following the 1970 fire that killed 19 persons at the Ponet Square Hotel, the council ordered owners of all the city's 1,550 old hotels and apartments (pre-1943 structures), three stories or higher, to protect or tear down their buildings.

THE COUNCIL GAVE the building owners a four-year moratorium to comply, but last year when 25 persons died in the Stratford apartment fire, the moratorium was reduced to one year. Most of the structures have complied or are in the process of complying with the tougher code.

Concern about the highrise fire has spurred legislation on both local and state levels. New state fire laws, such as Senate Bill 941 adopted July 1, 1974, provide regulations for all buildings exceeding 75 feet in height, the bill's definition of "high rise structure." In general, the laws require more extensive use of sprinkling systems, smoke and heat detectors, coordinated elevator control, voice-operated alarm systems and construction of fire-resistant compartments for refuge within the building.

Senate Bill 941 applies to "new high rise structures" or those on which construction began on or after July 1, 1974. As for the highrises built in and around Los Angeles before that date, "There are some beautiful multi-story buildings in this city which have totally ignored life safety in their design," reports one structural engineer. "They're death traps," he said, "and a lot of people are going to die in them one day."

One insurance executive estimated, "There must be a



Elevators become crematoria and another avenue of escape disappears in this Hollywood version of a modern high-rise fire called "The Towering Inferno," a joint venture of Warner Bros. and 20th Century Fox.

couple of hundred of these monsters around the country just waiting to erupt. When these fires occur they're going to be bad ones."

Before the enactment of tougher state fire laws, the owner of a new highrise tower that had no sprinklers commented to the press that it was his belief that water damage from the sprinklers would prove far more destructive to the contents of the building than the fire itself. As a result, no sprinklers were designed into the building, at the expense of life safety.

AN OVERALL tightening up of fire and building codes, particularly those pertaining to highrises is clearly discernible in cities across the country, according to Robert M. Gain, fire code coordinator for the International Conference of Building Officials (ICBO), Whittier, Ca. Mr. Gain holds the same post with the Western Fire Chiefs Assn. Inc. *Continued on page 32*

Burglars who could overcome old systems now think twice

Electronic security becomes more costly, complex

By ELISABETH M. WECHSLER

CHICAGO—Today's safecracker has to overcome everything from television monitors with hidden cameras to remote interlocking sets of doors, voice scramblers and infra-red beams to gain entry into modern, security-conscious businesses.

Security systems consultant Thad L. Weber, New York, says there's no way to generalize about usage of the electronic security systems available today, because security systems are

usually custom tailored for each business's environmental features and particular security requirements.

It's safe to say, though, that electronic surveillance and security systems are becoming more complex. Contact devices such as pressure-sensitive walls and windows wired to set off an alarm when broken are going out of vogue, according to several engineers who specialize in designing the most up-to-date systems. The reason: burglars are learning to overcome these obstacles.

Not all security experts agree, either. Don Darling, president of the Los Angeles consulting firm bearing his name, says that more noticeable devices like window foils, door contact devices and magnetic reed switches are still widely used as decoys for more sophisticated devices. For example, if a burglar noticed one of the more conventional devices he might assume that a break-in would be a snap; he might be expert at removing or deactivating these devices. In his smugness, the burglar might fail to search for more subtle security features such as pressure-sensitive mats on the floor near a door or window he was working on. In the midst of feverish activity he could easily trigger a silent alarm connected to the mat, which would alert a guard a half mile away at a central monitoring station.

THE DEGREE OF sophistication and expense to which security-conscious businesses will go depends upon two basic factors: The exposure created by the total environment and the value of what is being guarded. Chicago's huge Sears Tower, for example, is a showcase for the latest in electronic surveillance and alarm equipment. What makes the building unique is the way the structure's many systems are in-

tegrated, according to Bill Garner, Schirmer Engineering Corp. He is manager of the alarm systems design department and supervised installation of the Sears system.

THE EXTENT to which security systems can be used these days is illustrated by various features of the security system at McCormick Place On-The-Lake, the mammoth Chicago convention center. The system is estimated to have cost over \$1.5 million. An electronic monitor ever counts the number of people going in and out of restrooms. A warning device is triggered when the number reaches a certain level—and the number is different for the mens and ladies restrooms.

First National Bank of Chicago also is wired with an impressive array of the currently-in-vogue electronic security devices. More than 90 separate detection areas are monitored from one location.

Costly security systems provide one way of reducing insurance premiums as well as protecting valuable assets. But installation of a sophisticated electronic system does not guarantee a lowered premium. In some cases an insurance company won't even insure a business unless it has a security system—for example, if it's located in a high-

risk neighborhood or has a previous history of substantial losses by theft, the security becomes basic to the insurability of the risk.

Stan Bernstein, a spokesman for Aetna Life & Casualty Co. said "the effect of an electronic security system on premium costs is judgmental, from the insurance company's point of view. Most businesses make some effort to secure their property from assault, so how do you decide if this system is better than another?"

"SMALLER COMPANIES probably have a better chance of getting a reduced premium than large companies, as a result of installing an electronic security system," Carroll J. Hunt, director of security for McLean Trucking Co. in Winston-Salem (N.C.) believes.

With a system certified by Underwriters Laboratories, a company could be eligible for credits on its insurance premium if the system features meet standards set by the Insurance Services Office (ISO). According to Thomas Patton, bond underwriting officer for Kemper Insurance Co., ISO issues a burglary manual which promulgates credits based on the type of UL-approved system used.

"If a broad form of money and *Continued on page 30*

Pinkerton's computerized central monitoring system

WASHINGTON—Pinkerton's Inc. recently launched an experimental pilot project which uses mini-computers to monitor alarms for as many as 800 customers at once.

The two-year project is located in Washington, D.C., and "has been quite successful so far," said Irv Morey, assistant director of security for Pinkerton's. He said the central station services may be offered nationally in the future.

The service is provided to suppliers of electronic security equipment, not to direct users. The computers are in a central location in Pinkerton's. They receive alarms from all the customer's security installations.

Once an alarm is received, Mr. Morey explained, the computer printout gives the location of the crime and specific instruction about what should be done to answer the alarm.

This service costs \$10 to \$35 per month, depending on what is included.

Electronic systems . . .

Continued from page 29

securities coverage is sought, an approved alarm system can help credit the premium from 10% to 35%," Mr. Patton said. The amount of the credit depends roughly on the theft-proofness of the equipment and the effectiveness of the integrated systems, Mr. Patton explained.

"Let's say you have a safe in an office. If the safe door is wired, you get one point. If the whole safe is wired, you get another credit. If the walls of the room have sensors, it's even better," Mr. Patton said. "The best possible arrangement would be if the entire building were wired, including skylights in the ceiling. This is how you might get the full 35% discount," he added.

Mr. Patton pointed out, however, that these types of ISO credits are only part of the consideration in reducing premium cost. Factors also include such things as whether the business location is metropolitan or rural, whether the business is a supermarket or a manufacturer or railroad and whether or not there's a watchman on the premises. The credits

are then tabulated and figured against an experience rating.

"The experience rating will eventually benefit the net cost of your insurance because you'll cut down on the incidence of burglary or theft, with a sophisticated security system," said William Hull, director of Travelers Insurance Co.'s casualty and property department.

THE REASON to install electronic security equipment generally stems from one of the following reasons:

- a recent experience of significant loss through theft;
- insurance company pressure to cut down potential risks of loss in a high risk situation;
- federal or state laws requiring certain security precautions (e.g., banks).

Usually, an industrial customer does not install a security system merely to prevent a loss by theft, according to Schirmer's Mr. Garner. "A smart manager will not have a system installed unless he really needs it; there must be a cost-effective reason for this decision just as there is for any business decision," Mr. Garner said.

A consultant in electronic security systems is usually called in when a company decides it needs a sophisticated internal protection system, because the type of system chosen depends upon the unique needs of each industrial customer, Mr. Darling said, outlining procedures in such cases.

First, a physical survey is conducted to identify the assets that need protection. Intangible assets such as trade secrets are protected differently than negotiable securities, for example. A value is then determined for these assets.

Second, a "threat" analysis is

undertaken to determine how safe the neighborhood is. "We want to know what kinds of crimes we have to protect the customer's assets against," Mr. Darling said, "so we usually talk with the local police department."

THIRD, THE consultant puts himself in the place of a thief to evaluate how vulnerable his client's assets are. "We try to figure out all the ways a thief could separate the client from his valuables," Mr. Darling explained. At this point the consultant usually notes what security systems already exist, such as good locks, walls that are secure, etc.

After this investigation is complete, a report is prepared to recommend "one-time" expenditures. For example, the consultant may recommend that a new wall be built to make the area less vulnerable to theft.

Then specific surveillance and

alarm systems are considered, always with the particular client's business needs and security requirements in mind. "But price obviously can't be the main factor," Mr. Darling said. "Why should a manager buy something mickey mouse, only to have it fail on him?"

Mr. Darling said he writes the specifications for the components in the system in generic terms, then asks for competitive bids from suppliers he has found to be most reliable.

There are numerous suppliers of electronic security system equipment. Some of the largest suppliers mentioned by our sources are: Adcor Electronics, ADT, Advisor Security, ADEMCO, Diebold Co., Johnson Co., Honeywell, Westinghouse, Watkins-Johnson, Morse Signal Devices and Mosler Safe Co. Others are: Autocall, Gamewell, International Security Services, Notifier, and Wells Fargo Alarm Systems. ■

Court holds blast victims can't file suit

HARTFORD—The Metropolitan District Commission (MDC) of Hartford cannot be sued by two construction workers seriously injured when dynamite exploded accidentally in a sewer they were digging, the Connecticut supreme court ruled.

The state's high court upheld a Hartford County superior court jury's verdicts for the MDC on action filed by Carmen Mancini and John LaCapra.

The accident occurred Dec. 13, 1963 when a jackhammer operated by Mr. Mancini struck an unexploded dynamite charge that had been placed in the 22-foot deep sewer trench two days before, according to testimony at a joint trial on the suits against the MDC.

The sewer was being built along Main St. in suburban Rocky Hill.

Mr. Mancini, 26 at the time, and Mr. LaCapra, then 30, suffered severe facial burns in the explosion.

The two men, both West Hartford residents, worked for the Helm Construction Co., which had contracted to build the sewer for the MDC.

While the sewer construction was performed by the Helm firm, the MDC assigned an inspector who made checks on work progress safety of work area, the high court remarked.

Upheld was the lower court's verdict that since the MDC was liable for injuries to the two men under the Connecticut workmen's compensation act, the workmen's compensation commission could not also be sued. ■

Acquisition reported

Underwriters Service of the Pacific, a Honolulu-based insurance agency wholly-owned by Underwriters Service Inc. of San Francisco, acquired Kelley and Campbell Insurance Agency in Honolulu. Stafford W. Kelley was appointed executive vp in charge of the agency. Underwriters Service Inc. is owned by the Kaiser affiliated companies, with offices in New York, Washington, D.C., Oakland, San Diego, and Seattle.

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High costs means customers lease more equipment

'Motion detection' systems top popularity list

CHICAGO—Bill Garner of Schirmer Engineering Corp. highlighted some of the trends in sophisticated electronic security equipment for *Business Insurance*. He began by distinguishing between "electronic surveillance" which he said is known in the trade as monitoring, such as closed circuit tv, and "electronic security systems" which are interior protection devices designed to detect and trigger alarm systems. The latter type requires no monitoring unless the detection is triggered by an intruder.

"Motion detection—electronic equipment which detects the movement of a human-size object by the disturbance it causes in an electro-magnetic field—is cur-

rently one of the most popular types of equipment available in the ultra-sonic field, which operates at electrical frequencies slightly above the range of the human ear. Variations in this type of system are micro-wave and ra-

SAFETY/SECURITY REPORT

dar detectors. The primary difference between them is the frequency of the waves generated.

The latter two systems have directional characteristics and penetration characteristics somewhat different from ultra-sonic, Mr. Garner said.

Another type of motion detector

is infra-red, an optical device which is capable of viewing a large area. When an intruder moves into the optical field, radiant energy from the intruder's body is detected as the movement occurs within the boundaries of the optical system, Mr. Garner continued.

The only time motion detection equipment must be monitored is when an alarm is triggered, Mr. Garner said.

A second type of electronic detection equipment growing in popularity, according to Mr. Garner, is "proximity" (or "capacity") detection. It normally is used to protect a specific object. It detects the close approach or actual touching of any metallic object connected to the system.

It's not a motion detector because movement per se does not activate the alarm system. An electrostatic field is established which is part of a tuned-resident circuit. When the circuit is disturbed, the field changes and the alarm is set off.

A THIRD major category of electronic security equipment used frequently today is "electric vibration" detection and alarm equipment, Mr. Garner said. These are microwave devices attached to the surface of an area to be protected (usually a wall.) The device picks up vibration from the object being assaulted. It amplifies and interprets those vibrations, then transmits them

by wire to an operator or a central station.

All the detection systems trigger either local or "silent" alarms. Local alarms are situated in the immediate area of the detection equipment, while silent alarms receive signals from a detection area located out of earshot of the intruder.

The most sophisticated and complex security systems are those which have a combination of surveillance and alarm equipment, Mr. Garner said. Closed circuit tv cameras often are integrated with motion detectors.

CLOSED CIRCUIT cameras generally are placed in areas where there is a high probability of hold-up, such as in a bank lobby. The camera won't be activated unless a hold-up is attempted. Then, if a guard or the person being held-up sets off the switch, it acts like a slow motion movie camera taking about one frame per second. The primary purpose is to provide a means of identification of the robber.

Cost ranges for any of the detection equipment are hard to pin down, because of the customization factor. But they're usually installed as either a self-contained system or a modular system. A self-contained system is most practical when the motion sensors and the control circuitry is contained within an area of about 1,000 sq. ft., according to Thad Weber of Thad L. Weber & Assoc. Modular systems are generally more practical and economical for areas of greater size, with units covering approximately 450 sq. ft. each.

SELF-CONTAINED systems cost an average of \$200 to \$300 to install, with a similar annual charge for central station and other services. Modular systems cost about the same for the first unit, but additional units cost \$75 to \$100 for installation, with a similar annual charge for central station and other services. Mr. Weber cautioned that these estimates are only rough because they don't take into account any special features that a client might require.

Most of the electronic equipment systems used today are leased because that's generally the most economical approach, consultants said. For example, a top secret vault with maximum alarm protection might cost \$7,000 in equipment alone. It could be rented for \$140 a month from a security service company that also provides after-hours monitoring as well.

Make hazard kit available

HARTFORD—Reporting of defective consumer products to the Consumer Product Safety Commission (CPSC) has now been made easier for Hartford Group policyholders with the introduction of a "Hazardous Product Reporting Kit."

There is no cost for the kit, which consists of several reporting forms necessary for compliance with CPSC regulations.

Consumer product safety seminars are being held nationally by The Hartford to inform members of this new procedure available to them. Aspects of the Consumer Product Safety Act are being discussed as well.



The Maryland. People who get things done.

Highrise fire safety laws changing . . .

Continued from page 29

and has been active in the formulation of the Uniform Building Code and Uniform Fire Code, established by these organizations.

Said Mr. Gain, "Fire departments are recognizing that their capability of combating fires in upper stories is almost negligible. Many cities have found that even 75 feet is too high for them to do an adequate job because they have limited aerial equipment. The city of Imperial Beach, for example, has requested a code amendment to limit the city's responsibility for fire protection to 35 feet." Building owners will be responsible for the fire protection above that height, he said.

Other southern California cities are taking similar steps. Rather than waiting for state laws to be enacted, the city of Arcadia amend-

ed the municipal building code to require sprinkler systems in all buildings over three stories. The amendment also called for a complete fire control system, including sprinklers, public address alarm and controlled elevators, in structures over 55 feet.

West Covina, where a new 73-foot savings and loan building is planned, has a similar law and much the same legislation is pending in the cities of El Monte and Alhambra.

MR. GAIN and many other knowledgeable fire protection officials generally concede that modern high-rise fire safety begins with architectural design and must be built into the building. Built-in automatic protection, such as sprinkler systems, can be a trade-off, at lower cost,

for otherwise restrictive protective features that tend to lessen the utility of the highrise structure.

David Glass, a sales representative for Fireman's Fund, San Francisco, observed, "Architects and contractors find that automatic sprinklers help them to more effectively utilize the space in a building to get more rentable space. They know it's possible to produce a better building at less cost if it has an automatic sprinkler system."

Some notable examples of fully sprinklered buildings include the Sears Tower, Chicago; the Transamerica Building, San Francisco; and the Georgia-Pacific Building, Portland, Or., Mr. Glass said, "The new government building in Seattle is also completely sprinklered and this helps to reduce the insurance premium substantially, in

some cases as much as 70%."

With few exceptions, most insurance companies abide by the rating structure established by the Insurance Service Office, a national service organization whose staff inspects the buildings and sets the base insurance rates. According to A. H. (Abe) Hywater, ISO's pricing service manager, San Francisco, there is a very strong trend throughout the country toward tighter building and fire codes. Many communities are beginning to require automatic sprinkler protection for highrises, in combination with other types of protection/detection and communications systems.

SAID MR. HYWATER, "The NFBA standards which we follow have been somewhat modified on the requirements of the standards for sprinkler installations in highrise buildings. Some municipal codes and ordinances for highrises are permitting structures of

lesser fire resistance to be built if they provide other type of sophisticated fire protection in the way of automatic sprinkler systems and fire alarm installations."

In general though, Mr. Hywater indicates that the fire insurance rates set by the ISO do indeed provide incentives to builders for installing sophisticated fire protection systems. Substantial credits are given for automatic sprinklers and protection of stairwells, but even so there remains a strong feeling in the insurance industry that the ISO rating art has not caught up with the problems of high-rises.

Commented one insurance executive, "ISO still hasn't gotten around to recognizing and giving credit to many of the live-saving features that should be installed in a highrise building. Los Angeles has come up with some good regulations, such as requiring elevators for fire department use only and automatic return of elevators to the ground floor in case of fire, but there's no provision in any of the rate schedules that acknowledges these features. Yes, a great deal still needs to be done in the rating system to encourage the installation of better protective devices."

MOST BUILDING planners would agree that fire protection and safety features are as essential as high-speed elevators, elaborate air conditioning systems and architectural aesthetics. But do reduced premium costs really provide sufficient incentives for the highrise builders to install needed life safety features in their buildings? Many insurance industry observers believe they do not.

One who shares this view is John C. Fulton, southwest engineering manager in the combined property department of Kemper Insurance, Los Angeles. Mr. Fulton, who is current president of the Society of Fire Protection Engineers, told *Business Insurance*, "Traditionally, insurance rates on highrise buildings have always been quite low and from an insurance standpoint they have been desirable risks. In years past highrises were built with substantial floor cut-offs and did not contain as many combustible materials in the form of many plastic products. There were smaller windows, and spandrels on the exterior of the building helped reduce the chance of the fire spreading upward."

MR. FULTON said, "It used to be that it was not too likely you would have a totally destructive fire, with most fires being contained in a small section of the building. Then building styles changed and the all-window exteriors came into vogue."

Bad fires in the newer highrises were an inevitable result of building design, said Mr. Fulton. "Building officials and fire departments became very concerned about life safety features in these buildings and many good code changes came to be enacted.

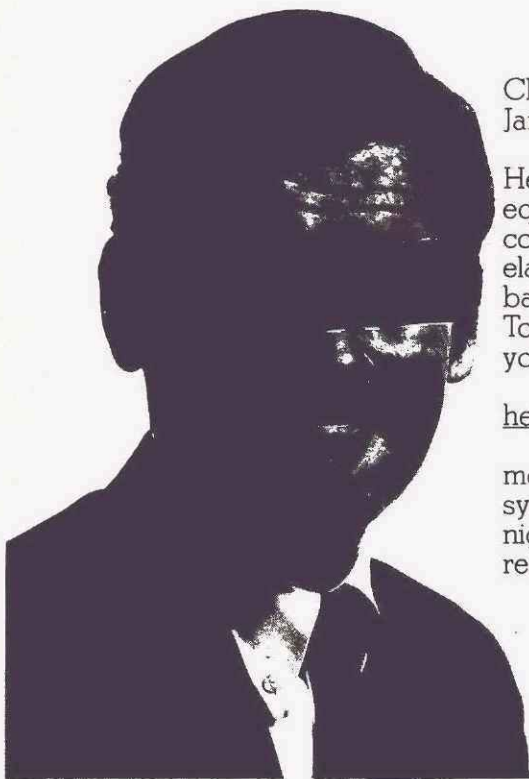
"Unfortunately," he added, "the insurance industry in my opinion has not been a major factor in bringing about these code changes."

The insurance industry still regards the highrise as a desirable risk and the competition for the coverage on these structures remains keen. Highrise rates continue to be low so little savings in the way of reduced premiums can actually be passed onto the building owner. "There is simply not enough room in the present rate structure or premium savings to permit the amortization of a highrise sprinkler system," said another industry observer.

Another view is presented by Tom Vlahos, sales representative

Continued on page 33

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BI-1

Highrise fires . . .

Continued from page 32

for Protection Mutual Insurance Co., Los Angeles, one of the Factory Mutual companies. Mr. Vlahos points out that Protection Mutual, unlike other insurance companies who handle fire risks, does not actively pursue the

tighter building and fire codes on the part of builders, architects and city and state governments, Mr. Vlahos believes the reform movement is not moving fast enough. What is needed, he said, are better economic incentives to encourage the highrise builder to install life safety equipment.

The answer, he added, is for "the majority of the insurance industry to refuse to keep writing these highrise risks for 5 cents per \$100. Instead, they should be insisting on a rate of \$5.00 per \$100 unless the buildings are adequately protected by sprinklers.

"It's going to take progressive thinking by a lot of people," he said, "but in the end real progress in highrise fire safety will come through economic incentives and increased pressure from an involved insurance industry." ■

SAFETY/SECURITY REPORT

highrise fire insurance business, although the company's Chicago office does handle 100% of the coverage on Sears Tower, with a high deductible.

"The big difference between Factory Mutual and the rest of the insurance industry," Mr. Vlahos explained, "is that we do not subscribe to any of the public rating bureaus. We set our own rates so we can guarantee there will be some economic incentive forthcoming to the building owner if the required fire protection equipment is installed."

MR. VLAHOS cited the new Georgia-Pacific Building, Portland, as an example of a building owner designing life safety fire protection features into a building and receiving worthwhile premium savings in return. Savings in trade-offs made possible by 100% automatic sprinkler protection throughout the building, plus an increase in usable rental space, will permit the sprinkler system to be amortized in three or four years, he said. The Georgia-Pacific Building is insured by Allendale Insurance, San Francisco, another Factory Mutual company.

While enthusiastic about the increased awareness of the need for

Coal mine safety rules revision set

WASHINGTON—The Mining Enforcement and Safety Administration (MESA) scheduled public hearings in November to discuss revised and improved coal mine health and safety regulations.

The new revisions will include construction standards for surface coal mines and for surface areas of underground coal mines.

Public hearings are scheduled in Evansville, In., Nov. 18 and 19 at the Holiday Inn-North, U.S. Route 41 and Nov. 21 and 22 in Charleston, W. Va., at the state capitol building, 1800 Kanawha Blvd. ■

See need for hull loss data

BERLIN—A leading marine underwriting expert called on the world marine community to cooperate in launching a worldwide marine casualty loss data network.

John A. Potts, chairman of the hull loss prevention committee of the American Institute of Marine Underwriters requested that International Union of Marine Insurance members regularly submit casualty information.

Speaking at the international group's meeting here, he also emphasized the need for international standards for training and certification of ships officers. Mr. Potts noted a need for better ship traffic control and navigational designs, as well as for improved safety standards. ■



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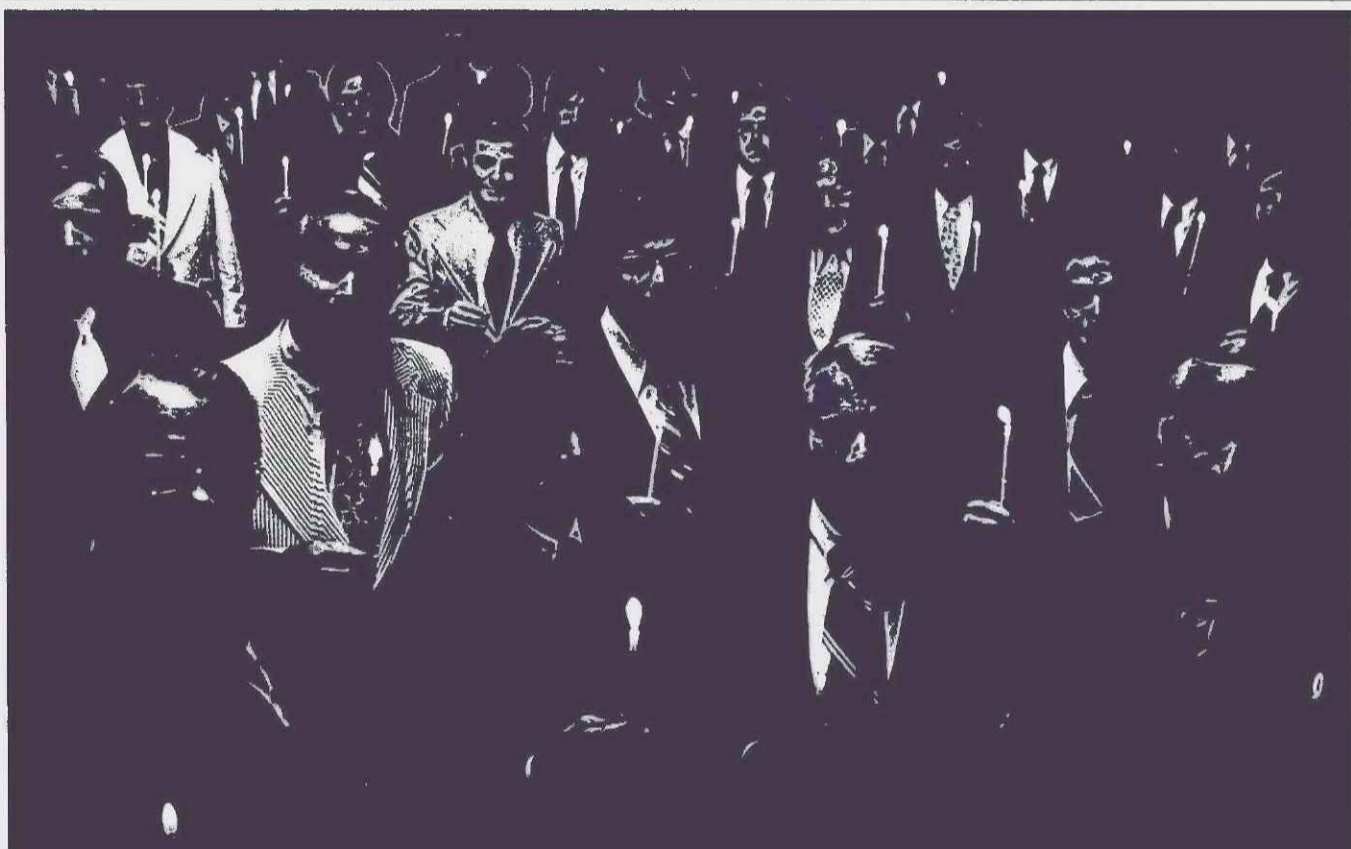
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We've done them all. Right down to a design which can keep a lot of money from going down the drain. And all this experience means we can help you get your next job done right, too. And show you how to save money in the process by recommending a knowledgeable contractor near you.

So when you're ready to specify fire protection, don't stay in the dark. Give us a call. Anytime. Wherever you are.

We'll shed some light on your fire protection needs.

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Write for this helpful 32-page book "Viking Sprinkler System Guide". It's packed with information every building owner, architect and contractor should have.

Letting the wolf watch the sheep?

Consultants urge risk men to wrest computer security role from EDP

By MARGARET LeROUX

NEW YORK—Computer systems, most risk managers would agree, pose a multi-million dollar risk, and they are, of course, concerned about the physical aspects of computer protection, and preventing damage to the installation.

Internal security, however, where the potential loss from tampering with data could spell financial ruin for a company, is all too often left to the electronic data processing managers, according to a leading computer security consultant.

"Ninety-nine out of 100 risk managers I've spoken to said they get nowhere in their attempts to communicate with data processing managers," Lindsay Baird, general manager of Advanced Computer Techniques, security consulting division, told a recent seminar on computer security.

MOST RISK managers feel they don't have the technical knowledge to get involved in internal computer security, he added.

Delegating security responsibilities to EDP managers "is like letting the wolf watch the sheep,"

one industry spokesman quipped.

"Any good EDP programmer could probably tell you five different ways he could subvert your computer system," Joseph Wasserman, president, Computer Audit Systems Inc. said at the American Management Assn. sponsored seminar.

And the loss which could result from such tampering with the computer is enough to give a risk manager nightmares. For example:

- Pacific Telephone and Telegraph Co. lost approximately \$1 million in equipment when a 19 year old engineering student



Increased use of computers require increased security.

broke into the company's computerized ordering system, using codes he found in Pacific's waste

baskets, and a touch-tone telephone.

- Union Dime Savings Bank in New York suffered embezzlement losses of \$1.5 million when a teller juggled inactive accounts via computer to support his \$50,000 a day gambling habit.

These are but two of 270 reported cases of computer crime investigated by Donn Parker, senior information processing specialist at Starford Research Institute. Banks are the most frequent victims of computer crimes. Mr. Parker told *Business Insurance* in an interview, with average losses 10 times higher when a computer is involved.

FIGURES ON the frequency or severity of computer crime are unreliable, Mr. Parker stated, because so many computer crimes are not reported.

"Criminologists generally agree that 85% of known crimes don't get reported," Mr. Parker said. "From my research, I'd say that figure is higher when computers are involved."

Guy Migliaccio, assistant vp of Marsh & McLennan, agreed. "We have a lot of errors and omissions policies on the books, but we haven't seen that many claims," he said.

The reason? "An errors and omissions claim reflects on a company's integrity; it's a sensitive area," Mr. Migliaccio replied. Apparently most companies would rather let a suspected or proven computer criminal off with a pink slip than suffer the bad publicity which might result from prosecuting him for losses suffered.

"Errors and omissions tower as the number one problem in data processing," Robert Courtney, manager of data security and privacy for IBM Corp. said in an interview. "And employee dishonesty is fast moving into the number two spot."

A risk manager can avoid potential losses within his company's computer system, Mr. Courtney said, by instituting strong identification and audit systems, the most important internal security measures a company can employ.

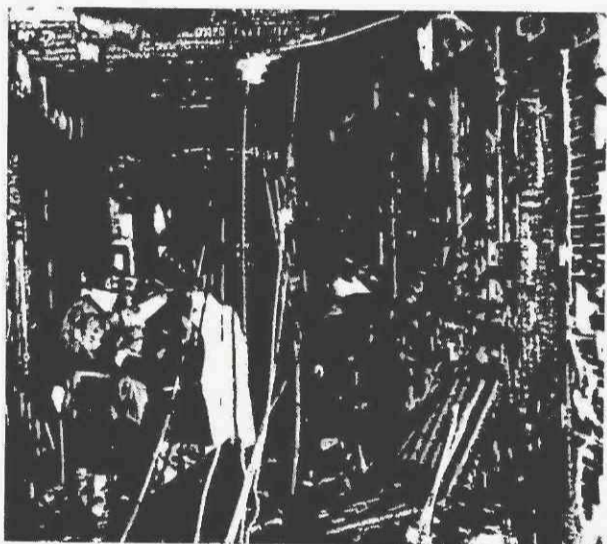
CONTROLLED ACCESS to computer terminals and controlled data available to computer programmers are two other strong bases for internal computer security, according to Louis Scoma, president, Data Processing Security Inc.

Mr. Scoma told the computer security seminar only those personnel with a proven need should be allowed access to a company's computer room.

Both Mr. Scoma and Mr. Courtney advocated magnetic striped identification cards, inserted at the door to the computer terminal, as a superior means

Continued on page 35

Even if your building survives, your business may die.



The gloomy fact is, even a minor blaze can cause enough damage and business interruption to close you down for good.

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The Fenwal Fire Suppression System does both. Because it uses Halon 1301. A chemical you may have seen demonstrated on TV. When released as



a vapor by a Fenwal system, Halon literally snuffs out flames. Faster than water. Faster than CO₂. Faster than anything yet developed. And dry — no wet mess to clean up.

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What's just as important, Halon 1301,

unlike water and CO₂, won't damage whatever it is you're trying to protect.

Sensitive equipment. Sensitive material. Sensitive anything. And it won't harm people.

Putting a Damper on Downtime

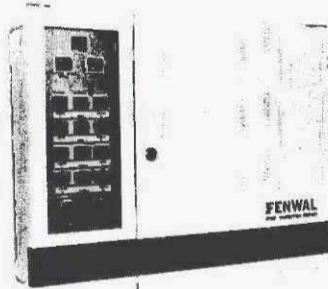
This all adds up to two very important advantages you don't get with other fire protection methods: 1. A Fenwal system gives you the fastest jump on the flames because you don't have to evacuate the area before it's released.

2. You can go right back to work. There's no clean-up. No water damage. No extensive business interruption.

Now Make Us Prove It

We believe our Halon Fire Suppression Systems are the solution to a lot of serious fire problems.

We've been designing and installing them for years. More systems than any other manufacturer. And we've perfected a number of different systems to protect all kinds of environments.



Quite simply, they work.

We make sure of that. Before we install them. And after. With the best after-sales back-up in the business.

What's more you can't ever outgrow a Fenwal system because they're modular in design. Easy to extend.

Of course no one's ever bought any fire protection system after reading a one-page ad.

So we've prepared a special film which shows our system in action.

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To view "The Fireaters" just call us at (617) 881-2000. Or write Fenwal Incorporated, Ashland, Massachusetts 01721. A Division of Walter Kidde & Company, Incorporated.

Our local, service-oriented distributors are listed in the yellow pages under "Fire Protection".

FENWAL

Nobody in the world has more experience in fire and explosion suppression systems.

FM A approved — UL Listed

Continued from page 34
of access control.

"The cards are a simple solution to 'who did what' at the terminal," Mr. Courtney commented. Cost of installing a device for receiving the cards averages about \$15 per month per terminal, "a nominal amount per month, considering the cost of EDP equipment," he added.

IBM has 1465 computer terminals throughout the country utilized by 7,000 authorized users. However, the amount of data available to any one programmer is controlled by management, Mr. Courtney said. "The man at the terminal can't modify programs; he doesn't have access to them."

THEFT OF THE computer tape reels themselves can be prevented by two devices which Mr. Scoma displayed at the security seminar. A sensor tag similar to those found on clothing in retail stores, embedded in the tape reel, which sets off an alarm if it is carried out of the computer room. Average cost, according to Mr. Scoma, is \$1.20 per reel. A data lock, similar to those on telephone boxes, prevents printing out from a tape reel and is a dead giveaway that the reel has been tampered with, he added.

Call for revisions for OSHA

WASHINGTON—A "major revision in the existing standards of the Occupational Safety and Health Act of 1970, (OSHA) was called for by William A. Hollingsworth, chairman of the American Society of Insurance Management (ASIM), legislative policy committee in testimony before the House select subcommittee on labor.

Standards are "vague, to the point that review commission judges have reached contrary conclusions," Mr. Hollingsworth criticized, citing this vagueness as the basis for numerous OSHA citations.

THE ASIM representative also criticized standards that are too specific, such as those requiring specific height for railings and fire extinguishers.

Stressing that ASIM supports the purpose and objectives of OSHA, Mr. Hollingsworth suggested several revisions.

He called for provision for obtaining a percentage refund of penalties assessed for the first instance non-serious violations upon presenting affirmative evidence of abatement within the prescribed period.

He also stressed that there should be a major effort toward education of and assistance to small business employers through seminars, on-site consultations without citations and engineering advisory service. ■

Traffic deaths drop

The National Safety Council found that the 24% reduction in traffic deaths in the first four months of 1974 was attributable largely to a speed limit cut to 55 miles per hour. The second most important factor was reduced travel. Some 4,000 fewer persons died in traffic deaths during the first quarter than in the same time last year. There was also less social and recreational driving, and more people used seat belts, the National Safety Council found. The amount of night driving also dropped.

Mr. Scoma urged companies using computers to keep their back-up files complete. "Back-up files get more lip service than any other kind of service," he said.

SAFETY/SECURITY REPORT

Formation of a security group with representatives from risk management and administration departments as well as EDP is a good means of making everyone aware of the problems of computer security, both Mr. Baird and Mr. Scoma noted.

"This group should be respon-

sible for developing security procedures and evaluating them," Mr. Baird said.

A hardware approach to the problem of employe tampering with computers was offered recently by the Bunker Ramo Corp., headquartered in Oakbrook, Ill. In May the company introduced Bank Control System 90, a data communications system consisting of a five-inch CRT terminal that makes up to 480 characters of data available instantly to bank tellers.

The system's safeguard is the personal identity number, a six digit code chosen by the customer that gains him access to his account.

"The computer stores the customer's code," a spokesman for Bunker Ramo said, "but the teller never sees the code."

Bankamerica recently signed a \$10 million contract for installation of the system in 100 of its branches this fall.

"WE'VE HAD a high level of response to our system," a Bunker Ramo spokesman noted. "I'd say 75 of the top 100 commercial banks in the U.S. have expressed an interest in it."

Management concerned about computer security has another new source of information available: the Computer Security Institute.

Headed by John C. O'Mara and featuring a board of directors with expertise in all areas of computer security, the institute promises to provide information on physical security, data and software security, EDP auditing, contingency planning through bi-monthly newsletters, seminars, test programs, manuals and a buyer's guide.

"The institute is unique in that it's the first single source for information on all aspects of computer security," Mr. O'Mara told this magazine.

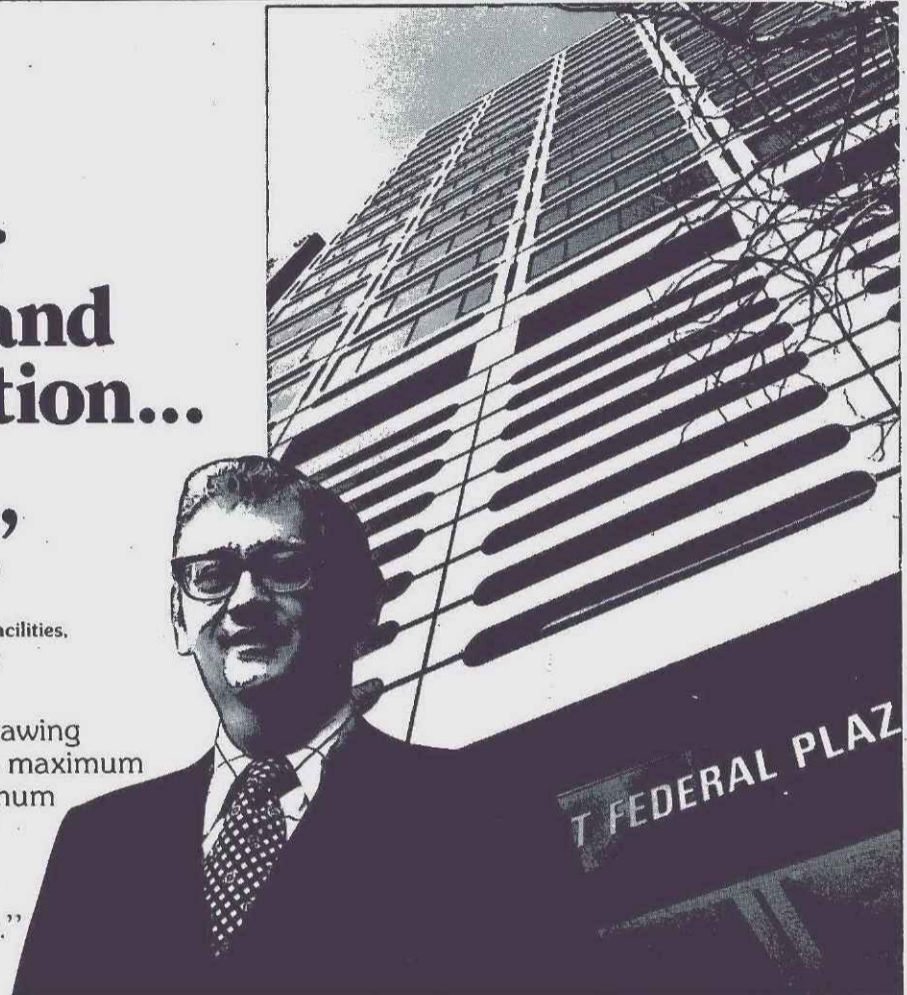
Annual cost of membership is \$245 which entitles a member to all services provided by the institute. ■

"Plans called for maximum fire and security protection... that called for central control."

Elmer C. Lind, Staff Vice President, Physical Facilities,
First Federal Savings of Wisconsin, Milwaukee.

"Even when our new plaza was on the drawing board, the building committee insisted on maximum security for investors' assets... and maximum life safety protection for occupants," says Mr. Lind. "Honeywell's proposal offered the best technical merits, overall quality and flexibility for accomplishing our goals."

Result: The institution's new, 19-story building features the latest security and fire safety systems throughout. The heart is an Alpha/Delta central control system.



Clifford E. Evans, Security Director, and Lew Handeland, Building Engineer, review how Alpha 3000 responds instantly, automatically to emergencies. System is U.L. approved for Class A fire protection.

One operator monitors intrusion alarms; fire and smoke detectors; sprinklers; patrol stations and card reader access control points. The firm's adjacent older structure is tied in, as are 9 Milwaukee area branches, according to Mr. Evans, Security Director.

Chillers, boilers, pumps and air handling equipment, in both buildings, are monitored and controlled by the central console. This assures peak operating efficiency, comfort and minimum cost for manpower and energy.

"We save more than \$55,000 a year on security and maintenance manpower costs," estimates Mr. Lind. "Energy savings and extended equipment life will increase our return on investment even more."

Planning a building? Build in the benefits of Honeywell central control. Write for idea-sparking case histories: Honeywell, Commercial Division, Dept. G2246, Minneapolis, MN 55408.

Run a fine tuned building.

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Safety steps needed in wake of arsenic hazards

WASHINGTON, D.C.—The Occupational Safety and Health Administration (OSHA) is moving quickly to tighten controls on industrial use of a suspected cancer-producing substance, inorganic arsenic.

"We have at least the possibility of another vinyl chloride problem," an OSHA official said. "We're really just beginning to get our feet wet in this problem."

OSHA's attention was focused on inorganic arsenic last month after mortality studies were released by the Allied Chemical

and Dow Chemical Cos. Both studies showed a higher-than-average rate of cancer deaths among employes who worked with inorganic arsenic.

THE WORK SAFETY findings could have tremendous impact on the use of inorganic arsenic, sources said. About 1.5 million workers in various industries reportedly work with the chemical.

Inorganic arsenic is made during the smelting of copper ore. It is used in paint pigments, lubricating oils, crab grass killers and

ceramics. The general public is exposed to low levels of arsenic pollution in some contaminated water systems.

Last January, the OSHA official said, the National Institute for Occupational Safety and Health (NIOSH) recommended a reduction in workplace concentrations of airborne arsenic from 0.5 to 0.005 milligrams per cubic meter.

The Dow and Allied Chemical studies of arsenic-related mortality rates were turned over after OSHA asked chemical companies

for their reaction to the January NIOSH recommendation. "We got 13 companies who responded," the official said. Only two were in favor of considering a reduced exposure level, Dow and Allied.

A fact-finding hearing will be held by OSHA on Sept. 20. "We've invited anyone who wants to come," the agency official noted. "It'll give us an initial feeling about what to do next."

He added that chemical companies did not come forward with information about arsenic's po-

tential hazard the way B. F. Goodrich announced its suspicions concerning vinyl chloride. But a Dow scientist disagreed, saying his company released its findings as soon as they were completed.

"THE PROBLEM of inorganic arsenic and lung cancer has only shown up in the last year or two," explained Dr. Harold Gordon, Dow's corporate medical director. "It takes about 20 to 30 years for problems to show up following exposure."

Dr. Gordon pointed out that Dow's study was completed in February, and was submitted to the government a short time later.

The Dow data was collected in a study of death rates among workers employed at a plant in Midland, Mi., where inorganic arsenic production was halted in 1956. Abnormally high rates of death from lung and lymph cancer were found among the exposed workers.

About 600 workers were exposed to the substance while working for Dow, Dr. Gordon estimated.

For many years, arsenic has been known to cause occasional cases of cancer, he commented. "It's really not a new finding." And this knowledge originally prompted NIOSH to recommend reduced levels of airborne arsenic.

The Allied Chemical report was based on a study by a team from Johns Hopkins University, who examined the death certificates of 27 workers once employed in Allied's Baltimore arsenic plant. Nineteen of the 27 workers died of cancer, and the rates for lung and lymph cancer deaths were almost seven times higher than the rate among American males in general.

THE ALLIED REPORT noted that the 19 cancer deaths were among men who worked with arsenic compounds for 10 to 30 years. The average age at death for the workers was about 66, which is considered almost normal.

Anthony Mazzocchi, legislative director for the Oil, Chemical and Atomic Workers International union, said his organization will probably wait "to see what grows out of the Sept. 20 meeting."

"We think we have a substantial number of people who are affected by arsenic," he added. "We're surveying to find out who's affected. . . I don't even want to guess at it."

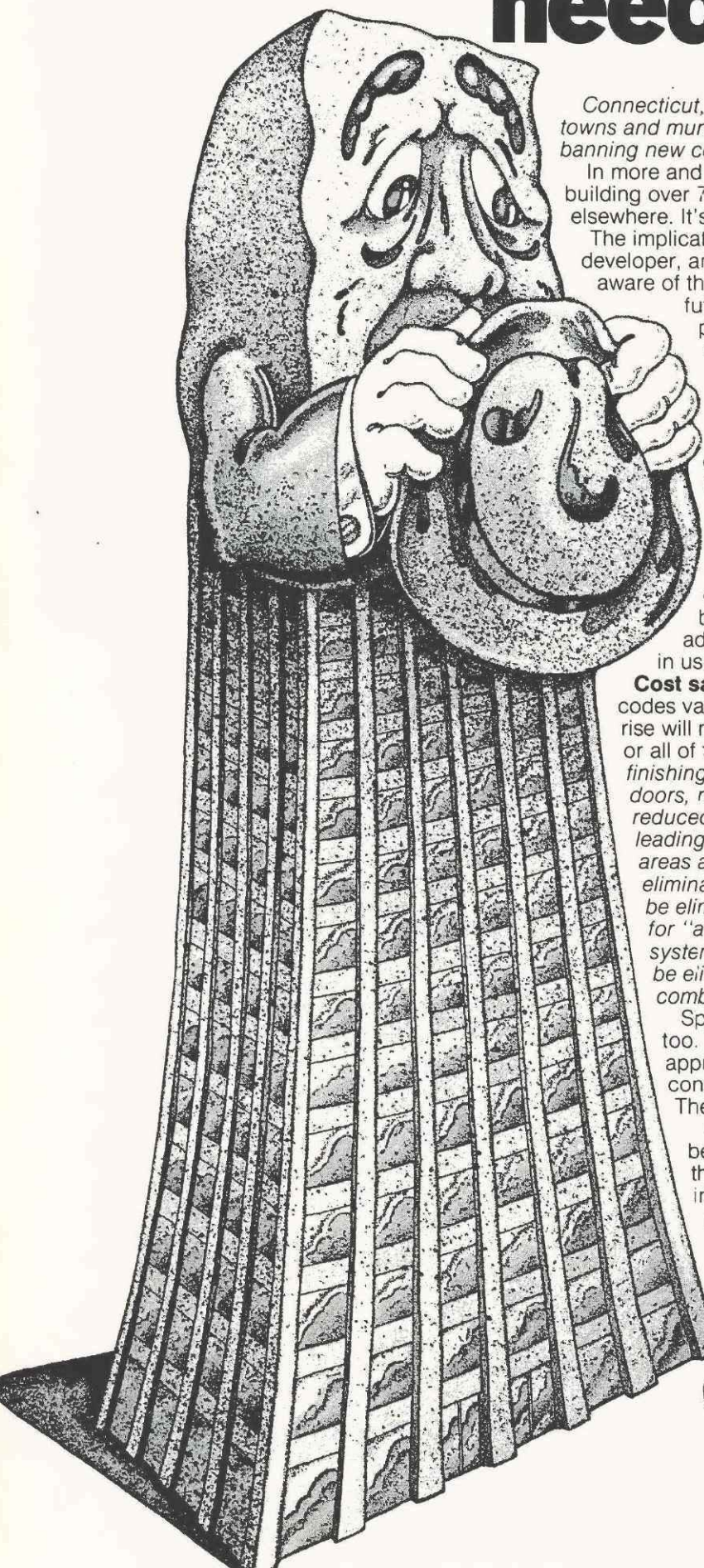
Mr. Mazzocchi complained that his union was not informed about the cancer-linked dangers of inorganic arsenic until OSHA announced its concern. "We had no idea of the Dow and Allied data. No one did."

The union may petition OSHA to accept NIOSH's reduced exposure recommendation, Mr. Mazzocchi said. In the meantime "we're making sure every local is informed of this problem." ■

Plan pension seminars

The increased power of the Internal Revenue Service and the Department of Labor in regulating formation and administration of pension plans will be the focus of the Practising Law Institute's upcoming seminar on the new pension reform act to be held Oct. 30 in New York City, Dec. 11 in Denver, Jan. 15 in New Orleans, and Feb. 5 in Seattle. For information contact Helen M. Davis, PLI, 810 Seventh Ave., New York City 10019.

Unsprinklered buildings need not apply.



Connecticut, Maryland, Massachusetts, Ohio and scores of cities, towns and municipalities have passed tough new building codes banning new construction of unsprinklered high rise buildings.

In more and more places across the U.S. you either sprinkler a building over 7 stories high, or you pack up your plans and build elsewhere. It's that simple, that open and shut.

The implications are clear: whether you're a building owner or developer, an architect or specifying engineer you should be aware of this growing trend toward life safety. Facing the future now and learning all you can about sprinklering properly could save you money in the future when you come face to face with one of these tough new codes.

A question of ethics. The tragic fire in Sao Paulo, Brazil which claimed more than 200 lives raises a serious ethical question. Occupants of high rises have the right to expect protection from a fire that could leave them stranded hundreds of feet above the reach of fire department ladders and hoses. Many fire experts agree that a modern sprinkler system is the best way to insure that kind of safety.

Rental appeal. Many firms are insisting that their buildings be sprinkler protected for the safety of their employees. As this trend continues, non-sprinklered buildings will be at a decided rental disadvantage. In addition, sprinklers give building owners the maximum in usable rental space and provide more rental income.

Cost savings. Of course, permissive clauses in building codes vary from city to city, but sprinklering your next high rise will make it safer and could save you money in many or all of the following ways: *Flame spread ratings of surface finishing materials can be increased. Fire ratings of walls, doors, roofs, floors, beams, trusses and columns can be reduced. The distance between fire exits can be increased, leading to fewer stairways. Larger non-compartmented areas are permissible, and fire barrier requirements can be eliminated. Smokeproof entrance closures to exit stairs can be eliminated if stairways are pressurized. The requirement for "areas of refuge" can be waived. Manual fire alarm systems may be eliminated. Fire hoses and cabinets can be eliminated. Riser piping is permitted to serve as combined sprinkler riser and fire department standpipe.*

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Ford wants major comp improvements in '75

SEATTLE—The Ford administration said this month that it wants a voluntary, but major, re-vamping of the state run workmen's compensation program during 1975.

SAFETY/SECURITY REPORT

Speaking before the National Council of Self-Insurers here, assistant Labor secretary Abraham Weiss said the administration's seven basic objectives were:

- mandatory and complete coverage for all workers;
- provision for filing claims when extraterritoriality is involved;
- full coverage of all occupationally-related illnesses;
- no arbitrary limits on the amount of medical care or rehabilitation;
- benefit levels for total disability and death at two thirds of the claimant's average weekly wage up to 100% of the state average weekly wage;
- an annual cost-of-living adjustment to benefit levels;
- an adequate data system compatible with the model system the government will be developing for this purpose.

MR. WEISS IS a member of a special interdepartmental task force created by the administration in an attempt to fend off federal legislation in the workmen's compensation field; such legislation was proposed this year by Senators Harrison A. Williams (D-N.J.) and Jacob K. Javits (R-N.Y.).

The task force wants to report to Congress on its success in generating voluntary reform by mid-1976.

"The administration is committed to making an expeditious report to the Congress, the states, and the public generally which will include an evaluation of state performance, the results of completed research, and specific recommendations regarding the need for federal legislation or other program improvements," he said.

Mr. Weiss said the government was prepared to offer "technical assistance" to the states to improve their programs, but "we do not consider financing to be an appropriate role."

"We believe the costs of adequate workers' compensation programs should be borne by employers through the mechanism of the insurance premium, although we recognize that this generalization may have some practical limitations, especially in the research area."

Mr. Weiss admits that one of the "imponderables" facing the administration's crash program for 1975 is the coverage of occupationally-related illnesses.

"**WE DO NOT** want to get in the bind of relying exclusively on some kind of schedule of diseases," he said. "On the other hand, there must be some criteria which will enable us to more easily establish the validity of a claim relating to occupational illness."

"Toward that end, the National Institute of Occupational Safety and Health (NIOSH) in HEW is committed to work with the task force to develop guidelines for the recognition of occupational illnesses," he said.

"These guidelines will be designed to point out parameters of hazard exposure, latency periods, and medical tests for diagnostic

purposes. Thus it should be easier to make decisions on at least some of the claims falling within parameters set."

One of the other key elements of the task force program is to develop a data system to permit cross state comparisons on performance.

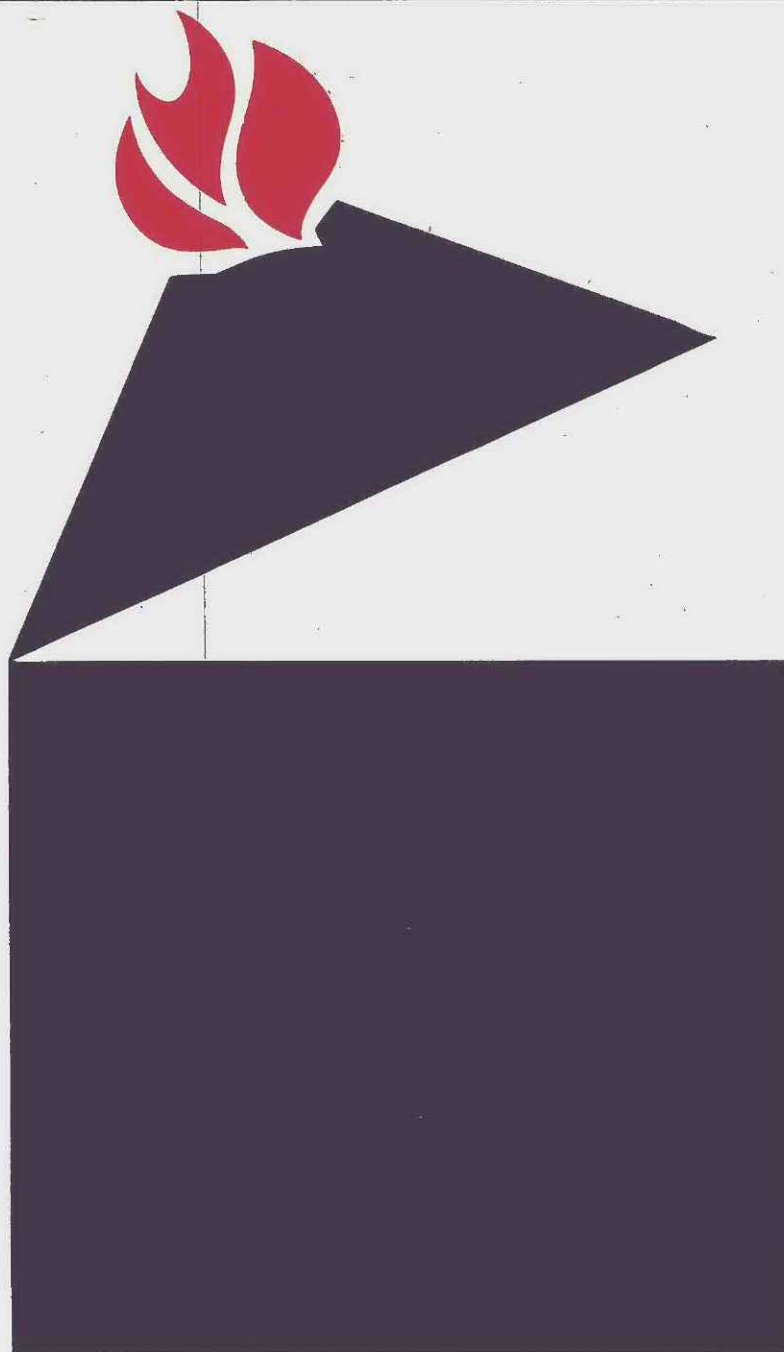
Other research topics under consideration include the appropriate relationships between OSHA and workers' compensation, experience rating, especially for smaller firms; improvement of rehabilitation and reemployment services; litigation and the adversary issue; increasing efficiency; benefit adequacy; and the methods of calculating and paying adequate benefits. ■

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OSHA created need for health screening—and some big problems

By JUDI TALIT

NEW YORK—Although OSHA has provided the small employers with the impetus to start up in-plant health screening programs, it has not provided them with the money, medical staff or expertise required to implement such programs.

Smaller companies are still finding it difficult to set up programs. Many are still using the community physician for their screening needs. But, many of the neighborhood doctors are neither interested in nor qualified to diagnose and treat occupational disease.

Some companies have been turning to contracting with suppliers of these services. Others are looking to their insurers for guidance on how to set up a program and foot the bills without going bankrupt.

"Medical personnel are extremely costly. Only 20-25% of larger corporations can afford to have professionals. Most small industrial companies, with about 500 employes, can't afford them. They have no desire and management is not sophisticated in this area," one medical director at a large corporation told *Business Insurance*.

DOCTORS ARE not really qualified in the area of occupational medicine, many company medical directors agreed. "Disease and exposures to people who work are unique. Unless a physician takes a course in occupational medicine, he is not familiar" with the exposures involved, one medical director said.

Most small firms depend on the community physician for health screening. "Even if a doctor decides to go into the corporate scene, once he is trained, he automatically moves on to the larger corporation. It's a constant battle for the small employer," another

source said.

The medical director for Liberty Mutual told this magazine about a service it offers to its policyholders.

"Liberty Mutual works with policyholders who have a need for advice and counseling" on how to set up an in-plant screening program or how to revise their present program to meet the company's needs, Dr. Joseph Donaldson said.

Some of these companies are not implementing programs that are badly needed, Dr. Donaldson explained, because of:

- lack of money;
- lack of interest;
- lack of knowledge that a substance is harmful;
- lack of knowledge of how to implement a program.

Using the community physician is "really the traditional way companies started. This is still a very large facet of it for the small company. For the most part, a small company doesn't have its own staff," Dr. Donaldson said.

IF A COMPANY decides to institute an in-house program, it must fit the needs of the company, the doctor explained. "You may not need a full-time physician at the plant level" because your particular exposure does not require close supervision. Or, your company may not have enough work to keep a full-time physician busy.

"If you have a company with 2,500 employes, you can usually

justify a full-time physician," the medical director said.

An in-plant health screening program is set up to work on a plant level, Dr. Donaldson explained, so that "there is a baseline examination given when a plant worker is hired. Those examinations determine the health status of the employe at time of hiring."

Baseline examinations are specifically geared to knowing the employe's health upon hiring. It is a basis for further examination to check exposure levels as time goes on. Tests performed usually include audiometry to check hearing levels, lung function tests to check dust exposure, blood studies and urine analysis to check for chemical exposures.

The basic function of the staff physician is to provide examinations. "That's the reason for having a department," Dr. Donaldson argued.

"In an area where we get into

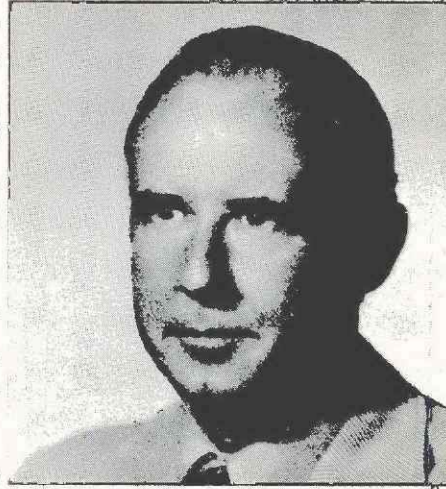
a lawsuit, then the company usually turns the individual outside for medical care because the staff might be prejudiced. That's after there's an injury to an employe. Otherwise the doctor does all the tests at the plant," said a medical staffer at a major corporation.

"THE WHOLE IDEA of having the physician is to do examinations," said the associate medical director at Union Carbide Corp.

"The staff doctor has many roles," another medical staffer observed. "Traditionally, there have always been full-time medical directors for major corporations. Usually, the corporate medical director is responsible on the staff level for advice on medical jobs and health insurance programs, not examinations."

"Many times, the medical director has an assistant to perform the testing, not for the plant workers, but for the employe

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Vice President, Underwriting

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staff. It is often his job to set up a staff for the satellite companies around the country," another staffer explained.

"Small industry is beginning to awaken to their needs, but there is no medical personnel to really help," said the medical director at Union Oil Co. of California.

Dr. Reynolds T. Schmidt, said that in the oil industry "there are multiple health hazards when you're working with chemicals and their byproducts."

AT UNION OIL, employees are screened for asbestos exposure every year. Certain workers who deal with benzene and similar substances are checked quarterly for cancer and related diseases.

Executives are also screened for stress effects. "Many small industries can't afford this: It costs \$200 to \$300 apiece for an executive examination," Dr. Schmidt explained.

The trend is obvious, he con-

cluded. It is "to examine more and more of the employe population with more and more screening."

But, the problems have not changed, he added. "Doctors in the community are not interested in coming to the plant. Younger physicians are interested. But, they're not really interested in seeing how business makes money. So instead, they come in as a consultant."

SAFETY/SECURITY REPORT

The biggest problem he has found in implementing an in-plant screening program is "counseling management on health problems."

Union Carbide Corp. has had an in-plant health screening program for about 20 years, the associate medical director there said.

Union Carbide employees are checked at least once a year, for exposure to chemicals, metals and radiation, Dr. Carl U. Dernehl said.

THE FIRM HAS 28 full-time physicians and 95 doctors and 95 nurses around the country in its branch locations.

The associate medical director cited some improvements seen with in-plant health screening. Employee absenteeism has gone down, and the company's medical expenses have also declined.

Wyman Gordon Co., a smaller company with about 1,200 employees, has had a full-time physician since 1956. It also has a staff of four full-time nurses and a part-time orthopedic specialist.

The medical staff at Wyman Gordon has been trained in occupational medicine. Nurses perform all examination tests including x-rays, eye and ear tests and electrocardiograms.

What does the medical staff do when they notice changes in the employe's exposure level? Usually, "one hopes that the hygiene department is able to develop the necessary controls like ventilation, systems in asbestos area," Liberty Mutual's Dr. Donaldson said.

But, often this is not possible. In that case, "you monitor people biologically" until such time when the substance can be removed. That could conceivably take years, he added.

Once the employe's health is jeopardized, "and you detect changes in the employe's health status, then the physician may suggest that the individual leave the place of employment either permanently or temporarily, before permanent damage is evident," he added.

Often, Dr. Donaldson contended, "exposure is due to the carelessness of the employe." For instance, in a place where loud noise is a hazard, the employe

may avoid wearing ear protection. If that happens and the employe develops a loss of hearing, steps must be taken to enforce that rule more rigorously.

The benefit of implementing an in-plant health screening program regardless of whether there are known health hazards, is that if one is to develop, it will be immediately picked up by changes in the employe's health, many agreed.

As a result of implementing in-plant health screening programs some employers are finding:

- employes feel healthier;
- employes stay away from work less;
- when illnesses do come up, they can be treated more often on an outpatient basis;
- companies experience lower medical claims;
- companies save on group life insurance benefits.

Colorado Blues lose state account

DENVER—Colorado Blue Cross and Blue Shield lost a \$6 million contract to provide health insurance for state employes.

The huge account was lost when the Colorado state employes and officials group insurance board voted unanimously to accept a bid from Prudential that was \$330,000 lower than the two nonprofit companies' offer.

BLUE CROSS offered to provide coverage for the year beginning August 1 at a premium cost of \$6,212,470, while Prudential offered identical coverage for \$5,877,898.

The Blues' retention rate for that premium was to have been \$635,096, or 10.22%, while Prudential's rate was \$294,483, for a 5% retention.

Board members also selected Prudential to supply a life insurance program for state employes at a cost of 88¢ a month. Prudential offered only \$1,800 worth of protection for that sum, while another company, Security Life, offered \$2,500.

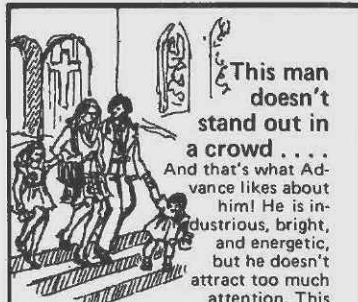


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Largest users of sensor-matic tabs to cut shrinkage

Carson's security chief eyes theft exposures

CHICAGO—It looked like a scene from the tv show "Kojak."

Policemen bustled through the office, their gun-laden holsters bouncing at the hip. A security guard in street clothes turned down the squelch on his two-way radio. 'Wanted' posters and Polaroid shots of glum strangers covered the bulletin board.

Early on a Wednesday afternoon, business was brisk in the security headquarters at Carson Pirie Scott & Co.'s downtown department store.

VINCENT J. BARBERA, director of security for Carson's, appeared unruffled by the brouhaha. But with half a smile he muttered, "This is a madhouse."

In truth, Mr. Barbera's department is well organized. More than 200 security personnel prowl through Carson's 12 Chicago area stores. Their pursuit of purloiners is aided by sonic movement detectors, closed-circuit television, and a sophisticated anti-pilferage sensor system.

Even these precautions aren't enough sometimes, Mr. Barbera noted. One weekday in August, \$70,000 worth of jewelry was heisted from Carson's. The culprits are still at large, eluding both police and FBI investigators.

Big-time thefts are rare compared to the everyday incidence of petty shoplifting. Nearly \$800 million worth of merchandise disappears from store shelves each year in Illinois. More than

half is taken by employees.

Although Mr. Barbera comes from what he calls the "old school," Carson's is using the electronic anti-theft devices at his insistence. Department stores have been forced into fancy gear systems by a combination of factors, he said.

"In the last few years security personnel have been difficult to recruit. Police departments pay pretty well these days and we in the retail department stores are really limited by what we can spend. A big part of the consideration we gave to the article surveillance system is the difficulty we've had in finding security personnel we could recruit."

CARSON'S IS now the country's largest user of the so-called sensor-matic system. "It's the up and coming thing," Mr. Barbera said. "It's a new concept, about five or six years old, but it hasn't really been accepted until the last couple of years."

"Our own shrinkage figures in the areas covered by the article surveillance system have lessened," he added.

In the fourth floor women's clothing department, countless plastic hangers hold dresses, coats, pants and blouses. Here, Mr. Barbera demonstrated the sensor-matic by grabbing a pair of pants and walking toward the elevator. As he passed two wooden posts that looked like stereo speakers an alarm bell began ringing. Two security men in cas-

ual dress came running within seconds, and Mr. Barbera "surrendered" peacefully.

The alarm was set off by a plastic tab containing a microdot. Every garment on the rack has a tab attached. If merchandise with a plastic tab is slipped between the two posts, the alarm sounds. Salespeople customarily remove the tab whenever an item is sold.

BUT WHAT about employees who remove the tabs and steal goods themselves? "The detectors won't stop employees, so we have other measures, too," Mr. Barbera said. The store has back-up equipment for theft prevention, including 200 tv cameras and sonic movement detectors for after hours.

Only a few people with extraordinary hearing can detect the high-pitched sound emitted by these sonic monitors, he noted. For most enterprising burglars, the sonic system is impossible to detect and hard to fool.

All of this equipment is costly, Mr. Barbera admitted. "If you take on this expensive system, you can't measure the return on your outlay in dollars and cents. But if you work with the system as closely as we have, you know you've eliminated a certain element of people—shoplifters—who move into stores that don't have this kind of system."

"WHAT WE'VE DONE with this system is buy time," he added. "Shoplifters risk getting caught and they risk damaging the merchandise they want to steal."

The profile of an average shoplifter has changed at Carson's because wily professionals are steering clear. Most suspects nabbed today are women between 18 and 27 years old, who try to steal on impulse.

Part of the reason Mr. Barbera's office hummed with activity that Wednesday afternoon was due to the capture of a check bouncer by credit fraud agents.

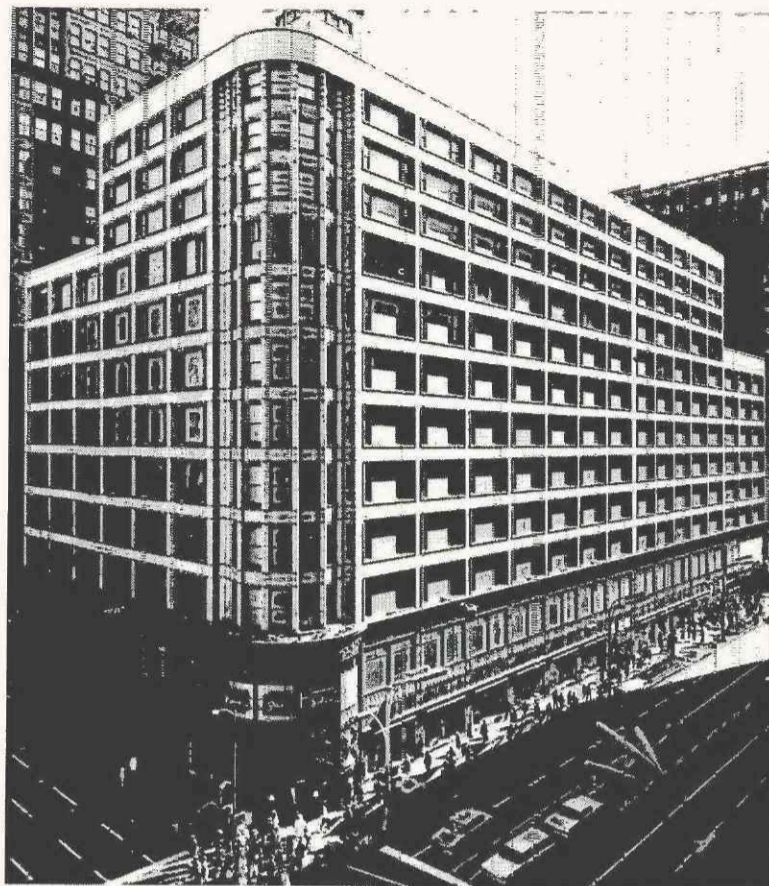
"Because of the tremendous volume of sales in this store, we feel it's imperative that we have a separate credit fraud section," Mr. Barbera said. "We work very closely together," he noted, because the credit agents often use security division records, rooms and communications equipment.

Safety and security are not combined under one director at Carson's. The company safety director is "on an equal level" with Mr. Barbera, but their posts have little overlapping responsibility. Insurance requirements are handled by the safety director, Mr. Barbera added.

In emergency situations where

Review group selected

Northwestern Mutual Life Insurance Co., Milwaukee, selected five commercial policyowners to serve on its 1974 examining committee which reviews company practices and policies on behalf of the firm's 1.2 million policyholders. Members are: John V. James of Dallas, president and chief executive of Dresser Industries Inc.; Charles A. Krause of Milwaukee, president of Krause Milling Co.; J. Thomas Lewis of New Orleans, attorney with Monroe and Lemann; Robert W. Roth of Portland, president and chief executive of Jantzen Inc.; and Albert T. Sommers of New York, senior vp and chief economist of The Conference Board.



Carson Pirie Scott & Co.'s home store in downtown Chicago.

safety and security are both involved, Mr. Barbera's department works to protect company merchandise and personnel.

"WE HAVE MEETINGS once every three or four weeks about fire emergencies," he said. "There are people with specific things to do, like floor captains and guides. And we have fire drills on a regular basis, unannounced, prior to store openings."

Carson's also maintains back-up power systems in all its stores, in case of a black-out. Local ordinances commonly require large stores to have an emergency power source.

Bomb threats are a serious problem for Carson's, and a real

danger, Mr. Barbera said. About five years ago a toy department salesperson was killed by a bomb blast in a Goldblatt's store on State Street.

"It turned out to be a psychopath," he recalled.

When a bomb threat is received by Carson's, the switchboard operators have explicit instructions. Key management personnel are notified and the maintenance department scours the store unobtrusively for any sign of a bomb. Unless one is found and danger looks imminent, customers are not evacuated.

"Fortunately," Mr. Barbera noted, these bomb threats are rare.

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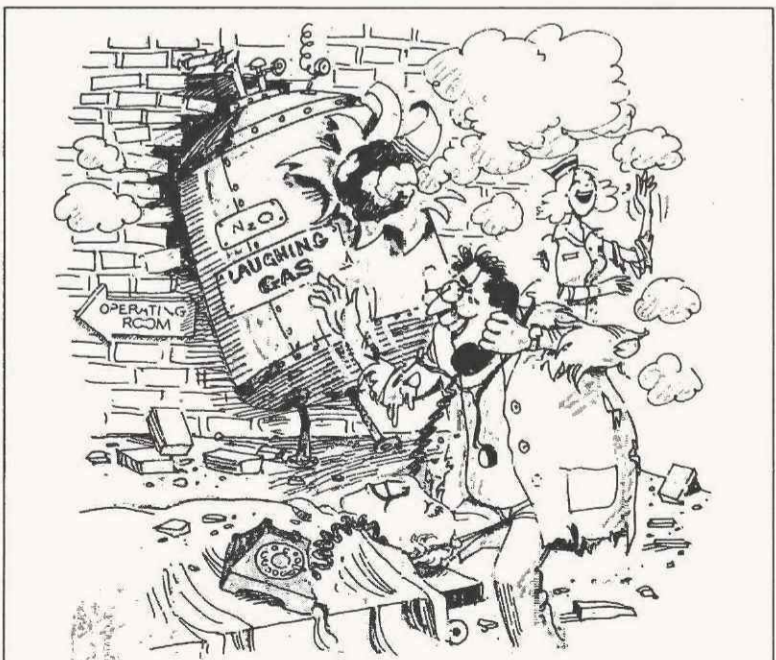


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Industry must confront danger of kidnap threat

NEW YORK—Although there is no foolproof way to prevent a kidnapping, private industry must face up to the seriousness of this growing problem and protect itself against the threat of terrorism, insurance and security experts told more than 100 risk managers and corporate executives at an American Society of Insurance Management meeting here.

SAFETY/SECURITY REPORT

Citing a need for insurance protection, an insurance expert said, "we're not a proud insurer of this type of insurance, but we respond to the needs of our insureds."

Elaborating on the type of coverage offered by one of the two domestic insurers in the kidnap market, Joseph DeAllesandro, senior vp, American Home Assurance Co. described the typical coverage a corporation purchases.

Usually, a corporation buys coverage with limits of \$1 million with an aggregate limit of \$2 million, he explained. Deductibles on the coverage average about 10% of the liability limits, upwards of \$25,000, he added.

"WE INSIST ON ultra-confidentiality of the existence of this insurance," Mr. DeAllesandro said, adding that "there can be no valid excuse for revealing the existence of this policy."

This raised a number of questions from those attending the meeting. Several risk men asked the speaker: "Just who should know about the insurance then?"

Mr. DeAllesandro could not offer them any easy answers. "We don't want your employees to know you're insured. But, there are key people in the company that have to know, naturally," he acknowledged.

At American Home, stringent security measures are taken to provide maximum policy protection. "In our organization, only three people have access to our insureds. The billing and policy writing is done by these three people," Mr. DeAllesandro said.

All premium writing is done blind. No names of the insureds are used. They are merely identified by a policy number. All bills are mailed to a policy number and no mention of type of coverage is used. All records are kept in a locked safe, he added.

FRED RAYNE, director of international investigations for Burns International Security Services Inc., told the audience about executive security. "The private businessman must take precautions. The risks can be reduced, even though there is no such thing as 100% security."

The director listed some recommendations that Burns makes to protect executives:

- Train employees in effective handling of all emergency situations.
- Establish a communication link with the proper law enforcement agency before a crisis occurs to save time.
- Provide an assistant security official in each corporate department.
- Management should develop its own undercover system in high-risk countries.
- Up-to-date security surveys must be conducted periodically.
- Personnel security checks must be made periodically.

- Each month, security checks should be made of the home, office and domestic help of key executives.

- Establish security duties for employees in case an emergency situation arises.

- Provide security guidelines for employees working abroad.

- Offer lecture programs on political problems in areas where executives will be stationed.

- While living abroad, employees must maintain a low profile, blending in with the locals.

- In case of kidnapping, demand personal articles of the employee kidnapped, to assure that he has been kidnapped.

- Only one person should release information to the press. ■

RISK MANAGEMENT SERVICES

SPECIAL SPOTLIGHT REPORT IN THE NOVEMBER 11, 1974 ISSUE OF BUSINESS INSURANCE

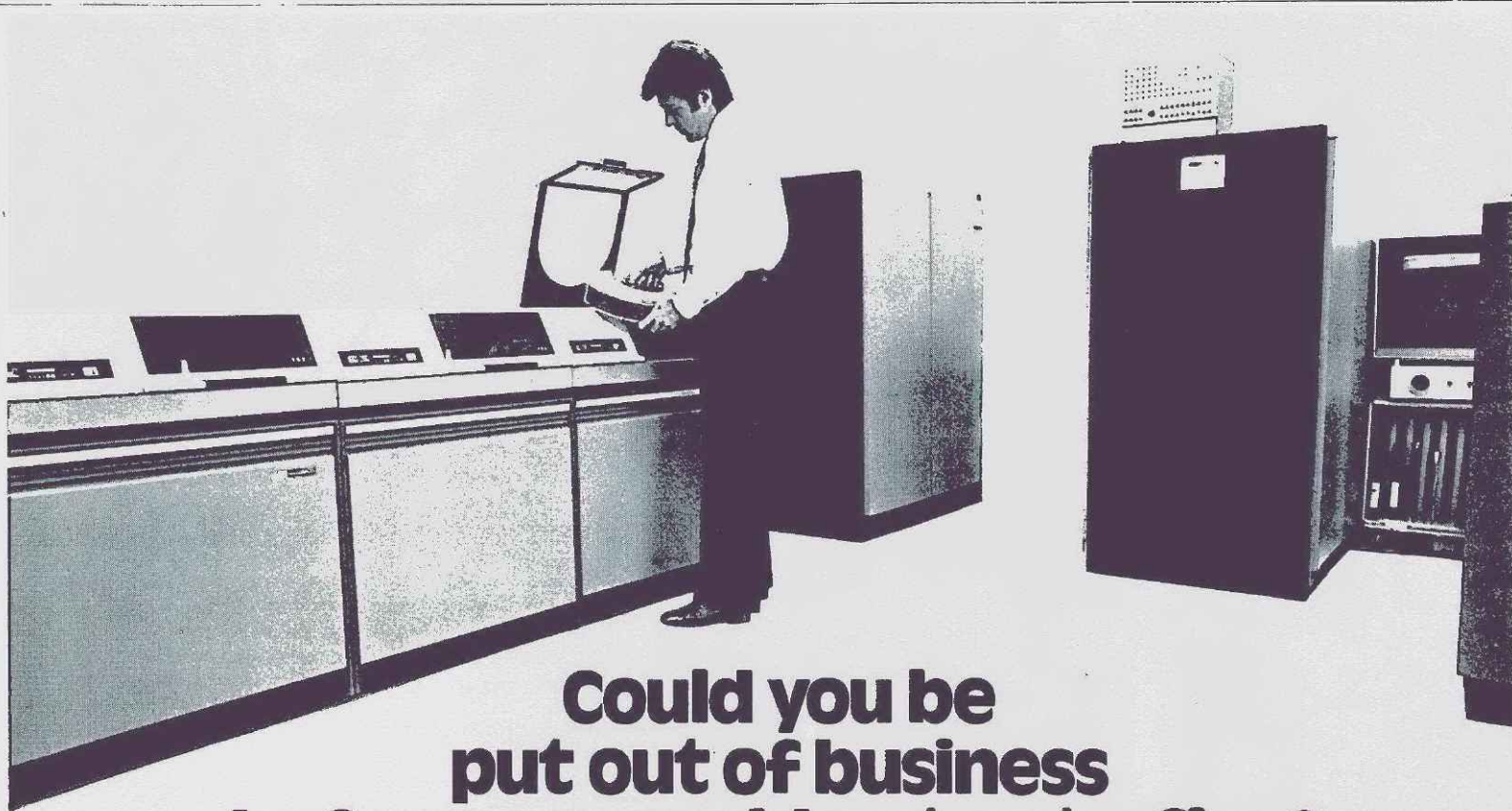
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More corporations name security directors to coordinate centrally

CHICAGO—"No one knew what the losses were, but we were catching people stealing things."

That was the situation at a large California computer manufacturing firm before security operations were beefed up a year ago, according to the corporate security director who shall remain unnamed.

For many corporations, security systems may be more than necessary expenses: they result in net savings because of reductions in losses that previously went unrecorded.

"When you install a central loss reporting system, then you can get a handle on your losses," according to Dick Cross, vp and

director of security at the Bank of New York and past president of the American Society for Industrial Security (ASIS).

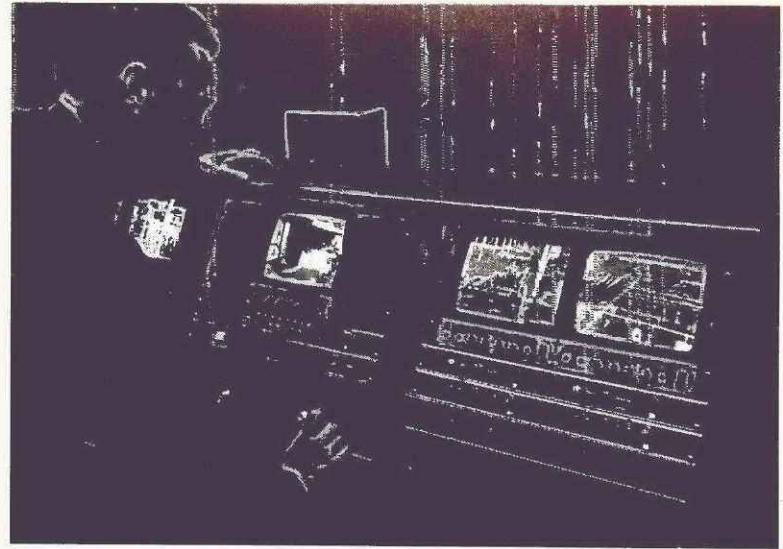
A MANAGEMENT-LEVEL security position is created when it is identified as being required to coordinate security programs, as in the case of Crown-Zellerbach Corp., according to the company's new manager of corporate security, James D. Snell.

A comprehensive security program is essential to many businesses. The pharmaceutical industry, for example, has ethical as well as legal obligations to control internal theft. "Quality pertains to the whole manner in which we do our business,"

which means that a company such as Parke-Davis cannot afford a loss of either raw materials or finished products, according to the recently-appointed director of security and safety, William Goodrich.

The security director of the computer-maker established "extremely tight" inventory control when he was put in charge. Formerly, employees were issued tools on request; now they have to turn in a broken tool to get a new one. Still, the company lost a whopping \$8,000 last year in soldering irons alone.

Another tactic the company uses is to report any missing capital assets (something worth more than \$250 or having a life



Video surveillance is one method of providing security.

expectancy of more than two years) to the manufacturer, the police and the Criminal Investi-

gation and Identification Bureau. Sometimes the thief is caught when he returns the item for repairs.

For countless companies, employee theft continues to be a major problem. Stealing small, expensive items can be extremely lucrative for employees, as in the case where an employee was lifting quantities of integrated circuit chips and reselling them to another manufacturer. He could steal 10 or so a day and receive \$5 to \$10 for each one, one security director revealed. In the transportation industry, 85% of all thefts are accomplished by employees who have authorized access, according to the U.S. Department of Transportation.

MUCH OF THE investment that corporations are currently making for security is devoted to prevention. But it is often difficult to justify the cost of preventive security systems. "Most security people bemoan the problem—security is a nebulous thing," one director said. He cited the case where his staff put in 120 man-hours to investigate an employee suspected of being "on the take." The employee was subsequently cleared, but the director was forced to justify the investigation's cost to the company.

On the other hand, he mentioned that he once vetoed a plant manager's request for a fire protection system that was "adequate to protect Fort Knox," thus saving the company what he felt was an unnecessary expense.

A company that lacks a good security program is probably vulnerable in many places and incurring more losses than it realizes. The same director told how on a routine check he was able to easily enter a company warehouse where \$3 million worth of equipment had once been stored. It took only two seconds to break in using a credit card to press the latch. He also told about a survey he made last May asking 70 businesses who their private guard firm was and what the guards did. Half the firms said they had no idea what the guards did, and of the remaining 50%, 25% did not know what their guard firm was paid nor what their duties were according to the contract.

Security people prevent losses in other ways besides reduction of crime. An estimated 40% of ASIS members are responsible for fire protection as well as security, according to Ernest J. Criscuolo Jr., president of ASIS. Their efforts have a "tremendous effect" on fire insurance premiums, he adds. In many cases, the same person is responsible for corporate safety and security. At the previously mentioned California manufacturing firm, security guards carry cameras at

Continued on page 43



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SAFETY

Loss containment harder than elimination: Insurer

By JOANNE GAMLIN

SOUTH PASADENA, CA.—“Safety is a day-to-day state of mind.”

Milton M. Thornton, president of Cypress Insurance Co., a firm that specializes in handling selected workmen's compensation risks, believes that while safety goals demand a daily commitment, they must also be tailored to a specific risk situation.

“The containment of losses, and therefore of premium costs, can be more difficult than the elimination of outright, long-standing risks,” he told *Business Insurance*.

Cypress Insurance Co., which became a subsidiary of Unionamerica Inc. early this summer, has specialized in selected comp risks since its inception in 1963. Cypress also administers self-insured workmen's compensation programs for a battery of West Coast enterprises such as Royal Industries, Avery Products and Beverly Enterprises.

(Cypress was acquired, according to Unionamerica president, Robert H. Volk, because his corporation's insurance group, with total assets of over \$120 million last year, is unashamedly bullish on the comp market.)

AT THE TIME of Cypress's acquisition—Mr. Volk pointed out that California produced 17% of the national workmen's compensation market.

Cypress, licensed only for California, makes loss containment the foremost goal for all insureds who have not accumulated a huge backlog of obvious risks.

One example of such a program, said Mr. Thornton, are the changes in routine which Cypress worked out for Poppy Foods, one of the largest chicken and turkey processors on the West Coast. “The assignment was challenging because of the operation's work force. It was composed of low-skill women who had to stand on racks to work in water while

using knives.”

What Cypress did, he said, was to furnish the women with gloves while instituting a program of eliminating all slipping exposures.

SAFETY/SECURITY REPORT

For a client with a construction operation, a principal source of business growth for Cypress, the underwriter became inventive. To prevent the deaths that accompany a plunge to earth when a construction worker falls, Cypress went to the Air Force to borrow the notion of equipping

workers with parachutes. As fate would have it, on its maiden, real-life try-out, the idea suffered a setback because the chute failed to open. Still undaunted, Mr. Thornton believes the idea is still valid and will result in fewer construction workers fatalities.

IN THE CASE of an aircraft component manufacturer where women factory workers were exhibiting an excessive number of lacerations—“they looked as if they had been engaged in fights”—Cypress undertook an in-depth risk analysis.

It discovered that one probable cause of the bruises was the simple lack of adequate lighting. A

second probable cause was thought to be the fact that women were mindlessly arranged at the assembly line so that short females were working at chin level while tall ones performed their tasks at waist level.

“By redesigning the lineup so that women of similar height could work side-by-side, we were able to engineer a 50% reduction in accidents,” he illustrated.

The analysis, he added, concentrated on both the frequency and severity of accidents.

Yet the ultimate aim of loss containment programs, is the containment, but not the reduction of, premium costs, he said.

“Probably the most important

result of loss containment programs is making a risk insurable,” he added. “If it is not considered insurable, there can be no limit on premium growth.”

AN EXECUTIVE who believes that 98% of all accidents are human caused, Mr. Thornton is convinced that understanding of human relations holds a vital role in comp claims handling. A cardinal rule at Cypress, he said, is that each individual in the claims department handles a single case until the books are closed. In this way, empathy and friendship replace the bureaucratic confusion and impersonality that often characterizes claims handling. ■



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Ansul Solves Fire Protection Problems



Directors . . .

Continued from page 42

all times to take pictures of safety hazards. The security director there said, “We've used a hell of a lot of film,” but their efforts have saved the safety director “hundreds of hours of badgering time” with management.

Increased need for security protection promises to continue in the future. As technology becomes more complicated, so do the problems and their prevention. For instance, computer security is a major new trouble spot. Employees use computer time to do work for other companies, or they procure data, such as customer lists, and sell them to rival concerns.

The equipment used by security professionals becomes more sophisticated as technology improves. Mr. Criscuoli says that the security profession has expanded recently not only because threats to companies have increased but because the equipment needed to combat those threats has become more advanced. Companies need people who can tell them what devices are worthwhile and how they can best be employed.

The California firm's security director said he would like to replace his private guard service with an electronic surveillance system. Until then, he continues to screen all guard applicants to make sure they are high calibre people; most companies, he added, don't bother to do this. ■

Security programs not affected by corporate money crunch: Directors

By MARGARET LeROUX

WASHINGTON, D.C.—Though economic problems currently plague U.S. corporations, most of the beleaguered companies aren't letting money woes affect their security programs, according to a *Business Insurance* survey of corporate security directors.

Interviews took place at the 20th annual seminar of the American Society for Industrial Security, (ASIS) attended by approximately 850 security officers at the Washington Hilton hotel.

"I think companies are realizing with the profit margin from sales on the decrease, it's important to retain what profit is made," John R. Heville, security

manager, Spiegel Inc. noted. Merchandising companies in particular are taking a serious look at corporate security, Mr. Heville stated. "In our case we're stepping up our budget."

The present economic situation means it's necessary to increase security, said Don Walker, manager of corporate security for Addressograph Multigraph Corp.

"IT WOULD BE a mistake to cut the security budget," he stated. However, it's often necessary for corporate security personnel to "sell their program to management," he added. "But if you can show the return on the investment and the program is justified, management will go along."

Grumman Aerospace Corp. plans "no cutback" in the security budget, according to Harry Volz, on the staff of the corporate security department. Chandler Josey, state security director for South Central Bell Telephone of Alabama reported, "The tendency is to strengthen our security budget."

Other corporate security departments planning to receive budget increases this year include those of Bethlehem Steel Corp., Clairol Inc. and Union Pacific Railroad.

One reason for budget increases is the widening scope of corporate security activities and responsibilities.

"The days of the old watchman

are over," Woody A. Kelley, senior security coordinator for Boeing Co. stated. Improvements in technology are keeping security personnel on their toes, Mr. Kelley added. "We've got better qualified individuals as part of the guard force today."

NOT ONLY IMPROVED guard personnel, but a wide variety of security-related hardware has become essential to today's corporate security departments.

Sophisticated equipment such as perimeter and intrusion alarms, (Microwave fences are the latest development in this area), identification, entrance control and fire alarm systems, scanning devices and all varieties of locks were featured in more than 100 exhibits at the seminar.

"Preventative maintenance gets the largest part of our budget," said W. A. Carroza, security specialist for Eastman Kodak Co., distributive marketing division.

In problem areas such as employee theft, "We'd prefer to stop things from happening in the first place rather than catch an employe at the door," he added.

"Our biggest problem is protecting precious metals—alloys," said John B. Simons, corporate security representative for Bethlehem Steel who was inspecting varieties of perimeter security equipment. Intrusion devices aren't right for Bethlehem because they're affected by the heat given off in the steel production process, he explained.

Cargo theft prevention is a major concern of Union Pacific Railroad, said Tom Gough, a member of the railroad's security staff. "Instead of perimeter security for a building, we've got 10,000 miles of track to worry about," he said.

UNION PACIFIC employs a guard force, each of whom is assigned a particular area to patrol, Mr. Gough continued, and the railroad makes extensive use of locks and cargo identification procedures.

"There's no way we could afford sophisticated alarm devices for boxcars," he explained, "even if they only cost \$1 per car—a highly improbable figure—the cost would be too expensive."

"Computer security has us all scared to death," Rolland Osborne, corporate security director for Gates Rubber Co. admitted.

"Three or four years ago we were worried about physical security," he continued, "now it's protection of the data inside the computer that's creating the problem."

"It's a whole new ballgame," Paul Schiller, director of security for Atlantic States Bank Assn. commented, referring to computer security. "And there are few security or management people who understand the technical aspects of it."

Boris F. Malinkoff, director of security for Hartford National Bank & Trust Co. noted the importance of computer security in the banking field, and outlined some of the "elaborate steps" that institution is taking to safeguard its computer data.

EMPLOYEES WHOSE work is related to computers must receive a security clearance before they're hired and "programmers aren't allowed into the computer center," he said. "Program auditors run continuous tests on the computers and data," he added.

The human aspect is a paradox for corporate security personnel. Their biggest problem areas, those interviewed admitted, are employee theft, fraud and access to computers, yet they must ultimately rely on the human aspect in combatting these problems.

"You can have the most sophisticated electronic devices available," Grumman's Harry Volz commented, "but they're all vulnerable at some point. It all boils down to the need for an honest human being to operate them."

Employee theft, Gates' Mr. Osborne pointed out, is part of a trend. "People are disillusioned with institutions," he said, "and feel, 'why not rip them off?'"

John Pulcini, corporate security manager for Draper Laboratories agreed. "The guy who's taking small things like notebooks or pens doesn't think he's stealing, but there's no way of counting just how much a company loses each year from petty theft like this."

Mr. Osborne estimated that two-thirds of corporate dollars are stolen at management level and emphasized the necessity of evenhandedness in dealing with offenders. ■



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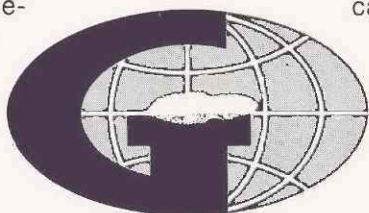
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Transit trains drivers, to cut heavy fleet loss

SEATTLE—"The key to loss control for us is a more intensive drivers' training program," stated Robert Loomis, insurance spokesman for Metro, the transit authority for Seattle and King County, Washington.

SAFETY/SECURITY REPORT

Mr. Loomis has concentrated his insurance efforts on loss control for the last several months because Metro recently added 120 buses to its 500-vehicle bus and trolley fleet. "We then noticed a relative increase in the number of third party accidents in relation to the increased number of miles driven," said Mr. Loomis.

"So we've done a little jumping. We've taken some long looks at training and even have done some retraining with drivers and as a result, we expect to reverse these trends. The accidents just sort of crept up on us," he said. It will take another couple of months for a statistical analysis of results, he added.

"We decided that the most productive thing for us would be to identify problem areas with individual drivers. We're also concentrating on policing, inspections of drivers and buses, and more efficient procedures for reporting accidents. Also, getting employees continually interested in safety is crucial," Mr. Loomis added.

MUCH OF METRO'S equipment is old, as are operating facilities, "but when new equipment comes on stream to replace these, this presumably will be a substantial factor in loss control," Mr. Loomis believes.

Metro itself is rather new. King County voters approved the January 1, 1973, formation of the Metro system, a merger of the now-defunct Seattle Transit which served the city and Metropolitan Transit, a private company which served the county.

"At the time of the merger, we reviewed the insurance program of the agencies involved and combined them, especially regarding transit liability. We retained some deductibles that were present in the Seattle Transit system as they seemed most logical, and changed liability around to protect our new outfit," Mr. Loomis recounted.

Metro officials have had "good success in keeping losses down," said Mr. Loomis. "I've read of other transit systems that have higher relative losses in third party accidents. We aren't a train operation, though, so our system is a bit different." Speed limits within Seattle are lower than in many other cities.

Mr. Loomis says that "roughly, we pay losses of \$200,000 a year, and are self-insured for \$100,000 for each occurrence. One measurement of our coverage is that we pay for around 23 million to 24 million miles a year. We also buy insurance above this for catastrophic coverage."

SELF-INSURANCE is almost mandatory for a transit system, "because as a practical matter, you won't find an insurance company that will completely insure us," Mr. Loomis noted. "This is because of the number of small claims, and the sheer volume of work this would create. For an insurance company to handle all of this would be tough."

By self-insuring, though, he figures that Metro saves 25 per

cent, or \$50,000 a year, "since we'd have to pay an insurance company a premium plus costs and overhead and they'd have to have some profit. But this is speculative since we couldn't get a quote for full insurance coverage. What it boils down to is that there was just no way we could avoid self-insurance."

Most transit systems, therefore, self-insure for amounts ranging from \$25,000 to \$100,000, depending on the size of the city and tax monies available. "So we're on the high end," Mr. Loomis concluded. "A really large city with general credit may have a half million dollar deductible. But we don't have unlimited sources of tax monies." ■

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Environmental health hazards call for biggest safety effort: Safeco

SEATTLE—"The continuing discovery of environmental health problems and what to do about them," is the issue having "the most impact" on the Safeco Group's loss engineering department, says Oral Thompson, manager.

"For instance, we're suddenly realizing there are health problems for workers exposed to dry wall insulation, because of the asbestos content.

"In the past, we didn't know of the dangers; never even realized there were health problems involved," says Mr. Thompson.

Consequently, "Safeco, and the whole industry, is studying these environmental issues, becoming aware of the problems and try-

ing to react immediately when a problem area is indicated.

"We're trying to determine what kinds of substitute materials should be used or what protection, such as face masks, can be given the individual workers," says Mr. Thompson.

PLASTICS ARE another area of concern today, he notes. "We're learning of some toxic exposures we weren't aware of in the past. Basic heavy duty plastics in the past were considered fire resistant. But we've realized that when intense heat develops, the plastics burn and emit toxic substances, as witnessed by sick firemen. This information is influencing life in general now," he

says. Vinyl chloride is one of such plastics.

The materials handling field is another health problem area, he indicates. "Numerous back injuries occur in this field, for instance, even when companies follow the standard health regulations. The problem exists in spite of training, new equipment, etc. So we're taking a close look at this field, to see what can be done. Back injuries are not only painful, but they cost money." They're also a perennial plague of claimsmen because they're sometimes difficult to authenticate, Mr. Thompson indicated.

The environmental issues leave both insurers and insureds "scrambling," says Mr. Thomp-

son. "There's more actual concern today on the overall loss control problem, what to do, participation, self inspections, accident investigations, creating of more safety boards, continuing programs to deal with it.

"At Safeco, we try to help set up programs on safety control, loss control violations, or perhaps advise on legal implications."

"In years past, if a factory had a smell or vapor problem, management just blew it outside. Now, with the Environmental Protection Agency breathing down their necks, they can't do this. They have to collect it, scrub waste, etc., and cork chimneys."

PUBLICITY ABOUT environmental health problems has "increased the claims-consciousness of the general public in many ways, such as class action suits," he adds. "This has increased the loss control activities of insurance companies."

But this public awareness has made "cooperation between insurance companies and industry easier, now that somebody 'has their fist in it.' Now, many of our recommendations are based on legal requirements, and they're accepted better," Mr. Thompson states.

But he points up a new area of frustration for insurance companies: "Awareness of the new Consumer Product Safety Act has frightening implications. In the past, our country operated on a 'buyer beware' philosophy. Now it's 'seller beware.' The pendulum has swung pretty heavily." Insurance companies are likely to have even more claims under this act, according to Mr. Thompson.

"We now have to educate our insureds to the problems that could occur with insurance. And for many of the insureds, to comply with the law is expensive, to retool, or to see to it that their products and procedures show that they're doing the best they can do."

MR. THOMPSON uses the example of motorcycle helmets. "Many states say helmets have to be worn by people riding motorcycles, so there's a big market there now; a lot of people have jumped into manufacturing helmets. Today, too, there are so many types of materials, and styles, etc. And it's been determined that one particular helmet slips off on impact: the chin strap is weak. If somebody sues that company, they're bound to collect."

Public awareness of their power under this act "is just picking up. Its influence will be more heavily felt than even OSHA's," Mr. Thompson believes. "It's more consumer-oriented."

The impacts on insurance companies. "Loosely speaking, the average inspection or survey time in a plant is longer. Our reports are longer; we reference reports to existing standards, something we did infrequently in the past. So our reference time is longer.

"More specialists are in the field now, out of necessity. We have specialists on DOT, OSHA, consumer product liability, and we'll soon have one on the new fire protection act that should be finalized later this year. This new act should have an impact on us, too," says Mr. Thompson.

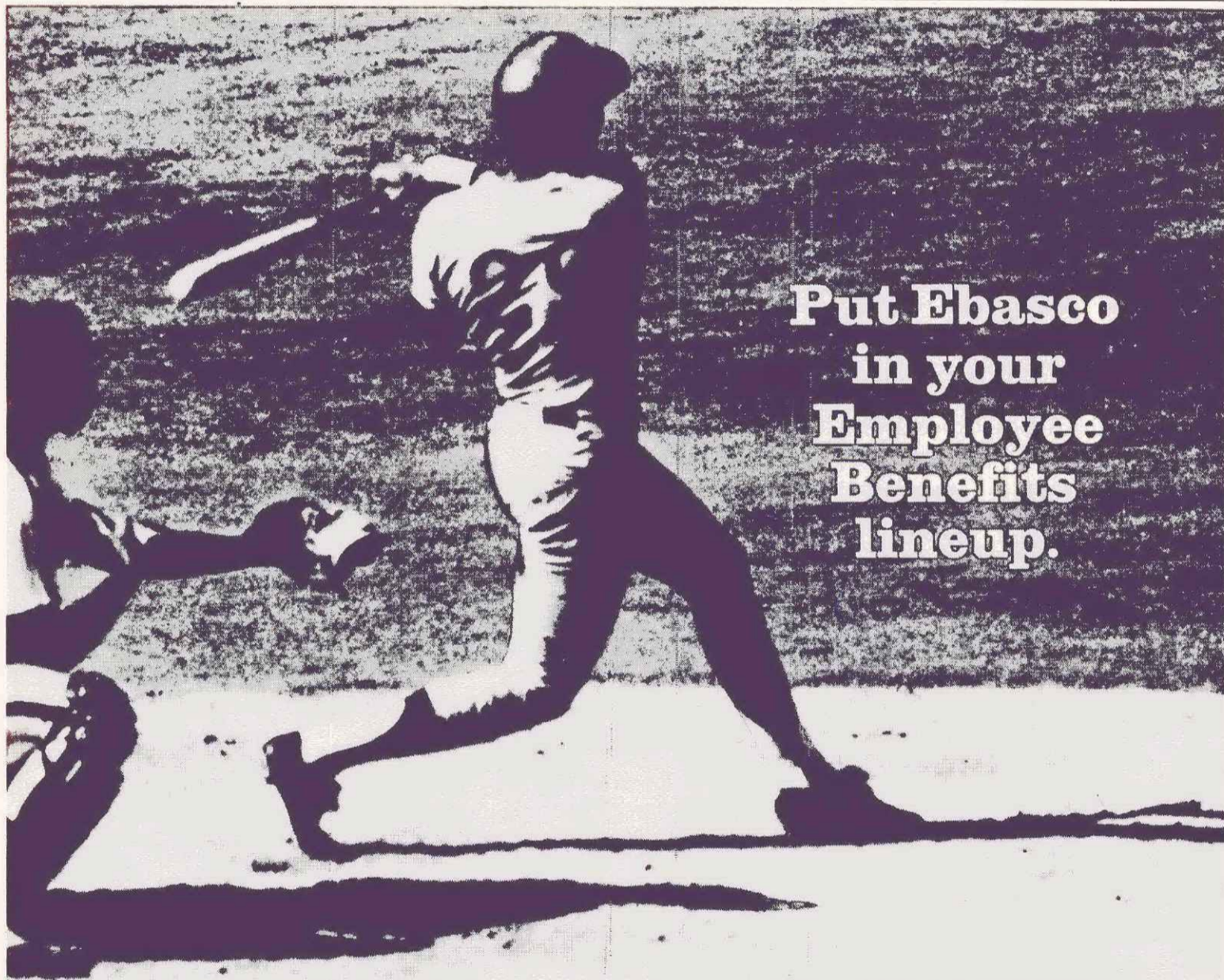
STATE LAWS ALSO could add to the number of specialists. "In Texas, safety people have to be licensed, to insure their ability, service, and that they're qualified to handle the job once they get into a plant," according to Mr. Thompson. "About six other states are considering adopting the Texas law.

"This means that it costs more to service industrial accounts, because of the investment, primarily."

Since the "name of the game is to keep losses down," he adds, "we're increasing the frequency of our training programs with industrial insureds. And whenever a new act is implemented, we hold workshops to work out the problems and to find solutions to those problems.

"We feel that we're doing things right, and that overall, we have fewer losses than if we hadn't held seminars. The insurance industry in general is responding very responsibly to these new acts," Mr. Thompson notes.

"The insurance industry, as much as government" he said, "is responsible for interpreting and explaining new acts to those involved," Mr. Thompson said in conclusion. ■



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Factory Mutual study tells fire risks involved in plastics storage

BOSTON—Factory Mutual System capped a lengthy study of the fire risks involved in plastics storage with the publication of a book on methods of handling plastic storage risks.

SAFETY/SECURITY REPORT

Factory Mutual advocated, among other things, close pile array storage, adequate sprinkler discharge density, and bigger sprinkler openings than those used in storage of other combustibles.

FM also stated that plastics fires require special firefighting techniques. Above all, FM warned plastics users not to shut off sprinklers in case of fire, because the danger of a flash fire and intense heat buildup in plastics fires is present.

FM firmly believes, as stated in its new publication on plastics, that firefighters should even discard some conventional firefighting techniques in the case of plastics and "give serious consideration" to a system of "buttoning up" the building as tightly as possible. This would limit combustion air supply. FM advocates letting sprinklers run, for hours if necessary, in the building to extinguish the fire.

WITH HUGE NUMBERS of companies producing and using plastics—over 20 billion pounds of them annually—a new fire problem began emerging in the 1960s, FM pointed out. Building themselves were noncombustible, but furniture, insulation, ceiling tiles, wall panels and decorative items were fueling disasters.

FM asks: "What about the furniture warehouse where 100 cartons of plastic furniture are piled together, compared to maybe five pieces in an office? And what about the warehouse of the plant which stores thousands of pounds of raw or block plastics used in the manufacture of the furniture?"

What makes a plastics fire different from others, FM declares, are these characteristics:

- extremely high temperatures, because plastics possess a heat of combustion which runs roughly two and a half times that of other ordinary combustible materials;
- an extremely high burning rate because the flammability of plastics is much higher than other combustibles;
- thick, dense smoke, thick clouds of which initially radiate heat to promote firespread and then blacken to hide the seat of the blaze from firefighters, and renders certain breathing apparatus useless against toxic fumes.

FM FOUND that open-pile storage array, often used with lift trucks, stimulates heavy plastics burning and intense heat. FM is encouraging anyone with storage of plastics to use close-pile arrays, with maximum six inch spaces between racks.

Sprinkler discharge density adequate for other combustibles is not adequate to extinguish open-pile array plastics, FM states. "Doubling the amount of water to 0.6 gpm density, however, resulted in improved fire control in both configurations," FM's studies disclosed.

Normal sprinkler openings were also found to be inadequate to control plastics fires. But exchanging the normal one-half inch sprinkler

with one having a 17/32 inch opening delivers 40% more water under the same pressure and improves fire control.

FM's test program also led to some other conclusions which merit consideration in protection planning:

- collapse of storage in solid or palletized arrays early in a fire generally reduces the intensity by reducing available air and permitting cooling sprinkler water to wet previously dry areas;
- solid block plastics tend to burn less severely than those with storage air space;
- granular plastics such as pellets, powders and flakes tend to burn less severely because they fall from stacks and tend to

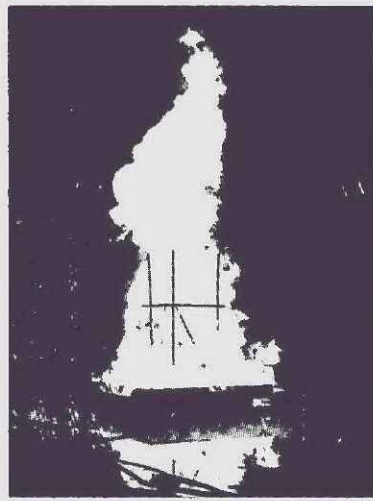
smother the fire;

- combinations of plastic and metal in a product produces one of the highest burning rates because the metal helps support the plastic and maintain air access to the fire;

- wrapping on stored plastics apparently doesn't increase the fire's intensity as with other stored combustibles;

- fires burn at comparable rates in high density plastics and foamed/expanded plastics, although a fire develops more slowly in high density plastics.

Because plastics fires defy traditional firefighting techniques, the time-established procedure of venting a smoky fire to locate the seat of the blaze is disastrous,



Small scale fire testing of stored plastics. Some burn as fiercely as highly volatile flammable liquids.

says FM.

In a plastics fire, sprinklers drive the heavy smoke downward so

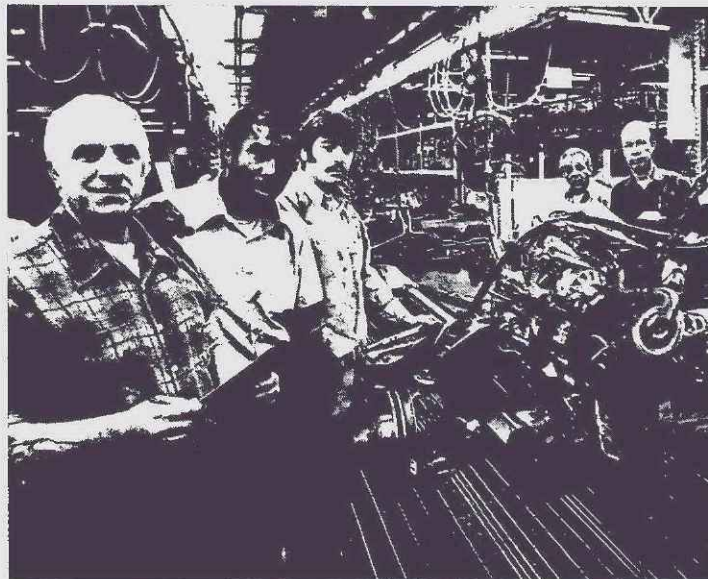
that roof venting does not clear out the smoke, tests showed.

Plastics fire risks greatly increase if sprinklers are shut off for any length of time, FM warned. "Without sprinklers, operating temperatures can climb sufficiently to cause structural damage and precipitate a roof collapse; and firespread can be so rapid as to fuse so many sprinklers the water supply can be overtaxed."

FM encouraged all companies which have the plastics storage exposures to establish emergency plans for fighting fires by "buttoning up" the building. By doing this, companies can avoid this tremendous risk of shutting off sprinklers only to find the fire burgeoning out of control in the meantime.

"The extra water damage from prolonged sprinkler operation is far preferable to losing a building, everything in it, and the jobs of all who once worked there," FM is convinced. ■

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Metropolitan Life
Where the future is now

Replacing talk with action on product safety committee

Samsonite keeps record clean by formalizing tough quality control

DENVER—Samsonite Corp., a \$100 million-plus consumer products company with an enviable record of next-to-nil product liability claims, is taking steps to prolong an unblemished scorecard.

While many manufacturers and suppliers of all kinds of products are talking about product safety, Samsonite is already acting. The company formalized its tough but previously unwritten quality control standards by setting up several corporate product safety committees in late 1973. One is for the luggage division, the other for furniture.

Each committee pulls together five departments: marketing, research, engineering and design, legal, quality control, and, of course, insurance.

THE CHAIRMAN of the luggage product safety committee is John Northrop, director of product, planning and research, who, in the corporate structure, reports to the vp of marketing.

The only people common to the separate divisional committees are the corporate legal counsel, and, yes, the representative from risk management/insurance, who happens to be Glenn Worrell, di-

rector of administration and risk management.

The committees meet about once a month, the luggage group at headquarters in Denver, the furniture division group generally at a plant in Tennessee.

"I act as a liaison between the underwriter's claims department and the product safety committee, and interact continuously with the legal counsel, quality control, design and engineering and manufacturing departments," says Mr. Worrell.

So far the committee has not made any big difference in the number of liability claims or to

lower insurance premiums, Mr. Worrell admitted to *Business Insurance* in a recent interview—"but that's because the company has been so quality-conscious over the years, that we've historically had very few liability claims. They're practically nil. We had one claim the other day, for instance, by a fellow who's suing everybody—the retailer and us and everybody—for \$100,000, but we found out the suitcase involved wasn't even ours. I can't remember a single claim we've ever had for a luggage injury," he said thoughtfully.

SO WHY THE product safety committee? "We see a need for the committee because we are acutely aware of how important it is to have products that don't have the potential to cause future claims, to have a reliable product and to protect the Samsonite name."

The company, recently ac-

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A bag named Sam

Samsonite advertisement

quired by Chicago-based giant Beatrice Foods Corp., presently has primary product liability insurance as an endorsement to its umbrella comprehensive general liability policy, underwritten by General Accident Group. Samsonite buys first-dollar coverage with limits of \$100,000-\$500,000 per occurrence, covering products anywhere in the world.

Just about the only bad experience Samsonite has ever had with product liability was with an electric can opener produced under the Samsonite name two or three years ago. It was found to be a fire hazard, and was recalled.

As a result of setting up this safety committee, Samsonite established new procedures for handling product-related claims, too. Mr. Worrell explains that when—or if—he gets a claim arising out of, say, a defective chair, he talks to the furniture division operations and design people, then sends the claim information along to each member of the product safety committee for that division. They check the design and the production records, then if necessary send a quality control person to the place where the claim originated to see how the chair was used, for how long and how frequently.

Any new product, too, has to go through extensive checks by the respective product safety committee before it is ever produced and marketed. The objective: To know early on what liability exposures the product may raise.

"THE COMMITTEE'S whole purpose is to see that products are designed to be the most acceptable to the consumer, and free of defects over the long haul," say Mr. Worrell. "It's my personal opinion that we can't just design a product to be acceptable a year down the road. We have to view this over the long term."

To illustrate how the committee would function to screen a new product, Mr. Worrell cites an example of a new suitcase that the marketing and design departments are working on. When they are ready to show it to the committee, a special meeting is set up just to review this single product.

The product is demonstrated exhaustively, used by each member of the committee, and is filled with heavy material to simulate an actual-use situation. "We have to think of injuries or damage this bag could cause while just sitting around, or if it was pushed over, or if it fell over on someone, or if it knocked somebody down. Asking all of these questions recently resulted in several design modifications for the first new product that the safety committee has screened. Several components were recessed into the body of the bag, and were modified so that the bag could not move without having a person in control. We also want to make sure, for instance, that the ordinary person could not get his hand caught in a handle," Mr. Worrell related. ■

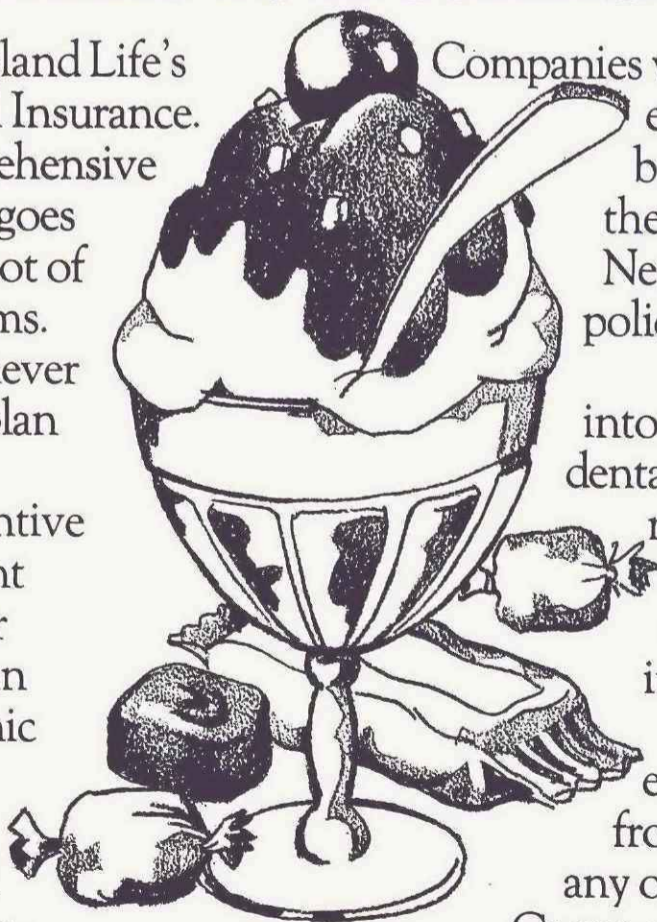
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Stockbrokers toughen security to slash rate of securities losses

NEW YORK—Stockbrokers are pushing for Congressional action to halt securities thefts, estimated at more than \$50 billion in a report published by the securities unit of the Justice Department.

Major brokerage houses told *Business Insurance* that physical security at their firms is tight. But, losses are still monstrous due to fraud and embezzlement.

Just last June, the Senate permanent subcommittee on investigations held a hearing during which the New York Stock Exchange called for Congressional action to help combat theft, counterfeiting and loss of securities certificates.

In testimony before the subcommittee, Donald Calvin, a vp of the Big Board, outlined a six-point program for federal legislation:

- Make it a federal offense to steal any securities from a broker-dealer who belongs to the Securities Investor Protection Corp., an entity which protects customers against loss in the case of failure or liquidation of a brokerage firm;
- Make it a federal offense to counterfeit any securities that are traded in interstate commerce;
- Require that all broker-dealers and employees of stock clearing corporations be fingerprinted;
- Centralize in one federal agency the enforcement authority to deal with securities thefts;
- Require that all thefts and losses of securities certificates be reported to that agency;
- Amend the Fair Credit Reporting Act of 1969 so that backgrounds of prospective employees of stock exchanges can be more thoroughly investigated.

THREE YEARS ago, the industry submitted similar demands. To date, no action has been taken.

Similar suggestions were pointed out at the hearing by Merrill Lynch, Pierce, Fenner & Smith Inc. president, Roger E. Birk.

He advocated that "the fight against securities thefts must be carried out on three levels. First, it is up to the individual broker-dealers or other handlers of securities to keep their house in order, to exercise the self-discipline needed to minimize the opportunity for thefts and lead to quick discovery when any do occur."

"There must be certain uniform industry practices and procedures and cooperation to form a general protection screen," he said, adding that "this can best be handled by various self-regulatory industry agencies, which can exercise supervision to make sure individual members observe at least minimum protection practices and provide industrywide protective systems."

Some of the security measures implemented at Merrill Lynch, Pierce, Fenner & Smith were explained by Mr. Birk:

- Establishment of a separate protection services department, organized around a core of highly qualified former law enforcement officers;
- Extra-careful screening of all new employees hired for work in sensitive areas;
- Extensive training of managers and account executives, as well as operations personnel concerning theft and fraud problems.

The brokerage firm took one major measure to limit securities movement. Two years ago, the

firm moved. "There was an obvious gain in efficiency and security in pulling together under one roof operations which had been scattered at some 15 different locations," he pointed out.

All Merrill Lynch securities movements are recorded on

SAFETY/SECURITY REPORT

closed circuit tv. In addition, direct hotlines to the guardroom and alarm button which alert guards and New York City police department are used.

Other tight security controls are evident at Merrill Lynch. However, the company president

said, "it would be nice to be able to say that this solid wall of security has made us theft-proof. But as we all know, there is no system that is completely fail-safe."

He cited some past losses.

"Last year, for instance, we had two known thefts of securities with a total value of \$65,000 and none so far in 1974. We also had some missing securities, but the amount involved is relatively small in relation to the huge total we handle," he said.

The biggest portion of losses due to thefts arise from shipments that "go astray in the first class mail. Presently, we are working with the postal authorities to combat this problem," Mr.

Birk explained.

William Thierfelder, senior vp of office services at Bache & Co. described a similar security arrangement there.

"To my knowledge," Mr. Thierfelder said, "we have had physically zero losses."

Are brokerage firms finding it difficult to buy insurance because of securities losses?

THE SURETY Assn. of America and its 400 member companies reported a "vital interest in loss of securities, whether or not such a loss is occasioned by employee dishonesty, robbery from premises, robbery in transit or counterfeiting."

"The cost of blanket bond coverage has not gone up in nearly the same degree as food and inflation," association general manager Elver T. Pearson said.

Mr. Pearson said, however, that the association has not seen losses as high as \$50 billion, the

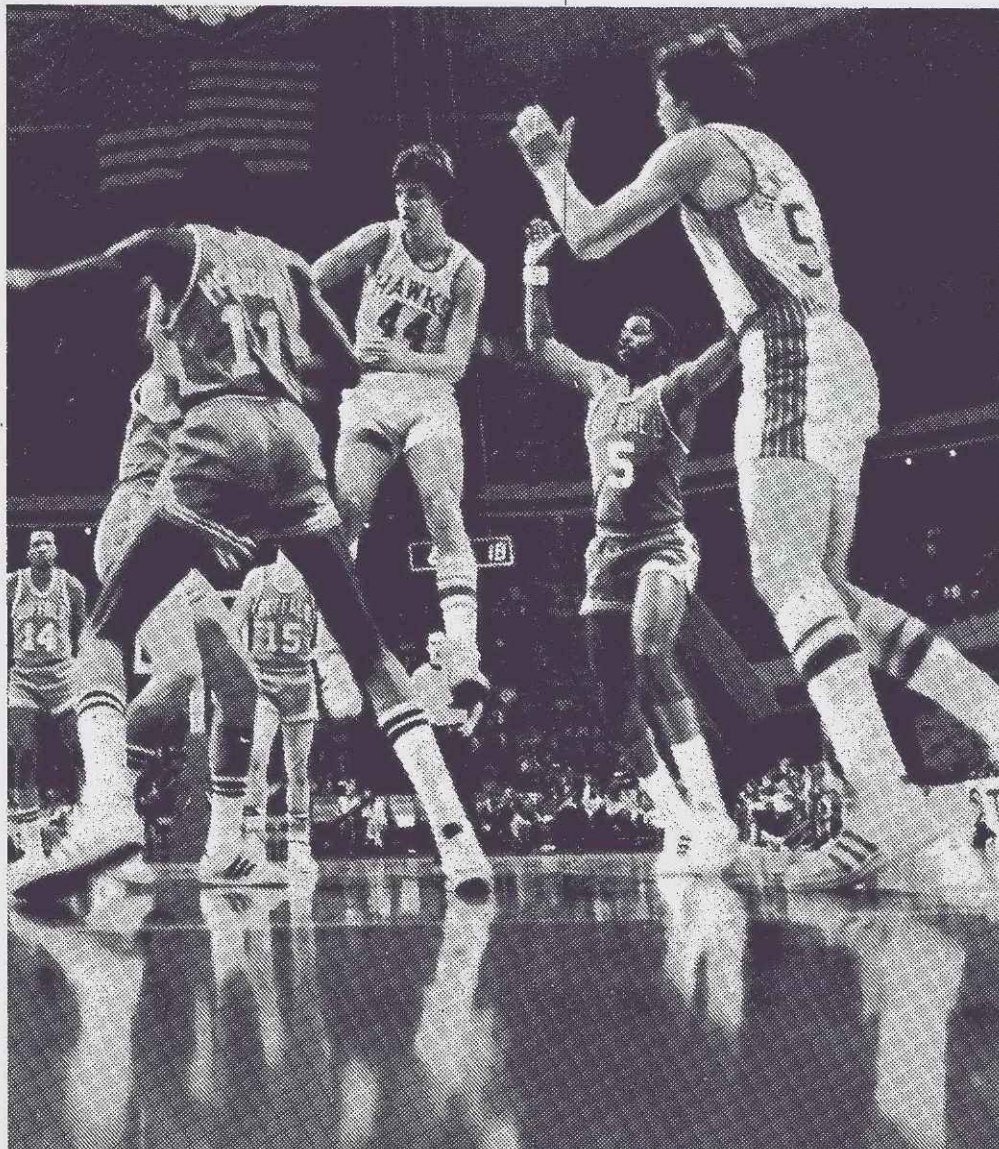
estimate published by Justice's criminal division.

The high figure is a scare tactic, he argued. "This is a scare approach to things. We're not unhappy with this if it makes banks check the validity of securities as they come in."

But, the bulk of these so-called losses are never going to turn up, he projected. Most lost securities "are thrown in the river or possibly are used to support a loan. Thieves are not experienced enough to use all the securities, so they ditch them."

Another protection for brokerage firms is that "brokerage accounts of individual investors are now protected up to \$50,000 by federal insurance under the Securities Investor Protection Corp. In addition, at least two major private insurers are writing excess insurance over SIPC up to several hundred thousand dollars," another industry source disclosed.

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PERSPECTIVE

Unique safety plan for cigarette superplant

"Philip Morris would have to build a new manufacturing facility larger than any of those they had in operation and, in order to fill the projected demands in the future, a facility considerably larger than any similar type plant now in operation anywhere in the world."



By PAUL GOLDSCHMIDT
insurance manager
Philip Morris Inc.

IN 1968, THE THREE cigarette plants operated by Philip Morris in the United States were running at total capacity. At the rate sales were increasing there would soon be no way to meet the demand for the company's brands of cigarettes, which include Marlboro, Parliament, Benson & Hedges and Virginia Slims.

Philip Morris realized what would have to be done, and done as quickly as possible. The company would have to build a new manufacturing facility larger than any of those they had in operation and, in order to fill the projected demands in the future, a facility considerably larger than any similar type plant now in operation anywhere in the world.

There could only be one architectural

firm, and one principal of this firm, for the job. A call was therefore placed to Mr. Gordon Bunshaft of Skidmore, Owings and Merrill and from this original telephone call emanated what is today the cigarette industry's largest and most efficient manufacturing plant.

IN ADDITION TO THE normal problems inherent in an installation of this size, many engineering problems had to be overcome and resolved. Among these, perhaps the most interesting from an insurance and premium cost standpoint, was the development of fire protection capabilities necessary to adequately protect this vast operation, where property and business interruption values would substantially exceed half a billion dollars. This became the task of the fire protection engineers, including those from the Factory Insurance Assn., Schiff Terhune Inc., brokers for Philip Morris and, of course, the Philip Morris engineers.

Robert Vlachos headed Schiff Terhune's engineering effort. Louis Gau was the insurance manager of Philip Morris. The engineers' biggest headaches were the need to provide adequate protection for the making and packing area (the cigarette-manufacturing machine area) which covered a projected open area of some 200,000 sq. ft., and the finished goods warehouse where high rack storage facilities would extend to a ceiling height of some 55 ft.

Both of these areas would contain very substantial values which, in order to satisfy demands from the underwriters and at the same time insure Philip Morris a continuity of operations, would require engineering refinements not previously tested or approved or, more importantly, tried under actual operating conditions.

Philip Morris quite naturally wanted to

keep the making and packing area as wide open as possible. The building has an open span of 200 ft., extends more than 1,000 ft. in length and has a ceiling height of 24 ft. Its exterior walls are almost totally glass-enclosed. The huge area would present a spectacular sight and be a true showpiece. The underwriters did not view this spectacle through quite the same rose-colored glasses. As a matter of fact, their original recommendations would have turned the entire project, in the eyes of Philip Morris, into something of a disaster.

Countless conferences were held be-

tween the architects and the engineers with underwriters lurking in the background. The issues were finally resolved, although quite naturally not to everyone's complete satisfaction, but still in a manner retaining the elegance and grace desired by Philip Morris and the architects. Two free-standing fire walls would extend from the basement through the making and packing area, sub-dividing this space into three separate fire areas, and on through the overhead ceiling space and the roof. But sizeable openings in the grade floor cigarette manufacturing area would be permitted—at either side of the 200 ft. by 1,000 ft. span—each equipped with single automatic fire doors of an unprecedented size (30 ft. by 24 ft.) to allow visitors a panoramic view of the entire operation.

Continued on following page



Located on a 150 acre site, Philip Morris's new \$200 million manufacturing complex is nearing completion.

We repeat: OSHA compliance not enough!

"The unsafe condition is not the overriding cause of accidental injury . . . the human aspects of safety, the unsafe working practices and habits of employes have been the predominant causes of accidental incidents."

By HARRY J. EIERMANN
manager, safety & loss prevention
SCM Corporation

WE HAVE BEEN DISTURBED recently by a specific attitude of many in business and industrial management that concern for safety is measured in terms of . . . "How are we in compliance with OSHA?" The feeling seems to be such that an assurance of being in compliance with OSHA requirements means the coast is clear and we've done all that is necessary for the safety and health of our employes.

Nothing could be further from the truth, although there is an understandable reason for such a belief. Since the inception of the Occupational Safety and Health Act of 1970, we have heard very little else but enforcement of safety stand-

ards, practicality of complying with standards, as well as citations and penalties for non-compliance and a general fear of the task of being assured of complying with regulations. Little wonder then that this area takes precedent and is the all encompassing task in current safety programming.

PROFESSIONAL SAFETY experts believe that the unsafe condition [by itself] is not the overriding cause of accidental injury [or illness.] The human aspects of safety, the unsafe working practices, the unsafe working habits of employes have been the predominant causes of accidental incidents.

Therefore, the safety inspection to detect unsafe physical conditions is only a part—although it is an important part—of effective and result-producing accident

prevention. A greater concern in our sincere efforts to control incident of work accidents and illnesses should be to effectively program for the human errors that cause most accidental incidents. OSHA contends that attention to human factors has not produced satisfactory results and, therefore, more emphasis is needed to eliminate the "conditions" resulting in injury and illness. The truth of this premise is yet to be proven. Experience may prove that the safer workplace will control the severity of occupational illness and injury but, we would venture that the frequency of accidental occurrence will not be drastically reduced without continued and greater concern for the human factor in safety.

The National Safety Council's preface to "Self Evaluation of the OSHA Standards" states it very well. . . . "it is the judgment of the National Safety Council that mere compliance with the requirements of OSHA will not achieve optimum safety in terms of cost, benefits, and human values."

The statement goes on. . . . "At best, state or federal occupational safety and health standards can cover only those things that are enforceable, namely control of physical

conditions and environment."

The statement concludes. . . . "As a matter of hard reality, enforceable standards simply do not relate to the man in the man-machine-environment system. Important elements of complete safety program, such as (a) establishment of best procedures to limit risk, (b) supervisory training, (c) job instruction training for employes, (d) job safety analysis and (e) human factors engineering cannot be included in the OSHA standards, nor can the standards relate to employe attitudes, morale or teamwork."

We know of no way to say it better or to emphasize the importance of the human factors in safety which in the long run are most significant and important in accident loss control. We cannot afford to lose sight of these factors in our over-indulgence in safety standards compliance.

IN THE EXPERIENCE of our company, our corporate meetings of safety personnel for the first two years of OSHA concentrated heavily on OSHA standards. Compliance progress was, of course, very notable. However, our most recent review with those responsible for division and

Continued on following page

business insurance

PERSPECTIVE

Superplant...

Continued from preceding page

These automatic fire doors are indeed unique. Actually, they are two doors in one since the design incorporates two metal-clad door shells separated by a 6-inch air space but linked together and operate as one. Besides being the largest doors of this type accepted by the Factory Insurance Assn. up to that time, they were also designed to be foolproof in operation. Instead of being hung on the walls themselves, they are recessed within the fire walls and are actuated both mechanically through the use of heat detectors and electrically through the use of pneumatic closing devices.

The finished goods warehouse presented entirely different problems. Very few warehousing facilities today provide 50 ft. high rack storage and these have all been designed specifically for the hazards involved. Here, now, was a facility designed to store a product very susceptible to fire, smoke and water damage and packed in paper wrappings within corrugated paper cartons. Certainly a highly combustible storage product and a very high-value product. As a matter of fact, this was undoubtedly the highest concentration of values in one warehouse ever encountered up until this point by the Factory Insurance Assn.

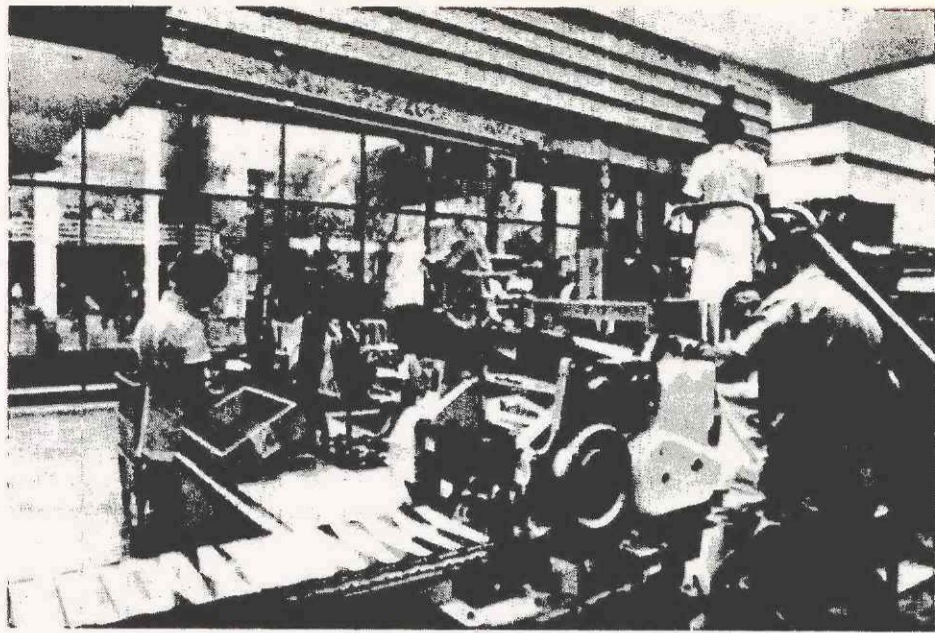
Protection was designed specifically by FIA, in conjunction with Schiff Terhune fire protection engineers, which would provide the protection necessary to effect 100% control and extinguishment of a fire arising in the warehouse. The excessive ceiling height and blanket masonry wall construction, together with the hazard of falling debris and stock in the course of a

fire, would necessitate the dependence upon the use of sprinklers exclusively to handle any emergency. This became known later as a maximum reliability sprinkler system.

Six tiers of rack storage had been designed for the warehouse. All stock would be handled by fully automatic stacking equipment controlled by means of a highly sophisticated computer system. Certainly, protection would also have to be highly sophisticated. At each second tier, a horizontal metal bulkhead was installed and under each bulkhead a level of intermediate sprinklers installed. An additional level of intermediate sprinklers was also installed above the top storage racks. Each of these intermediate sprinkler lines require only standard piping design and the normal 165-degree temperature heads. And at the ceiling, 70 sq. ft. spacing was required and a sprinkler density of .35, for the most remote 4,000 sq. ft. of area was deemed necessary. High temperature heads of 286-degree rating were used at the ceiling in order to obviate the opening of an excessive number of heads in the event of fire at this point.

IT IS ONLY NATURAL that protection of this magnitude needs a very generous water supply. The oversized public water mains and the private one million gallon reservoir, together with both diesel and electric pumping facilities, would adequately serve towns the size of Palo Alto, Ca. or Elmira, N.Y. And to insure uninterrupted operation of this equipment as well as basic needs of the entire plant, there is a diesel engine-driven emergency generating system of enormous capacity. Obviously, nothing was being left to chance.

Although cigarettes are being produced in some quantity at this time, the entire complex is not scheduled to come on stream until sometime in 1978 when full

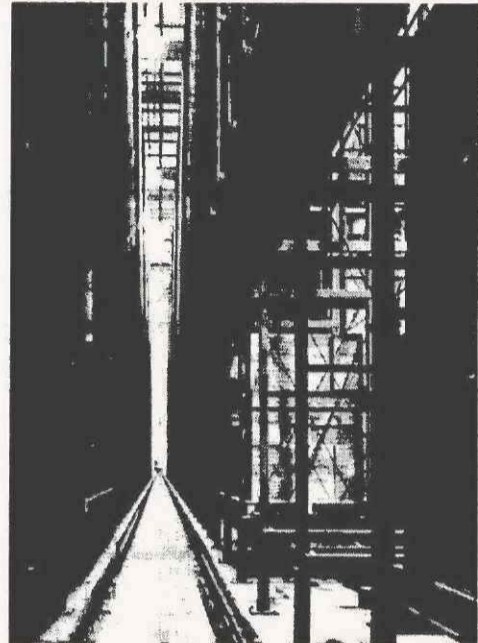


TOTALLY AUTOMATED . . .

From the production line the sealed cigarette cases travel on a series of conveyors into the automated finished goods warehouse (right). Nine "stacker" cranes will automatically store the cases in 52-foot high racks.

manufacturing capacity will become available. It is reliably reported that 120 billion cigarettes may then be produced annually. If stretched around the equator, these cigarettes, laid filter tip to filter tip, would pass themselves 246 times, a truly staggering statistic. Almost enough to strain the endurance of the Marlboro man. ■

Paul Goldschmidt has been manager of insurance for Philip Morris Inc. since 1972. He formerly served with AMAX Inc., and Associated Metals & Minerals Corp. in various capacities in the insurance field. He is a member of the Society of Chartered Property Casualty Underwriters.



Preventing occupational disease paramount

"The Occupational Safety and Health Administration (OSHA) estimates several hundred thousand workers are presently exposed to asbestos fibers."

By **WILLIAM R. LaROCQUE**
director of industrial hygiene
training services
Liberty Mutual Insurance Co.

ASBESTOS IS A GENERAL term that describes several fibrous minerals with specific physical qualities, making it useful for many purposes: for fire and heat resistance, as insulating materials, as an inert binder in plastics, as filter mediums, as an ingredient in brake linings, as an element in roofing and other building materials.

It is a material commonly found, difficult to replace, and extremely useful in our industrial economy. In the United States, industries use nearly one million tons a year. The Occupational Safety and Health Administration (OSHA) estimates several hundred thousand workers are presently exposed to asbestos fibers.

Since 1930, we have known that exposure to excessive concentrations of airborne asbestos fibers and dust is capable of producing asbestosis, a disabling and sometimes fatal occupational lung disease. It is characterized by varying degrees of fibrosis (scarring) of the lung, calcification of the pleura (lung lining) and other changes.

Evidence gathered in the late 1960s showed significant asbestos exposures produced bronchogenic cancer of the lung and mesothelioma, a rare form of cancer of the pleura and peritoneum (abdominal cavity lining). Epidemiological studies of asbestos workers indicate smoking greatly

increases the incidence of lung cancer.

Asbestosis is normally associated with many years of excessive exposure, but it appears that mesothelioma may result from slight exposures over long periods of time or excessive exposures over short periods of time. A complicating factor is the onset of this kind of disease may occur many years after the actual exposure to asbestos fibers.

Also, the discovery of asbestos disease in members of the general public, residing in the neighborhoods of asbestos mining and processing plants, has given rise to concern for public exposures to asbestos air contamination.

ASBESTOS IS NOW one of the most serious occupational disease exposures. OSHA has designated asbestos as a target health hazard (along with lead, silica, cotton dust, and carbon monoxide). And in June 1972 the department set an environmental health standard for asbestos. For the first time in American history, an environmental health standard achieved the status of law, covering most aspects of hazards associated with an occupational disease. The standard covers such items as permissible air concentrations, methods of air sampling and analysis, work procedures, monitoring requirements, personal protective equipment, engineering control measures, labeling, warning signs, and medical control measures.

While the basic reason for identification and control of asbestos exposures is humanitarian, the economic aspect of asbes-

tos diseases must also be considered. Workmen's compensator benefits for a single case of asbestos disease could range from \$20,000 to \$100,000, depending on the different state compensation acts, details of the case, medical costs and other factors.

It is easy to see the actual costs for asbestos disease claims may greatly affect insurance costs. This is particularly true for those plants having large numbers of workers exposed. And since the onset of

mesothelioma can occur many years after actual exposure, risk managers must be aware not only of present conditions, but also of asbestos exposures that might have existed 20 or 25 years ago.

Because it takes so long for the onset of the disease, the paramount issue, from humanitarian, social, and economic standpoints, is prevention, which includes medical appraisal of all exposed workers.

Continued on page 54

OSHA . . .

Continued from preceding page

group safety dealt very little with OSHA or safety standards—as program requirements dealing with the "human factors" were emphasized.

The three years of OSHA began with a decided upgrading of our safety effort to deal with physical conditions and elimination of apparent violation of promulgated standards. Much emphasis was placed on the serious consequences of instances of standards violation. The establishment of "task forces" to deal with this consumed much time and effort. Many of the basic elements were perhaps not emphasized enough and supervisory safety training and participation did slacken. Since we all know that the real accomplishments in accident loss control are directly related to involvement by industrial supervisors, any let-down in supervisory effort is not good.

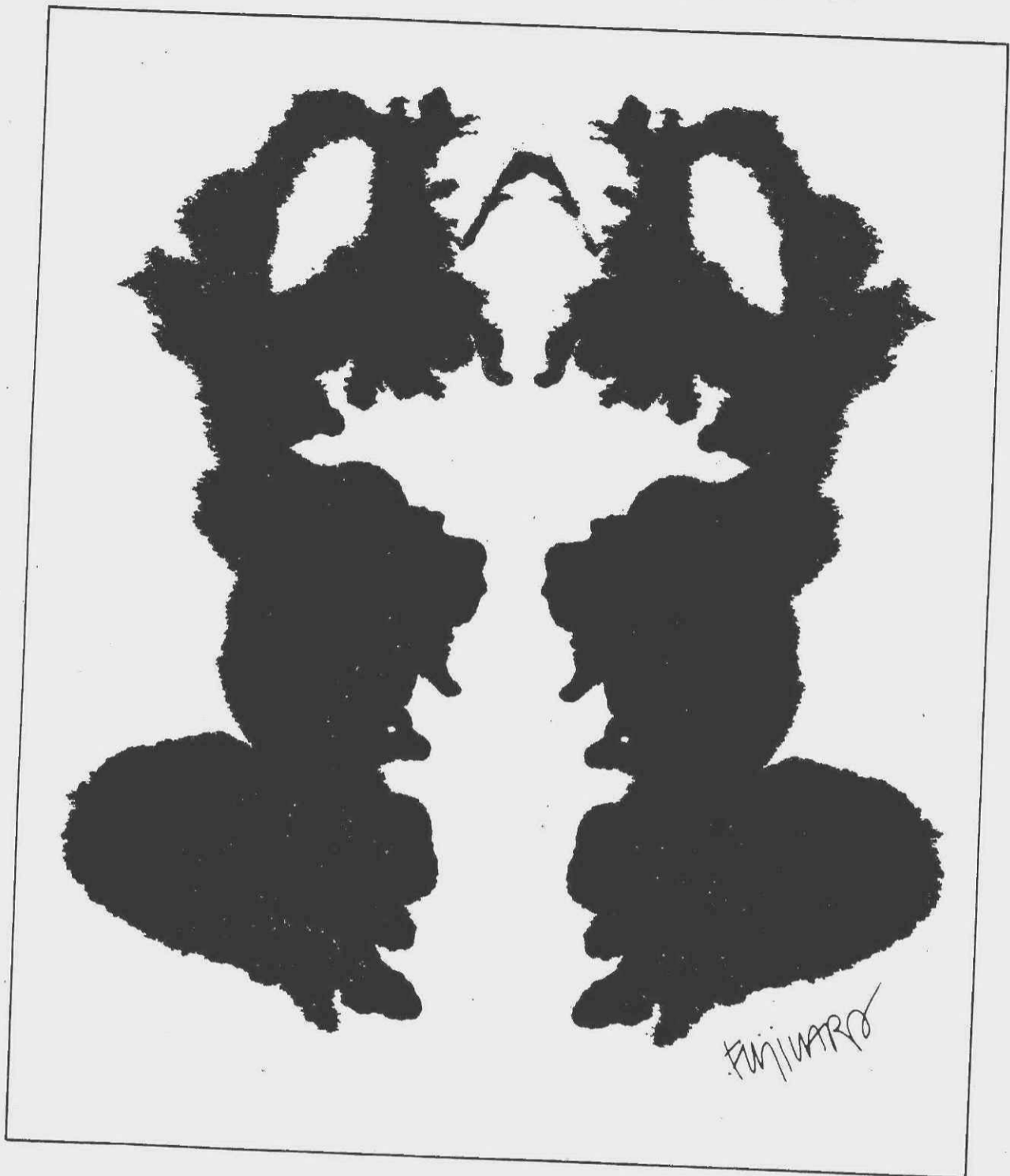
We have had a large exposure to OSHA compliance inspections. We have observed that in a great number of cases, once the inspection was made, any monetary

penalties paid and abatement taken, then there is a strong inclination to feel that we have met the challenge and "passed the test." Now there was little more to be done for safety and health.

Obviously this attitude, while understandable, is dangerous. Our efforts, therefore, are to strongly emphasize all of the important elements of loss prevention program requirements which are carefully detailed and outlined in our required corporate procedures. The complacency of having "passed" the compliance inspection has to be continually overcome. Indeed, we do stress that "OSHA compliance is not a safety program," but only a small beginning in our total effort in accident loss control. ■

Mr. Eiermann is a graduate of Rutgers University in mechanical engineering and did advanced management study at Rutgers and Columbia University. He has been corporate manager of safety and loss prevention for SCM Corp. for about three years. He was formerly national manager of Royal Globe's loss prevention and control divisions. He is a certified safety professional and is past chairman of the safety division of ASME.

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There's an original way of looking at everything.

Asbestos hazards . . .

Continued from page 52

The immediate task facing industry is to identify, evaluate, and correct all significant exposures of asbestos fibers. And, the requirements of the OSHA health standard makes it necessary to provide specific medical control measures for new and presently employed workers and those leaving the job.

Those industries producing asbestos or using it as a basic material in their products probably recognize the severity of the problem. What may not be generally appreciated is the unknown presence of asbestos or asbestos-bearing products in many plant operations or materials. For example, the chances are good that heat insulation on piping in most plants contains asbestos. Any work involving the installa-

tion, removal, or modification of piping insulation may provide a high degree of exposure to asbestos fibers. Spackling compounds used for dry wall construction may contain asbestos, providing for a possible unrecognized exposure. Repair and replacement of brake linings may lead to exposure. The sawing, cutting, sanding, or drilling operations on fire-proof buildings by maintenance workers may provide high exposures.

THESE ARE just a few examples of many operations which produce the chance of unrecognized asbestos exposures. What is needed is a careful, complete and detailed examination of all plant operations, materials and processes. This applies to seasonal or intermittent operations as well as

normal production procedures.

The evaluation of actual, airborne asbestos fiber concentrations involves air sampling activities, using prescribed sampling methods and special analytical techniques to find accurate data on the workers' average exposures. Not all plants have the resources to perform such monitoring activities themselves. They must rely on consultants, governmental, health specialists or insurance carriers to help them carry on basic evaluations of hazards. There is an acute shortage of trained industrial hygienists which compounds the problem. The insurance industry has a number of professional industrial hygienists who can offer guidance and help to policyholders. This has been Liberty Mutual's practice for many years. But if the exposure is continuous and serious, it is desirable for a plant to develop its own expertise in this field.

If the results of air sampling indicate the airborne concentrations of asbestos fibers exceed the permissible limits, then it is necessary to control the exposure. The methods to provide control include the following basic methods that apply for all occupational health hazards dealing with air contaminants.

- Substitution: If a non-hazardous substance can be substituted for a dangerous one, do so. The hazard is then eliminated.

- Isolation: Physical isolation of the task is desirable if it reduces the number of workers exposed. Work with hazardous materials can sometimes take place on work shifts having fewer workers present.

- Ventilation: If feasible, exhaust ventilation hoods and systems which will capture the contaminant before workers can inhale it is the best way to control the exposure.

- Protective equipment: If en-

gineering controls cannot be provided, properly selected protective equipment for workers can be used for short-term, intermittent exposures.

- Housekeeping: Work practices, process modification, and good housekeeping are essential in controlling exposures.

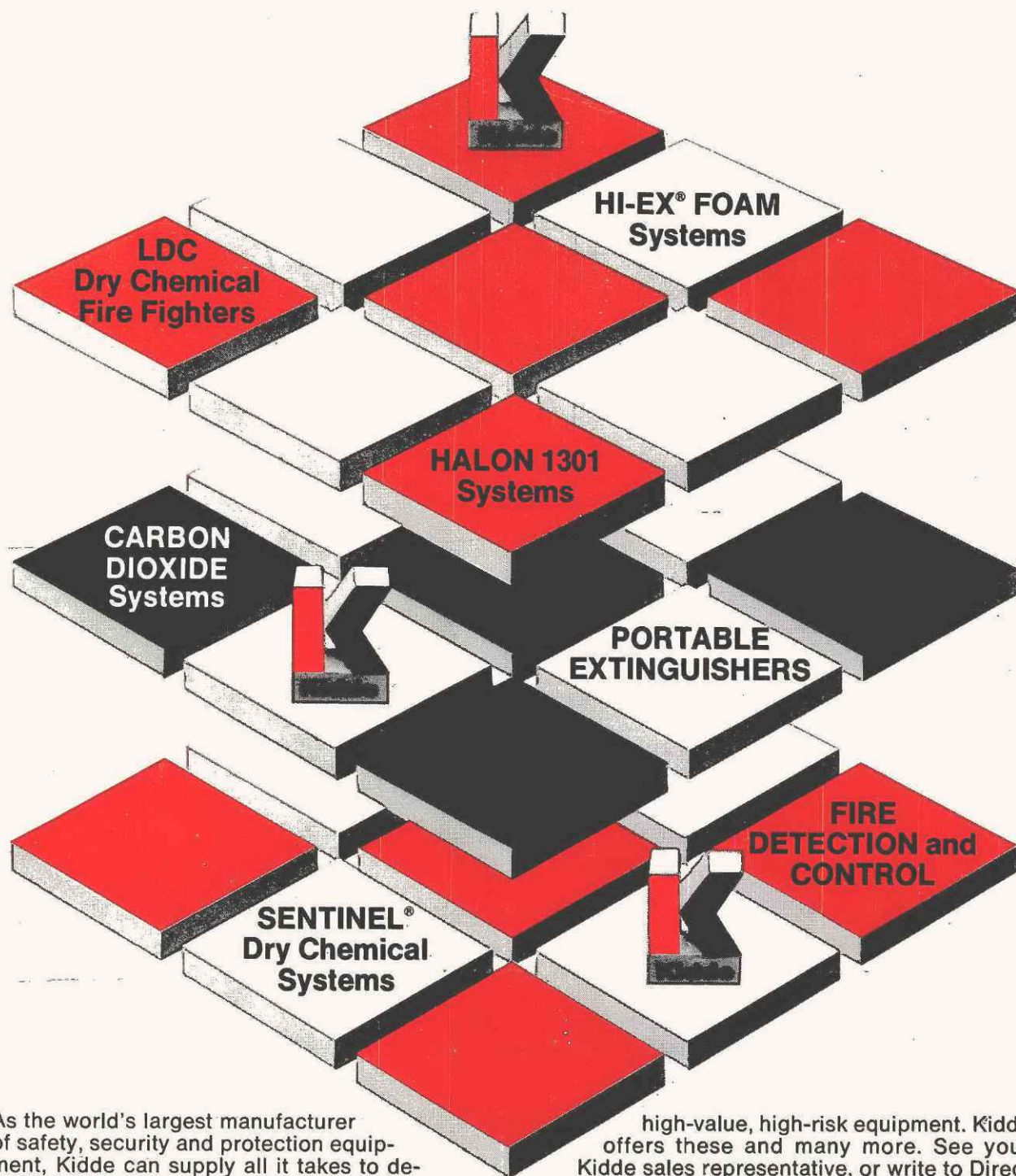
- Medical control: Effective medical control programs should supplement other control measures.

IN SUMMARY, companies with asbestos exposures should be prepared to devote time and money to investigating the exposure, evaluating it, and setting controls. In doing so, it may involve significant capital expenditures. It may require the use of new materials. Supervision may have to impose new work methods and enforce such regulations. It may require ventilating equipment together with process modification. And it may require the development or acquisition of expertise in industrial hygiene. Controls should be designed to achieve the reduced permissible limits for air contamination which go into effect in June 1976.

Asbestos as a health hazard can be controlled, but to do so requires an understanding of the problem and the provision of good industrial hygiene practices. ■

William R. LaRocque is director of industrial hygiene training services for Liberty Mutual Insurance Co. Mr. LaRocque is a certified safety professional and a fellow of the American Industrial Hygiene Assn.

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Tells NAIA future bleak for industry

MIAMI, FL.—“We have had a slow market crash and the bond market is in a shambles, too. Now just superimpose on top of this weakened financial condition the accelerated increases in loss ratios, from black ink to red ink; in just a few short months the industry has gone from underwriting profits to big underwriting losses.”

Where can the insurance industry go from here? Down and out, according to B. P. Russell, chairman of the board and executive officer of Crum & Forster, a New York-based insurance holding company.

The industry just may be headed for the worst “capacity crunch” ever, along with company insolvencies, Mr. Russell warned agents.

Speaking at the annual convention of the National Association of Insurance Agents (NAIA) here earlier this month, Mr. Russell urged agents to encourage companies to raise their rates.

“IT’S COSTING more to repair property and repair people than any of our rates ever contemplated,” he said.

The primary cause of this present situation is “the double-digit inflation backslashing into the cost of claims and losses, Mr. Russell pointed out.

State agents’ associations, as well as the NAIA, must help politically on the national scene, he urged.

“Local agents must have markets and they had better start now to throw up sand bags around those markets by offering to help, in every way, to get more money for the risks the companies are assuming,” the speaker warned. ■

Kidnap investigator sees essential need for better corporate security

NEW YORK—Kidnapping is one area where the ounce-of-prevention theory can mean savings in dollars and lives, according to detective John Inzalaco of the New York City police department's crime prevention section.

With 1,556 kidnap investigations reported by the FBI in 1973, a 32% increase since 1969, a need for businesses and corporations to develop preventative measures is imperative, the detective told *Business Insurance*.

Basic to Detective Inzalaco's prevention plan is a personalized security survey which identifies weak security areas and suggests methods of strengthening them.

THE SURVEY has been offered as a free service to businesses in New York for the past two years by the crime prevention section, under the direction of inspector Richard Condon. Similar surveys are now being conducted by police in most major U.S. cities, Mr. Inzalaco said.

The survey includes an inspection of the entire physical layout of a plant or business, the detective explained, as well as personnel practices: "How you screen your phone calls, for example, or who has access to keys to the building."

Market first cold storage fire door

NEWARK—What is described as the "world's first cold storage fire door" is being marketed by Clark Door Co.

The "Thermadoor" was developed by Clark and is said to be the first metal-skin urethane foam filled door. It recently passed a three-hour vertical fire test at Underwriters' Laboratories.

Although urethane is the best insulating material that can be used in cold storage structures, the substance has been the center of much controversy because it is also one of the most flammable. Until now, it has been necessary to use two doors to protect cold storage areas. One for insulation with urethane, and a fire door for protection.

THE FIRE DOOR operates by automatically sealing off cold storage areas when a mechanism is triggered by heat. However, problems arose when the fire doors were placed on either side of a cold storage door. For example, if the fire door was located on the cold side of this area, the mechanism which was supposed to close the door often froze and did not seal off the room until fire had already caused damage. The closing mechanism was also adversely affected when the fire door was placed on the warm side of the cold storage door.

Thermadoor is the first product to combine the advantages of a metal fire door and a urethane foam filled insulating cold storage door, say its producers.

However, it is difficult to determine if the use of Thermadoor will decrease fire risk and subsequently lower fire insurance premiums for the businessman who requires cold storage space.

A spokesman for the Factory Mutual System explained that the fire risk factor must be analyzed within the context of the total environment where the door will be used. ■

"Everyone's got his own individual security problems," he continued. "We analyze the prob-

SAFETY/SECURITY REPORT

lems and provide a written, confidential report, hand delivered. What you do with our recommendations is up to you."

"Every businessman should be-

come his own security officer," detective Inzalaco noted. "Instilling security consciousness is a basic concept he should adopt.

"Kidnappers want to minimize their risks when they carry out their plan" the detective continued. "They usually plan in advance, using information available or by watching their intended victims' activities. Denying kidnapers this information will make it difficult for them to carry out

their plan."

Measures for office security suggested by Detective Inzalaco include:

- Screen all visitors, and have them escorted to their destination.
- Use only high security rated, pick-resistant locks in the office.
- Stamp all office keys "Do not duplicate" and deal only with licensed locksmiths.
- Conduct periodic searches for listening devices.
- Keep confidential papers and records in a high-security safe rather than a locked file cabinet, which is easily broken into.
- Don't reveal travel or vaca-

tion plans or appointments of company VIPs except to those who have a "need to know."

While traveling, businessmen should follow additional security measures:

- Vary your travel routine; don't consistently follow the same route or same time schedule.
- Don't have distinctive license plates or decals on company vehicles used by executives; do install two-way radios so help may be summoned if necessary.

Recognition of the need to be concerned about potential crime, the detective concluded, removes the "easy target" image from a business. ■

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The two presidents speaking are (left) Cliff C. Jones, President of R. B. Jones Corporation, and Patricia R. Zahn, President of R. B. Jones of Iowa Inc. Their message is one more part of the R. B. Jones philosophy.

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Cutting losses for truck fleets

Aim at reducing workmen's comp premiums, sharpening driver skills

By JOANNE GAMLIN

LOS ANGELES—Property/liability losses and the premiums paid to cover them are on an endless upward escalator, say trucking industry sources here, and the only hope of harnessing future costs lies with effective loss control programs.

Pete Den Hamer, director of safety and engineering for Transport Indemnity Insurance Co., illustrates this thesis by pointing to two real-life trucking companies. Both are clients, and both have annual gross revenues of about \$12 million.

The concerns also are similar in that both have \$15 million retrospective property/liability policies, continues Mr. Den Hamer.

"YET ONE OF these firms pays a total annual premium of \$142,040 while the other pays only \$93,236," he asserts.

The difference? You guessed it. It is a working loss prevention program, says the trucking industry veteran. He notes further that the firm paying the lower premium receives an annual average dividend of \$32,764. The other firm must ante up an annual deficit of \$5,640.

Although loss control programs are no panacea for rising trucking loss ratios and property/liability premiums, fleet experts interviewed by *Business Insurance* agreed that as yet no more effective antidote exists.

There can be no question that trucking accidents involving property damage and deaths are ascending that escalator. U.S. Department of Transportation figures reveal the story: In 1971, there were 13,016 accidents involving trucks with general freight with the result of 543 deaths and property damage amounting to \$32,029,210. Just a



Driver education may be the key to cutting losses for large fleets.

year later, the same figures had swollen to 16,289 accidents, 592 deaths and \$36,692,940 in damage.

No precise figures on what trucking companies and firms with large fleets pay in property/liability insurance premiums exist, according to sources here. Innumerable variables such as the types of trucks, the size of fleets and the kind of cargoes cause premiums to vary widely, even among companies involved in a single industry.

MILTON D. PLATT, loss control analyst for the Trucker's Insurance Exchange, a part of Farmer's Insurance, told this magazine that loss prevention programs are not as effective in reducing property/liability premiums as they are in chopping the payout under workmen's compensation policies. Comp policies, of course, are designed to that a drop in losses is immediately reflected in premium costs, he added. By contrast, property/liability policies require 36 months of steady loss reduction to yield a premium cut.

One cause of the steady escalation in truck property damage, he continued, is the increase in the value of truck loads.

"We had a \$280,000 policy on two men driving a truck loaded with lobsters," he cited. And the truck was wrecked.

However, one hopeful factor, he added, is that loss control programs aimed at reducing workmen's comp premiums will inevitably work to bring down property/liability premiums, too, in the long run.

George Boleck, safety director for National Drinks & Bottling Co., is one man who feels he and his company have developed a working loss control program. It has, he said, cut his accident ratio per 100,000 miles from 17.2% to 5.2%.

"Our loss ratio also dropped substantially since we got serious about the program in 1973," he noted.

NATIONAL DRINKS, which distributes such soft drinks as Mother's Pride, Squirt and Dr. Pepper to Southern California food stores, became intrigued with the idea of cutting property/liability premiums in 1969.

"Top management got concerned back then and we decided something had to be done," he explained. It was then that he was pulled away from his job as route supervisor to think about safety and loss control.

One of the first things he did was to take a course in defensive driving at the local chapter of the National Safety Council. He then appointed driver supervisors who took the same course.

"Still, accidents weren't coming down and so we looked around for the reason."

Reflecting modern driving habits, part of the problem turned out to be the clutch. Most of National Drink's new drivers,

Continued on page 57

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Continued from page 56

who can be as old as 35, had never encountered the instrument before being hired by the firm, it was discovered.

Consequently, National Drinks immediately embarked on a program of converting its fleet to trucks with automatic transmissions.

Even more important, the company also about this time developed a new screening process. Previously it had hired drivers on the spot when they were demanded. A decision was made in 1973 to initiate a comprehensive

Specialist in trucker loss control tells new programs

LOS ANGELES—The best way to maintain healthy profits in the trucking industry is with a good safety and loss prevention program.

That's the counsel of a veteran trucking industry figure who should know what he's talking about: Pete Den Hamer, director of safety and engineering for Transport Indemnity Insurance Co., a national firm headquartered here that specializes in insurance for the trucking industry.

Mr. Den Hamer has just initiated a new loss control division for his company which quickly signed up Lyons Moving & Storage as a first client.

LOSS CONTROL is critical to trucking profits, he said, because truckers work on such slim margins that a single man or material accident can make the margin disappear.

Inflation, escalating court costs and awards, higher workmen's compensation costs and mid-20th-century technology are all factors that cause trucking accidents to be a threat to earnings, he said.

To illustrate the effect of technology on risks, he pointed out that miniaturization of electronics has pushed up the value of many truck loads. A load of computers could easily be valued at \$3 million.

Even outside the technology area, modern truck loads do not come cheap, he added. A truck full of lobsters is estimated to be worth \$140,000, he said.

For Lyons Moving & Storage, Mr. Den Hamer worked to beef up security as well as sharpening up compliance with the Department of Transportation and OSHA regulations.

OTHER CLIENTS for which Transport Indemnity devised loss control programs before the formation of the new division this year, include PCP Transportation, a Santa Fe, Ca., trucking firm which for the first six months of this year received a \$16,000 dividend on its policy from Transport Indemnity. Back in 1968, PCP ran a \$19,000 deficit and initiated a loss control program with Mr. Den Hamer the next year.

"What we did for them was to educate their drivers," he said, noting that his program included ways to select good from bad driver prospects and new incentives to increase driving skill.

In another case, Transcon, an L.A. trucking firm, cut its loss ratio from 3% of gross revenues in the late 1960s to less than 1% this year through better loss control.

"The company figures it saved as much as \$900,000," he noted. ■

screening procedure whereby driver applicants would have their past driving records carefully scrutinized.

Once hired, drivers were subjected to a new program of rigorous training by a driver supervisor. Mr. Boleck explained

SAFETY/SECURITY REPORT

that even though his fleet operators are short-haul drivers, they confront hazards fully as perilous as those faced by the more romanticized long-distance drivers.

"Above all in Los Angeles, every intersection is treacherous,"

he maintained, adding: "One reason the careful training program was developed was we discovered the majority of our accidents occur with drivers who have been with us for a year or less."

Even a new rigorous screening process and the new on-the-job training program was not enough for National Drinks, however. Mr. Boleck, who believes the application of human psychology is a basic element in an effective loss control program, says he strives to retain the high motivation that drivers feel when they emerge from the training program.

One way he does this is by borrowing the National Safety

Council's defensive driving course and adapting it to trucks. Although the first such class he staged drew only six drivers, the second attracted 17 and further classes brought far larger attendance.

"**BY THIS TIME** about 90% of our drivers had taken the course, and accidents finally—this was 1973—began to decline."

Not entirely satisfied with that, Mr. Boleck, who takes his job as safety director with dead seriousness, also established the fact that rear-end collisions caused more severe damage, while backing accidents were more frequent. To attack the latter prob-

lem, he inserted special backing practice into the training program that instructed the drivers that they would be better off going around a block rather than attempting fancy maneuvers to compensate for missed turns.

Unwavering dedication to loss control, in short, is the core of his program. As long as his superiors do not relax their attention to his program, and his driving supervisors can convey their feelings to his 200 or so drivers, Mr. Boleck is confident that by 1976—three years after his loss control program got serious—National Drink's property/liability premiums will begin to level out, or better yet, really decline. ■

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High injury rate in concrete products industry despite tight safety control

NEW YORK—Despite the concrete products industry's high injury rates reported by the National Safety Council, making it one of the most accident-prone businesses, concrete product suppliers are implementing rigorous safety controls and programs in their plants and have been for many years.

The National Safety Council reported that this industry has one of the highest frequency rates of any industry. The rate reported was 27.63 disabling injuries per million man-hours, about six times the average industry rate. Although the frequency rate was very high, the severity of accidents was not; most injuries that caused lost

work days consisted of partial disabilities.

Data collected by the Bureau of Labor Statistics confirmed that the concrete products' industry has a very poor rate.

Why, if companies are instituting tight safety programs, are injuries so prevalent? Industry employers could not offer any easy answers.

"It's the nature of the industry," one company spokesman said.

"IT TAKES AN understanding of what our industry involves," another added.

"Imagine if we didn't have a good safety program," another concluded.

One large concrete block company which employs over 1,300 workers has had a high frequency rate of 20 or 21 over the past few years.

The safety director there told *Business Insurance* that his company has a good safety program. The company's philosophy is that the prevention of injuries and accidents "is part of the responsibility of the line manager, along with safe production."

The program has been in effect since the late 1950s. With this "incentive program, we have a substantial credit in our workmen's compensation modification," the safety director said.

He explained how it works: "We charge accident costs to the

responsible organizational unit. If a man is injured, that amount of money is charged to the operational manager's expense. This gives the manager the incentive to do things to prevent these accidents from happening."

ANOTHER PART of the firm's safety program includes a company-wide training program. Drivers are taught how to protect themselves from work injuries. The program teaches them how to climb on a truck properly, and how to climb off a truck. It also teaches the driver how to avoid being hit by a falling object or stepping on nails. Drivers are also taught how to lift blocks properly.

The firm is quite aware of OSHA, the company safety man added. "All plants are regularly inspected for facilities and methods of work by our people, the government and our insurance companies," he explained.

A safety committee has been appointed too. Each month, management personnel meet to discuss company safety. A report on the developments is sent to the home office where decisions on what action should be taken are made. At times, these meetings are held weekly, the source explained.

In addition, the company has a continuous safety theme program. "The safety theme program concentrates on a single area of loss through posters, video tapes, discussions. The present theme is accidents on the job while delivering materials," it was noted.

Prevention tactics are reported in writing to the home office "making them aware of how costly these injuries can be," he added. "For all this effort, there should be better results," the company source acknowledged.

SOME OF the most frequent injuries found at his plant are backstrain, falls and caught-in-machinery accidents. "The most common injuries include foreign objects in the eye and being hit by objects. We have a very low frequency rate of major cases of electrocution," the company said.

"We use signs, ear protection, gloves, hard hats, safety glasses when grinding and respirators in certain areas. We use the safety theme and management meetings to make employees aware of where the hazards are. And our accident rate is still high. I don't know why," the safety director concluded.

Another concrete products firm said: "We have a low accident rate considering the number of people involved. I can't think of anything that would even fall. We have some mashed fingers, but I hurt myself worse at home," Tom Gill, operations manager for R. C. Martin Concrete Products Co. said.

"We have an extensive program with safety meetings no less than every quarter. We have plant meetings in addition," Mr. Gill added. First aid plays an important part in R. C. Martin's safety program. Employees at all locations are trained by the Red Cross at the company's expense. Plant managers are also given training. At least every 30 days, first aid people stop by to check the equipment at each plant. Signs are posted outside of each first aid room, as well, the manager said.

"THOUSANDS of dollars are spent for guards and signs" he noted. But safety restrictions are so rigid, he contended, that "we can't get the job done because the safety equipment is in the way."

"There are ladders on the old trucks so employees don't have to climb. New equipment comes with ladders and fire extinguishers," he added.

A contest is held too, to encourage plant safety. The National Ready-Mix Concrete Assn. runs a contest yearly to see which company has the best safety record.

"Smaller companies have a lot of accident-free years. The larger the company, the more exposure. We do have companies that have no lost-time accidents for a whole year," an association spokesman said. ■

Three firms merge

First International Group, a Los Angeles-based group of insurance companies, Investment Management Corp., a Salt Lake City mutual fund management company, and Western Holding Corp. of Utah agreed to merge. First International is the parent company of First International Assurance Co. Ltd., a Bermuda underwriter of property, casualty, marine and aviation coverage.

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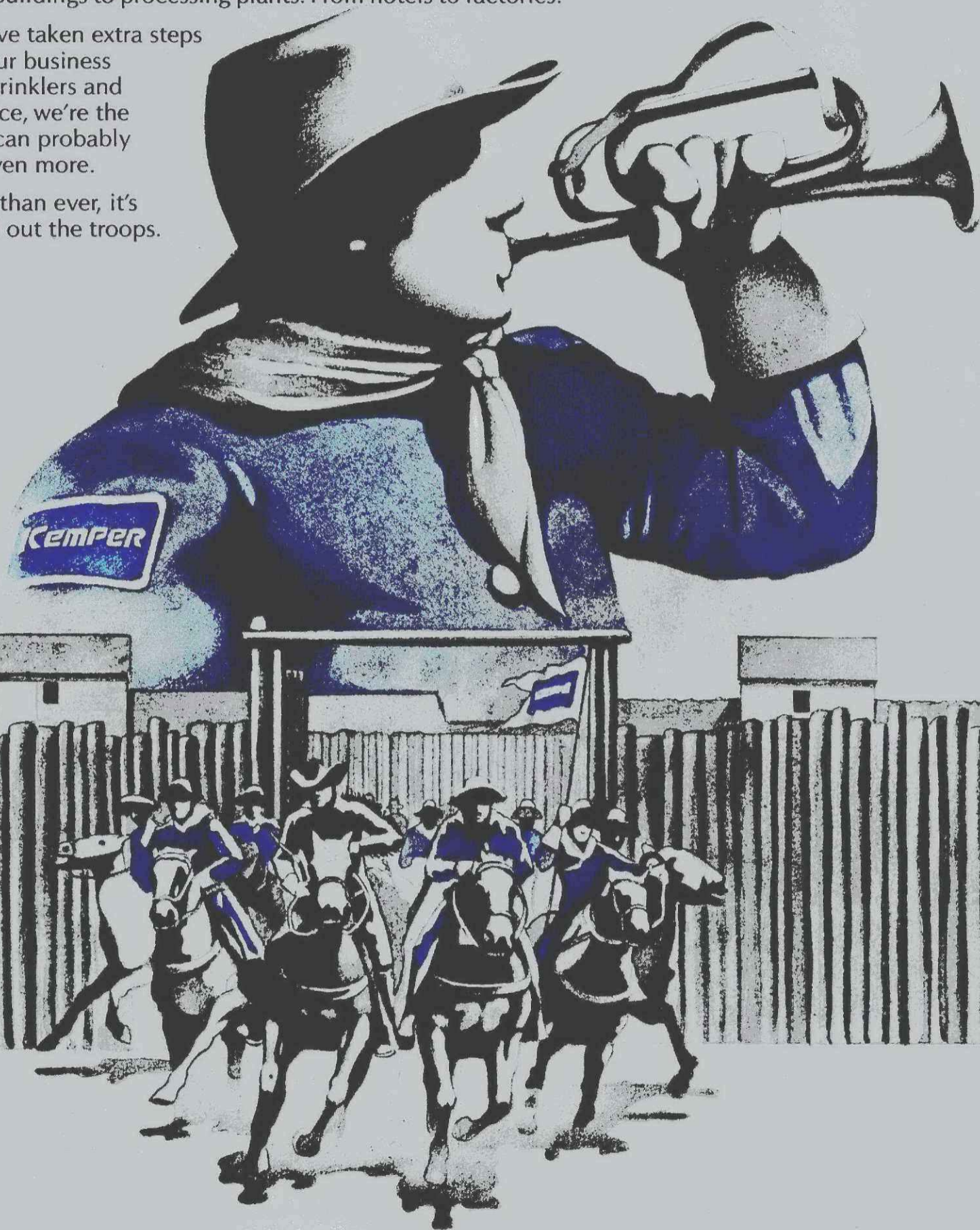
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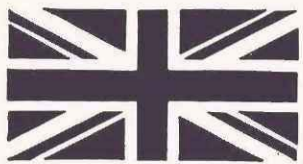
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European insurers call for greater risk protection to curtail fire losses

LONDON—Fire insurers from fifteen European countries called for greater risk prevention to curtail mounting losses to industrial property from devastating blazes.

They fear that highrise structures, leisure centers, large warehousing properties, and business premises carry fire risks which are not always recognized.

Preventive measures are still inadequate, the fifteen-nation conference was told by Norman

Strother-Smith, director of the U.K.'s Fire Protection Assn., who declared:

"Insurers are having a change of attitude, and are more and more coming to believe that fire protection is the best solution to increasing losses.

"But developments in technology are inevitably creating greater hazards, and the work of the European Fire Insurers' Committee shows that the human element remains the preponderant

factor in combating such risks."

International delegates to the conference urged that university training courses be started to deal with the problem, because of ever-increasing losses to the national economy which fire catastrophes are causing.

* * *

SAFETY PRECAUTIONS which ought to be taken to reduce the risk of being harmed by terrorist devices were described by Scotland Yard experts to se-

curity men at a U.K. security conference.

Police chief Robert Huntley, head of the anti-bomb squad which has dealt with undercover I.R.A. activities in Britain, told a symposium run by the Securicor Group that letter-bombs had also been sent to people of Jewish extraction by the "Black September" guerilla organization.

Advising management executives how to detect them, he said: "The designer of a letter-bomb normally strives to avoid suspicion by keeping the letter as thin as possible. Standard envelope sizes are commonly used, and a typical bomb is 8¼ by 5½ by 3/16th inches.

"But a letter bomb which is less than one-eighth inch thick is unlikely to be encountered with a lethal charge. It usually achieves its purpose by blast effect, and is generally designed to explode at the moment of opening the envelope.

"So any unusual resistance to the removal of what appears to be a folded sheet of paper should be highly significant, as the necessary pull on the 'thread release' which sets off the blast can be very slight indeed. Envelopes marked private and personal, especially from unusual sources, should be particularly suspect," he said.

Incendiary bombs placed in department stores among soft furnishings and textiles were also becoming difficult to detect, Mr. Huntley said.

* * *

PLANT SAFETY experts have carried out a survey for the government's factory inspectorate which shows that out of a working population of six million people employed in manufacturing industries, between 500,000 and one million are exposed to serious risk of deafness in later life through noise levels at work. Laboratory checks are being made so as to improve the tests which are being made for excessive noise levels.

* * *

GLOBAL RETURNS for Lloyd's of London have been delayed because the vast non-marine syndicate, R.W. Sturge and Co., failed by \$10 million to calculate the full reserve cash it needs to cover outstanding liabilities on its 1971 account.

Its leading underwriter, Jack N. Creswell, a deputy chairman of Lloyd's, has stepped down from his post with the syndicate, which has nearly 600 "names" and a probable premium income of \$60 million a year.

It is one of the biggest non-marine syndicates at Lloyd's, and the problem over its accounts, understandably, startled the insurance market.

But it has now been satisfactorily settled with its auditors, who insisted that the required \$10 million should be retained within its own accounting system, instead of being passed out as profit.

Sources at Lloyd's explained to *Business Insurance* that there can always be differences of opinion on the amount of reserves needed to be kept available, even after the usual three-year closing of accounts for any "long-tail" claims.

These can take up to fifteen years to settle if there are vigorous lawsuits involved, particularly in the U.S., but also in other countries where compensation awards are hiked through inflation.

SO WHEN the auditors queried the adequacy of the amount due to be carried forward from the 1971 account to provide for outstanding liabilities, which can reach as much as \$100 million spread over the whole market, there was an internal dispute in the syndicate.

Such a situation is without precedent, but in the end, Collwyn Sturge, chairman of the syndicate's operators, agreed to take the auditors' advice.

This means that a reasonable profit for the 1971 account for this syndicate has been turned into a loss, but it is hoped that the members of the syndicate will not have to put any extra cash back into it to meet the contingency.

Lloyd's stressed that the syndicate is now operating normally. Global returns for the 1971 period should show record profits for many other syndicates.

But there are fears that when returns for 1972 and 1973 come to be analyzed, there could be sharp falls in the results, though their accounting periods are still open, because of world competition and inflation.

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Hartford, Connecticut

Call for better data on health hazards, safety priorities in workplace

NEW YORK—"Any occupational safety and health effort should accomplish the most in the least amount of time.

"Priorities should be selected on the basis of the severity and

SAFETY/SECURITY REPORT

frequency of accidents and illnesses. Priorities are not necessarily synonymous with the frequency of OSHA citations or OSHA standards.

"What is needed is better management application of safety and health in the workplace. And that is impossible to legislate."

These critical comments on the lack of in-house safety programs come from Liberty Mutual Insurance Co. senior vp. Roger H. Wingate, speaking before the subcommittee on labor of the Senate committee on labor and public welfare.

THE STRESS in work safety should be placed on the management of people, the most important area, Mr. Wingate contended. It should include placement, training, motivation, supervision and the assignment of defined authority.

The safety advocate went on to say: "Liberty Mutual recently completed a study of over 8,000 serious injuries and illness, and found that 76% fall into five major categories." He listed them as material handling, falls, machine related, motor vehicle, and occupational disease.

Liberty Mutual's research center has played an integral role in the development of safety procedures.

"From techniques we have developed at our research center, we can determine if it is necessary to redesign a task so 90% of the country's work force can safely perform it. It is precisely this type of contribution that will further improve the health and safety of all workers," the speaker noted.

Occupational health presents a tremendous challenge to NIOSH, OSHA, the insurance industry and employers, Mr. Wingate said. It is necessary, therefore, that everyone involved be aware of the many problems in this area.

HE SUGGESTED that NIOSH must have more funds for developing health hazard data. There is little or no medical data on which to base criteria documents, badly needed in developing standards, he noted.

Another problem cited was a need for well-supported medical findings on which to base occupational health priorities. The findings must be constantly reviewed, he urged.

Most important, Mr. Wingate said, is the need for more industrial hygiene and occupational medicine professionals. It is the duty of industry and government,

New auto dealer cover

Safeco Insurance Cos., Seattle, introduced a new insurance coverage for auto dealers, garages and service station owners. The policy is called voluntary payments coverage, and will indemnify against damage to or loss of a customer's auto while it is in the insured's custody.

as well as educational institutions, to encourage this.

"Our efforts and the efforts of other insurance companies in business management are doing a great deal to improve the safety and health of the nation's work force. And that is a fact that hasn't been recognized," he argued.

A minority of employers has failed to take a positive stand on this issue and promote safety and health programs, he contended. The result, Mr. Wingate said, is an unsatisfactory insurance loss record. ■

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Insurance for guard firms is 'hard to come by'

NEW YORK—The security industry, whose business it is to protect other people's risks, has several unique exposures of its own.

"It used to be that all a guard had to worry about, besides his

job, was his own physical safety," a spokesman for a security firm said. Today that same guard has to keep in mind the added risk that he might be named in a lawsuit if the burglar or shoplifter he arrests isn't guilty.

Security guard firms are finding they need insurance coverage against the possibility of lawsuits charging false arrest, invasion of privacy, wrongful eviction and unlawful detention.

Insurance for these exposures is hard to come by, another security guard firm spokesman told *Business Insurance*. "Some of the larger companies offer it," Edward Burke, president, Burke Security Inc. said, "but at prices far above what guard firms can afford."

ONE COMPANY that specializes in underwriting the security industry is the W. H. Brownyard Corp. Bruce Brownyard, the company's sales manager, said the market for security guards' liability coverage isn't good at present, "and it's going to get worse before it gets better."

The increase in lawsuits generated by consumer awareness has helped make such coverage unavailable, Mr. Brownyard said.

The size of claims against security firms has increased in recent years, Mr. Brownyard added. In California a jury recently awarded a 12 year old boy \$350,000 in damages after he was shot, and subsequently became paralyzed by a guard patrolling a discount chain store after hours.

Many security firms report an increase in the cost of liability premiums, although Mr. Burke noted that his company's insurance costs have declined. The company pays an annual premium "in excess of \$25,000," he said. He attributed the lower rates to his company's good loss experience and training programs for its guards.

Burke's 400 employees can be found everywhere from industrial sites to nuclear power plants, retail stores and athletic events.

"We've found our female



Armed guards protecting against thefts, such as these at a customs point, are themselves facing bigger risks.

guards to be most effective at airline search points," Mr. Burke said, "they also are good at evicting roudy spectators at football games."

"**RETAIL STORES** present the greatest risk for our people," Mr. Burke continued. "Whenever you've got a lot of people involved in management, there's the possibility of trouble."

An exclusion in the contract signed by Burke's clients states that if an action is instigated by an employe of the client, the security firm is not responsible.

Clients should be aware that some security guard firms don't have adequate insurance, Mr. Brownyard noted. "Make sure you see the certificate of insurance before signing a contract," Mr. Burke added.

For companies who manufacture alarm devices or sprinkler systems, the liability situation differs slightly.

"If the system malfunctions it would be our responsibility," a spokesman for Grinnell Fire Protection Systems told this magazine. "We try to protect ourselves by being very specific in our warranty," he added.

Grinnell protects itself with a high limit umbrella liability policy, the spokesman said. "Basically we self-insure our losses, but we have excess coverage with Liberty Mutual Insurance Co."

General liability coverage extends after the system is installed and we've left the premises," the spokesman continued.

Liability premiums for alarm systems manufacturers are also high, the Grinnell spokesman said. "Insurers, consider the possibility of a catastrophic loss and the figures really soar."

Logger sees safety hinging on terrain

SEATTLE—Simpson Timber Co. indicates that safety and loss control problems are largely dictated by the type of terrain conditions a logging company works under.

"There isn't that much that's new or innovative in the logging industry. There's just not that much a company can do to control losses other than the traditional employee training programs, joint labor-management safety boards, on-site job training, etc.," says Howard Curtis, safety manager for Simpson.

"**THEREFORE**, the safety record of a company depends on a number of variables, such as terrain. For instance, we log on rather formidable terrain: the ground is rough and the mountains are steep. So companies that log on flatter ground are likely to have a better safety record than ours," said Mr. Curtis.

"But," he continues, "our record is better than that of some other companies because of our manpower training program, and the type of machinery we use. Tractor logging, which has many accidents accompanying its use is difficult, almost impossible to use on steep ground; the methods we use in the high country are safer."

Mr. Curtis contends that although the accident rate is quite a bit higher in logging than it is in some industries, "it's not any more dangerous in logging than working in mining or crop dusting."



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Hospital security rates top-level attention: ASIS panel members

WASHINGTON—From the days of the elderly guard stationed at the door whose primary equipment was a ring of keys, hospital security has evolved into a nationwide industry with professional guard forces and sophisticated surveillance equipment.

SAFETY/SECURITY REPORT

We're a new industry and the potential is just beginning to open up," Prosper C. DeBrabander, assistant security director of Pinkerton's Inc., noted. He spoke during a panel discussion on hospital security at the 20th annual American Society for Industrial Security (ASIS) seminar Sept. 17.

"Our primary concern is to have security on a departmental level, with the same status as other hospital departments," Patrick H. Crowe, director of security for Wilmington Medical Center, Wilmington, De. told the session.

"IDEALLY, THE security director should report to the highest authority in the hospital," Mr. Crowe continued. "If you report to top level management, you get administrative support and clout for your programs."

Mr. Crowe, who reports to the vp of administration, acknowledged his situation was the exception rather than the rule for most hospital security directors.

"Most security departments don't get the authority and respect they need to utilize their employability," he believes.

Many of the 25 hospital security personnel who attended the panel session stated that their responsibilities were accumulated only by their own efforts.

"We're getting responsibility in bits and pieces from departments such as nursing and maintenance," noted William A. Moran, director of security/transportation, Bridgeport Hospital, Bridgeport, Ct. Now, anything that moves in the hospital is under the responsibility of the security department.

"It's important to establish a rapport with other departments of the hospital and work with them in setting up a comprehensive security plan," Francis A. Tenore, security manager for New England Deaconess Hospital, Boston, said.

"SECURITY PROGRAMS should also be tailor-made to fit the needs of each individual hospital," Mr. Tenore continued. Basic to the security program at Deaconess Hospital is the security manual published by the department of security. The manual establishes the administration's policy towards security and sets forth specific fire and disaster plans in which the responsibilities of each hospital employe are spelled out.

At Deaconess, the security department also issues bulletins and other security related notices under Mr. Tenore's authority.

Harvey Stjernstrom, president of Sydvaet, a security consulting firm in Poras, Sweden, spoke to the panel session on the first hospital security conference held in that country this past May.

There it was stressed that loss prevention and security were management functions, Mr. Stjernstrom said. Updating security hardware with the use of closed circuit tv, two-way radios and sophisticated access control devices were discussed at the Swedish conference.

The use of guards, whether employed by the hospital or contracted with a security agency was another problem area discussed at the ASIS panel session.

Mr. DeBrabander predicted by 1978, 50% of all private security protection will be done by contract guard services.

"WITH A CONTRACT service you're buying more than the direct labor of the uniformed guard," he said. "You should take advantage of the consulting roles of security firms—require them to run frequent surveys of your security program."

Though contract guard services, "will handle a hundred details," Mr. DeBrabander noted,

"you can't assume it will be responsible for your entire security program."

"The amount of satisfaction security directors get from a contract guard service," Mr. DeBrabander added, "is proportionate to the amount of time and effort spent working with the service."

The advantages of hiring guards as fulltime hospital employees were outlined by Robert J. Lee, security director, St. Mary's Medical Center, St. Louis, Mo. and Bridgeport's Mr. Moran.

"My security officers feel they're part of a team," Mr. Lee said. Professionalism is stressed, he added. "They're constantly being trained and retrained in new methods."

"When the hospital administration realizes the security force is their own, they utilize them much more," Mr. Moran noted. "It generates a good work relationship."

FEMALE GUARDS are winning the acceptance and approval of many hospital security forces.

Mr. Lee said his six female security officers "are especially good working with distraught families in the emergency room. They get less lip from the patients than the men do."

The female security officers are also used in employe education, Mr. Lee added. "We've found the women employes are much more receptive to the women officers than they are to the men officers."

The necessity for hospital guards to have distinctive uniforms of their own, entirely removed from identification with local police was emphasized by

panel members.

Because Bridgeport Hospital is located "within a five minute walk from the largest low income housing project on the East Coast," Mr. Moran noted, "it's necessary to keep the hospital guards in uniform and "highly visible" but to maintain a distance from the city police.

More professionalism is in the future for hospital security, panel participants agreed.

Mr. Crowe stressed the need for feedback from security directors relating their problems and progress.

Looking towards more government involvement in hospital administration with the advent of health maintenance organizations, Mr. Tenore warned that careful budgeting would be necessary.

"Once you have government involvement," he said, "you can believe there will be controls on how the money is spent." ■

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Federal buildings get prototype firesafety monitors

By PAUL R. MERRION

DETROIT—If a fire starts in the soon-to-be-completed Patrick McNamara federal office building here, no alarms will ring, and no water will be released through sprinklers. Yet the \$49.6 million

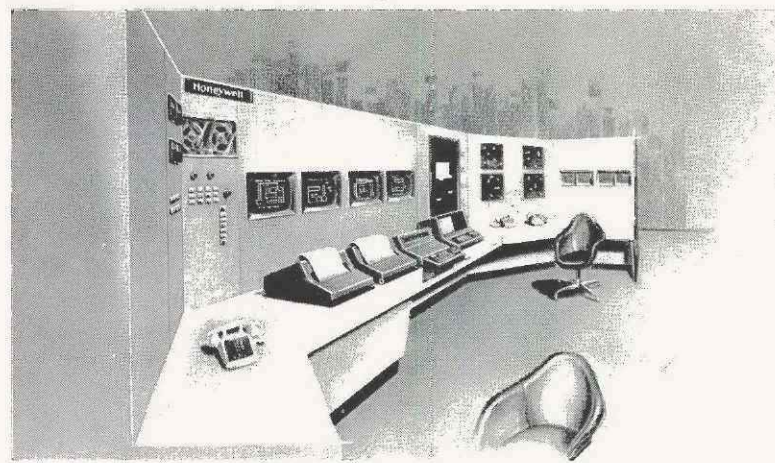
building will be a "firesafety first," according to William Barwick, project leader for the General Services Administration (GSA).

The reason: An unconventional approach to firesafety in highrise buildings that was initiated by

the GSA. As a result of the GSA's international conference on highrise firesafety in 1971, new federal buildings with more than four stories or 100,000 sq. ft. of office space must conform to guidelines based on the realities of highrise fire.

MOST FIRE protection systems now in tall buildings consist of a network of alarms that must be set off by manual action; this activates bells or sirens that sound alarms throughout the building, sometimes coupled with sprinkler systems that activate when the temperature climbs high enough in a certain area.

The 1971 conference brought out the impracticality of evacuating an entire multi-story building. It takes too much time, and escape is often impossible for



Artist's concept of what control console for federal building might look like.

those on floors above the fire. The conference also pointed out that gongs and sirens tend to confuse people and cause panic. And a third finding was that when elevators are tied up by fleeing occupants, firemen cannot get to the scene of the blaze.

THE GSA APPROACH is unique: No attempt will be made to evacuate the building when fire strikes. The system is designed to contain fire on the floors where it originates, and all elevators automatically descend to ground level for use by the firemen. In the meantime, evacuation procedures are limited to getting people to "safe" floors nearby.

How does this happen? How do the people know where to go? Why aren't sprinklers necessary?

Smoke detectors are set off by combustion faster than humans or heat detectors can sense fire. They relay the message to a central control console that oversees the entire building's operation. When a fire is detected, this "brain," built by Honeywell Corp., does several things at once:

- It alerts the fire department and building personnel, showing the fire's location on a giant display in the control room, as well as listing step-by-step instructions for building engineers.

- It activates "voice alarms," pre-recorded messages that announce the fire and tell occupants what to do.

- It exhausts the air on the fire-stricken floor and floods adjacent floors with fresh air so that smoke and poisonous gases do not contaminate the rest of the building.

- It sends all elevators to ground level, while pre-recorded messages tell passengers what is happening.

The Detroit building's planners have not yet determined the exact form of the messages, but in Seattle, at a recently-built federal office building with a prototype version of the same system, the voices and the messages were determined by the University of Washington psychology department. Male and female voices are used in different parts of the alarm, after tests showed what combination would work best.

THE BUILDING'S sophisticated air-handling system keeps the fire from spreading. On floors above and below the fire, the central console automatically shuts off the return-air ducts, thus causing a pressure increase that prevents smoke and hot air from spreading into safe areas. In addition, air on the floor of the fire is flushed outside and no fresh air is allowed to enter.

The same system that handles emergencies also regulates the building's day-to-day airflow. The "brain" is programmed to turn air conditioning systems on

and off according to a predetermined schedule, with special allowance for Sundays and holidays. Honeywell experts predict a "dramatic" energy savings as a result of this unique system.

The estimated cost of the console, fire alarms, emergency alarms, building environmental control system and elevator control system is \$700,000 to \$900,000, according to a GSA engineer. (The exact figure is difficult to determine because it is buried in the entire cost of the building's electrical and mechanical systems.)

The central control console also regulates equipment operations throughout the building. A faulty generator or an overheated transformer will set off warnings that alert building personnel immediately. Besides its firesafety tasks, the "brain" will do the work of hundreds of building workers.

Honduras banana loss uninsured, firms say

NEW YORK—Two U.S. companies suffered losses to their uninsured banana crops as well as extensive losses to property in the Honduras as a result of Hurricane Fifi, company spokesmen here noted.

United Brands Inc. lost approximately 70% of its banana crop, Henry Ross, risk manager for the company confirmed and Castle & Cooke Foods based in San Francisco, reported one-third of its Honduras banana production was lost in the floods that swept through the Sula Valley, hardest hit area in the Honduras.

"We presume property damage to our installations in the Honduras is extensive," Mr. Ross said, adding he was to leave for the Honduras Sept. 26 to assess damages.

The company's foreign property coverage is written 80% by the Lloyd's through brokers Marsh & McLennan, Boston, Mr. Ross said.

Castle & Cooke insures all its property with First Insurance of Hawaii, a company spokesman said.

Neither company had total damage estimates available.

"It will be at least 10 days before we know," the Cooke and Castle spokesman said.

The National Emergency Committee estimated \$500 million damage to crops and property in the Honduras resulting from land slides and floods in the wake of the hurricane.

More than 5,000 people were killed and 8,000 others were left homeless by the storm.

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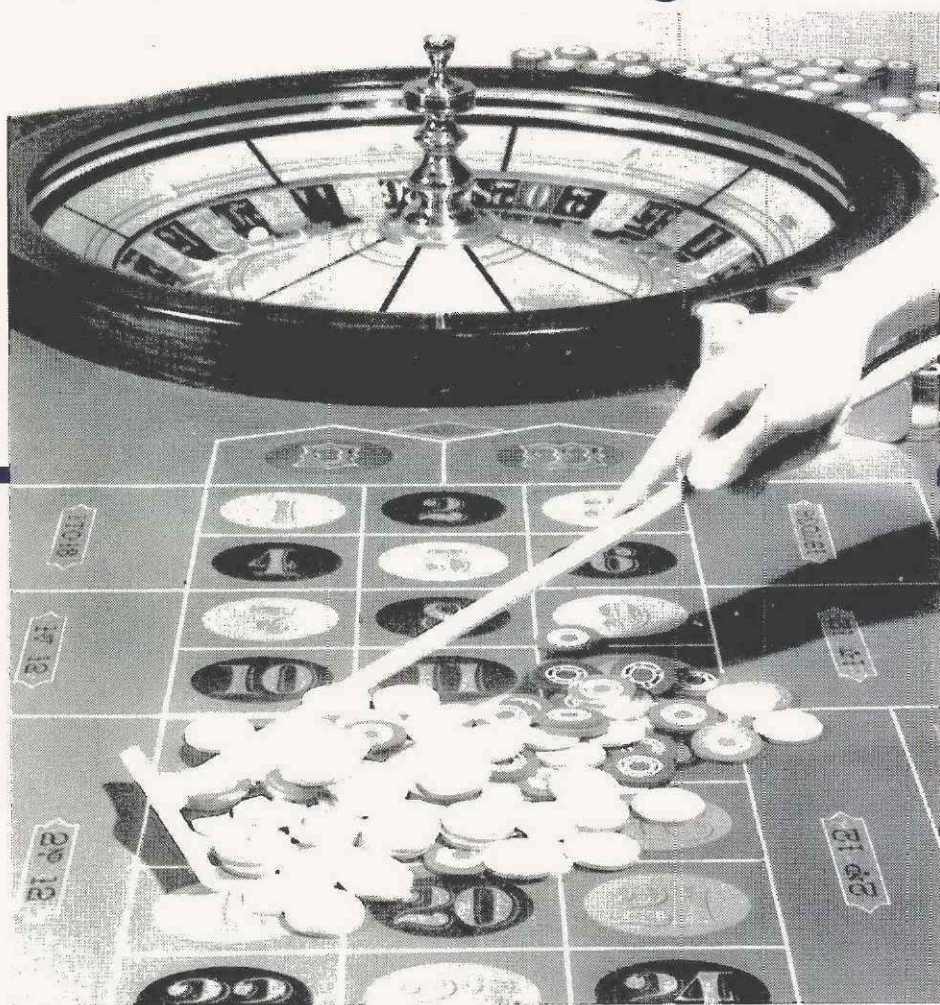
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Automatic sprinklers best defense against disasterous highrise fires

MONTREAL—"Despite its cost, the automatic sprinkler is currently the best means at our disposal for controlling or extinguishing highrise fires in existing or future buildings."

This is the primary conclusion of a report, "High Rise Fires—Risks and Recommendations," prepared by M & M Protection Consultants for Marsh & McLennan Ltd. of Canada.

The report lists potential problems in highrise buildings:

- air conditioning systems that fan the flames;
- combustible furniture and insulation that produce deadly fumes;
- elevators that open on a floor filled with smoke;
- firemen unable to go up stairways because of fleeing occupants;
- interior structure that produces a "chimney effect" in which flames and gases are carried up through the building.

STEEL AND glass buildings cannot be considered fireproof; the report says "fireproof" is an obsolete term. "Fire-resistant," or preferably, "semi-combustible," is more accurate because any structure contains many combustible items: "foam, plastic wall insulation, electric cables, ceiling tiles, partitions, insulation on air handling units, etc."

For the purpose of fire protection awareness, the report defines a highrise building as one that has stories beyond the reach of fire department aerial equip-

ment; one that must extinguish fires on upper floors from within; and one that cannot be totally evacuated in a reasonable time. The report states that the mini-

SAFETY/SECURITY REPORT

mum evacuation time for a 30-story building is 78 minutes, assuming 240 occupants per floor using a single stairway.

Several highrise fires have occurred recently: Most notably, Seoul, Korea, where 163 died in a Christmas 1971 fire at the Yon Kak Hotel; Montreal, Canada, where five died in a January 1972, fire at the Canadian Liquid Air Building; and the worst so far, 200 deaths in the February 1, 1974, fire in the Joelma Building in Sao Paulo, Brazil, M & M points out.

Several steps can be taken to keep fire-danger to a minimum, the report asserts. In addition to automatic sprinkler systems, smoke control, personnel communication equipment, elevator control and protection of electrical wiring for vital equipment are necessary.

But sprinkler systems are the most essential. The report quotes one fire specialist as saying, "In my job, I've found that a properly maintained sprinkler system has always controlled or put out the fire. Their success rate in Canada is about 96%."

Two arguments are raised by the report against objections to

the cost of sprinkler systems. First, the cost can be reduced in many localities by the savings on insurance premiums and exemptions from code requirements for other costly protective measures. A study by architects of the Georgia-Pacific building in Portland, Or., showed that savings on insurance premiums, code exemptions and other modifications would allow a sprinkler system to be installed in the building's 240,000 square feet of office space at no extra cost, when amortized over a number of years.

The second argument against the objection to cost is that "when the potential savings are in life rather than money, it is a rather difficult objection to maintain."

SMOKE CONTROL is necessary to keep smoke out of areas that are free from fire. Smoke is actually more dangerous than fire. "To put it grimly, few fire victims actually burn to death—most are asphyxiated by smoke before the flames reach them," the M & M report declares.

Smoke control usually involves increasing the air pressure in other parts of the building and venting the smoke outside. But the report says smoke control may not be necessary when there is an adequate sprinkler system, depending on local building codes.

A central control facility at street level is needed to provide voice communication to all parts of the building so that occupants can be told what to do when a fire strikes, according to the report. This can be done by the guard on duty when the alarms alert him, or pre-recorded messages may be automatically activated as soon as smoke detectors sense a fire. The central facility should also include controls for the smoke ejection system and a display panel that shows the location of the fire.

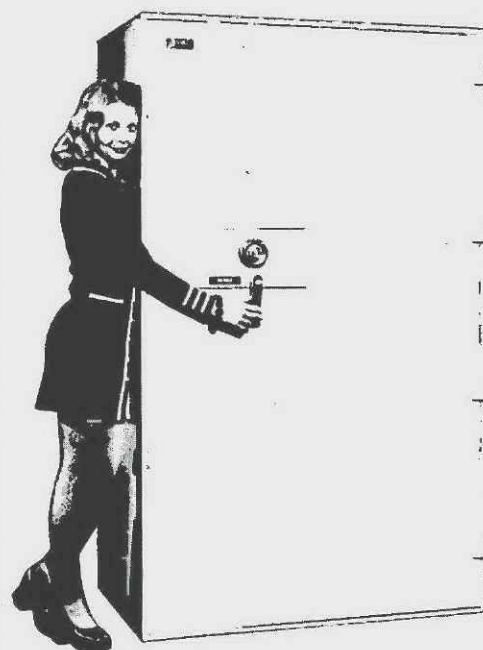
When a fire starts, elevators should automatically go to ground level for use by firemen, the report says. Unless specially equipped, elevators with heat-sensitive call buttons will go to a floor where there is a fire and stay there. The result is death for any passengers and inability of firemen to get to the fire.

The report's fifth recommendation is that electrical lines for alarm systems, fire pumps, air handling systems, elevators and other vital equipment should be protected. Their trouble-free operation is essential in the event of fire.

The report finally suggests that consulting engineers should include complete sprinkler protection in their building proposal. Also, city building authorities should be asked what exemptions may be allowed on the basis of sprinkler installation. And the report concludes, "We feel that regardless of the response of the building authorities, serious consideration should be given to the sprinklering of any highrise building."

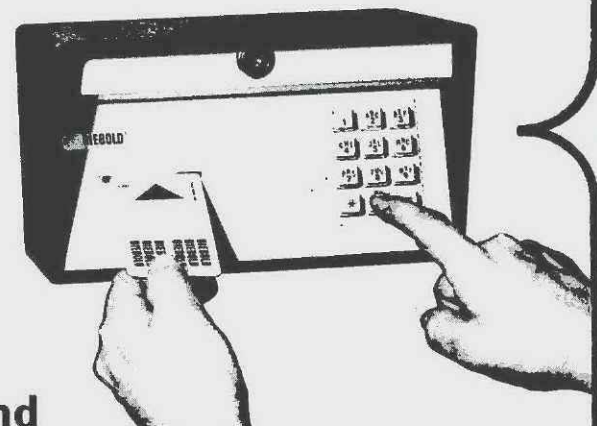
Allstate expands

Allstate Insurance Co. will acquire Harbridge House, an international management consulting and education firm. The move marks another effort by the insurer to expand its present operation into new fields. The arrangement is still pending, subject to approval of Harbridge House shareholders.



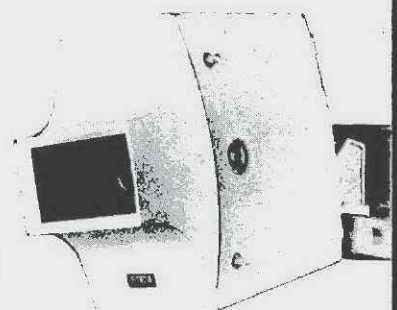
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Chemical users stay out of vinyl chloride debate

WASHINGTON—Despite stupendous emerging vinyl chloride risks, industrial users of chemicals have played little or no role in the debate on legislation here that could lessen the danger of new risk exposures to potentially dangerous substances.

The bill is the Toxic Substances Control Act, a measure which would allow the Environmental Protection Agency (EPA) to screen, and if necessary, order tests on more than 3,000 new chemicals that reach the U.S. marketplace every year.

The lobbying scene has been dominated by the chemical manufacturers, according to sources in both the House and Senate, with little or no input from the users of those chemicals.

WHAT INPUT there has been, if the National Assn. of Manufacturers is any example, has not been concerned with the liability exposures of using new chemical substances.

What concerned the NAM, the association told *Business Insurance*, was that another government agency might unnecessarily delay the use of new chemicals in manufacturing processes.

Businessmen already face regulation of their use of chemicals in the workplace through the Occupational Safety and Health Act, and antipollution laws which regulate the effects of these chemicals on the general environment.

These agencies, however, tend to go into action after the damage is done.

Sen. John Tunney (D-Ca.), in Senate debate on the bill last

year, said, "In my view, the day has long passed when we should exercise control over an environmental contaminant only after the damage is done.

"Not only must we gain knowledge of hazards of new chemicals before the hazards become a reality, but we must apply an effective means of regulation at that point as well," he said.

It's the second time around for this legislation. An earlier version passed the Senate, and House but died in conference committee in 1972.

REVIVED THE following year, the measure passed the Senate in July, 1973, and the bill made it through the House that same month.

Since then, the bill once again has languished in conference committee. Late last month, however, the conferees once again took up the problem of compromising the two bills. Staff aides said there is a reasonable chance a final version of the bill might be produced before Congress adjourns for elections next month.

The major difficulties facing the conferees, staff members said, concerned what chemicals should be screened by the EPA and just how much authority the EPA should have under the bill.

The Senate version of the bill would require chemical manufacturers to notify the EPA of all new chemicals or chemical substances they plan to market and of any new uses they have developed for existing chemicals.

The House bill would require EPA to be notified only about substances containing specifically "dangerous" chemicals, according to a list which is to be developed by EPA.

NAM, IN A letter to the conferees, clearly favored the more limited approach of the House bill. "In order to avoid excessive and unnecessary costs, excessive and unnecessary paperwork bur-

dens, and stifling of technological innovation, the legislation should be limited to substances which are likely to pose substantial danger to health or the environment; and there should be no requirement for blanket testing of chemicals not posing such a risk," the NAM said.

Notifications would be required 90 days in advance of marketing the product. EPA would have that much time to examine the product, seek more time, or order a study, at the manufacturer's expense, to be conducted according to EPA regulations.

The bill would not give EPA any authority in the workplace, but would allow it to seek a federal court order to protect the public from "imminently hazardous" chemical substances.

The bill would also contain regulatory tools such as labeling requirements, prohibitions against misuse, recall, and seizure of substances or products in violation of the use or distribution requirements.

FOR THE LONG run, the bill would also permit EPA to establish an extensive data system on chemicals, their byproducts, and their uses which could allow the government to have some idea of the extent of exposure should a chemical be proven latently dangerous such as vinyl chloride.

Rubber Workers Union president Peter Bommarito wrote the conferees last month urging fast action on the bill.

"We have our warnings," he said in his letter, "and we must move quickly to prevent the introduction of unevaluated materials into the workplace before their control can become an economic burden to the worker and the community; before millions of workers and their families are exposed; before they become so much a part of our culture that removal becomes a painful act of surgery."

Chemical's risk can't be cut to 'not detectable'

WASHINGTON—The Occupational Safety and Health Administration (OSHA) this month said there were no "feasible" engineering methods available now to reduce the presence of vinyl chloride monomer to a "not detectable" level.

In an unrelated matter, the Senate voted 60 to 29 to drop a House-approved amendment that would have exempted employers of 25 or fewer workers from OSHA inspections.

BOTH MOVES were controversial. The final rules on vinyl chloride are due to be revealed by OSHA early in October. The Senate will probably compromise with the House on the matter of exemptions, probably at a level considerably lower than the 25 employee figure originally approved by the House.

OSHA's final economic impact statement for a proposed total ban on exposure to vinyl chloride concluded that existing plants had not been engineered to completely contain the chemical substance, which is believed to have caused cancer in some cases.

The report also found that engineering technology does not at present exist which can prevent leaks of the chemical during manufacturing operations.

The report estimated that it

would take three years to reach an exposure level of 10 parts per million at a cost increase for the chemical of only about 4%.

OSHA's best estimate on the cost of reaching a level where the chemical was not detectable indicated a 72% increase in price for the substance. No time estimate was made on how long it would take to reach such a not detectable level.

The impact statement, prepared by an outside consultant, recommended the use of area monitoring equipment to warn employees when the level reached a possibly dangerous point. Workers presumably then could don personal protective gear.

The statement also said that a phased-in period for compliance with an exposure standard would be included in the exposure rule to allow for more collection of data and "an assessment of the efficiency of corrective steps already taken by industry."

New excess-surplus firm

A new firm specializing in excess and surplus lines has been formed in New York. Weghorn International, Inc. will have its offices at 156 William Street, New York City. The new company will be headed by Richard J. Weghorn, president.



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MESA releases '73 mine accident figures

WASHINGTON—The Mining Enforcement and Safety Administration, under fire from the United Mine Workers union for ineffectiveness, this month released a fairly optimistic report of its 1973

SAFETY/SECURITY REPORT

activities.

Mine fatalities still numbered 132 in 1973, however, a figure significantly above the national industrial average, but nonetheless a record low for the coal mining industry.

Nonfatal injuries for the year totaled 11,067, another record low for the coal industry.

The figures translate to a mine fatality frequency rate of 0.45 per million man hours worked and 40.92 nonfatal accidents per million man hours worked.

A TOTAL OF 92 workers were killed in coal mines through September of this year, according to unofficial, preliminary figures at MESA. That compares with 95 deaths for the comparable period of 1973.

The number one cause of fatal mine accidents continue to be falls of the roof, rib, or face of the mine, which in 1973 claimed 45 lives, compared to 51 in 1972.

The number of men killed in these accidents accounted for nearly half of the 99 miners who died in underground accidents in 1973.

MESA said coal mine inspections were increased by more than 50% in 1973 while the number of violations cited dropped to 76,001 from 71,555, which MESA said indicated better compliance with coal mine safety and health regulations.

The increase in the number of inspections with basically the same number of inspectors was possible because MESA inspectors adopted a "spot" inspection method. This allowed inspectors random sections of a mine rather than the entire mine at one visit.

CIVIL PENALTIES of \$9.8 million were assessed against mine operators for 53,109 violations in 1973. Mine union officials charge that few of these fines are ever collected, however (*Business Insurance*, Sept. 2, 1974).

MESA officials ordered coal miners out of mines for reasons of "imminent danger" 1,351 times in 1973, about the same number as in 1972. The danger of explosion was cited as the most common reason.

At surface mines, the most common safety violation was the failure to have an automatic alarm on mobile mining equipment to warn persons when the vehicle was backing up.

MESA officials also claim some success in dealing with perhaps one of the best known of occupational diseases—pneumoconiosis, or "black lung."

Sulfuric acid standard

The Occupational Safety and Health Administration (OSHA) wants to know if it should develop a new standard to protect workers against the possible harmful effects of sulfuric acid. OSHA specifically is interested in actual work injury and illness experiences which have resulted from use of sulfuric acid. OSHA has received recommendations from the National Institute of Occupational Safety and Health (NIOSH) regarding the proper use and handling of the acid.

MESA has established a dust standard that permits no more than two milligrams of dust per cubic meter of air in the work areas of the mine. Last December, said MESA, fewer than 175 of 2,784 underground mine sections sampled were unable to meet the rule.

MESA said they notified 4,321 miners with black lung, as determined by X-ray tests, that they had the option to transfer to other jobs at mine locations with lower dust concentrations. A total of 724 took such transfers in 1973.

MESA also said that tests of surface and underground mines revealed that 6.7% of miners were exposed to excessive noise, compared to a 7.7% figure in 1972. ■

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BILL McINTYRE, CPCU, President of RIMCO, one of the largest risk consulting firms in the United States. Formerly with Wayne Durham & Co., of Abilene, Texas, a general insurance agency. Holds a diploma in risk management from the Insurance Institute of America and a degree in accounting from Abilene Christian College. Vice President of the Insurance Consultants Society.

JOHN A. LINDQUIST, CPCU, Corporate Risk Manager, Anderson Clayton & Company. Listed in *Who's Who in Risk Management*, served as a Casualty Underwriter for Travelers Insurance Company and Corporate Insurance Manager for General Acceptance Corporation. Member of the American Society of Insurance Management.



GUYON SAUNDERS, President, Corporate Systems Corporation. A senior partner in Ordway-Saunders Company. Mr. Saunders has specialized in developing management systems for risk and insurance management programs and has had published a number of articles on the application of cost center management techniques to risk and insurance management.

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Key to hotel security: Provide it but don't flaunt it!

BOSTON—With properties ranging from giant hotels in the heart of major cities to small country resorts, hotel security is a complex problem for ITT Sheraton Corp.

Harvey Burstein, the corporation's new security director, has responsibility for providing optimum protection . . . "in a manner that won't inhibit our guests from enjoying their stay."

"So much of hotel security is part of the overall operations," Mr. Burstein said. "I don't consider security to be a law en-

forcement function; we emphasize prevention rather than detection and apprehension."

This philosophy involves Mr. Burstein in diverse areas of hotel operations. The well-traveled security director has obtained much of his information firsthand, visiting many of Sheraton's non-franchised properties (Sheraton has 340 hotels in 30 countries) to inspect the properties and meet with all department heads.

"We place a lot of emphasis on educating our personnel in security procedures," he observed.

A safety brigade consisting of three to 10 staff members, depending on shifts, is trained to respond to any emergency situation. Each hotel has a contingency plan for disaster situations.

SINCE THE problems of security often overlap into safety areas, Mr. Burstein works with Sheraton's department of insurance, which administers safety programs.

A uniform security report form for all Sheraton properties is under development, Mr. Burstein said. "We want input from our managers on what and where their major problems are."

Since some of Sheraton's hotels are franchised, it's hard to effect a universal security program, Mr. Burstein admitted.

"Though the policy is established out of this office," he said, "implementation is the responsibility of the individual managers."

Mr. Burstein also works with architects and engineers in planning new Sheraton hotels. "Security isn't just a question of equipment or procedures," he explained, "it's also a question of design."

WITHOUT MINIMIZING the aesthetics of a building, changes can improve security, he continued, such as relocating the front desk or cashier's desk so elevator



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traffic can be monitored, for example.

Security equipment used in Sheraton hotels, motels and resorts varies depending on the size, location and character of the individual establishment, Mr. Burstein noted.

Ranging from special locks for storeroom doors to sophisticated closed circuit tv systems, hardware plays a necessary role in the security function, Mr. Burstein said. But he emphasized that proper use of equipment is just as important.

"We're constantly reviewing products and procedures," he said. "Something that works well in one hotel won't always be effective in another. You've got to consider differences in design location, staff and size."

Closed circuit tv, for example, could be used to combat employee security problems of trespassers, "but if you don't have someone to monitor it as well as a back-up team to take action if an incident occurs, you've spent money needlessly," he said.

A hotel must also avoid the too-obvious use of security equipment, Mr. Burstein added. "A guest doesn't want to feel that his privacy is threatened. The trick is to have security, but not flaunt it."

EMPLOYEE SCREENING is another important area in achieving good hotel security, Mr. Burstein noted.

Hotels that cater to convention business often vary their staff size to accommodate extra guests and resort properties also increase or decrease staff size, depending on seasons. A bad habit the lodging industry has fallen into is waiting until the last minute, then depending on an agency to supply extra personnel, Mr. Burstein said.

"If the hotel management knows it's going to do seasonal hiring, there's no reason not to recruit in advance so that security checks can be run on personnel," he declared.

The security director also advised hotel management to develop a good relationship with a reputable employment firm as a means of securing extra employees.

Celebrities and government VIPs present another security problem for the hotel industry, Mr. Burstein noted. "When you're dealing with a government VIP, you just have to cooperate fully with the Secret Service," he explained. Such was the case when Gerald Ford, as Vice President, spoke at the Boston Sheraton earlier this year.

And Liza Minelli, "who always stays at Sheraton Hotels when she's on tour," Mr. Burstein interjected, has two deputies who sit outside her door all during her stay.

Alice Cooper, the rock singer, sent his bodyguard to the Madison, Wisconsin, Sheraton Hotel before his concert in that city, to work out security procedures with management, Mr. Burstein recounted.

"IT'S NOT uncommon for a celebrity to book two rooms in different parts of the hotel and keep one just for mail purposes," the security director commented.

Another problem involving guests, whether VIP or not, is pilferage, Mr. Burstein noted. "There's no way to accurately determine how much we lose in a year from guest thefts," he said.

As for losses suffered by guests, he said: "Better than 90% of losses could be avoided if guests weren't so careless."

The innkeepers liability law protects the hotel from liability for thefts in the rooms, Mr. Burstein explained, but the laws vary from state to state.

Wants tests to qualify apartment managers

NEW YORK—"We must insure the safety of those who live in apartment houses and garden developments by providing the supervision of a fully-qualified professional property manager. Under present law, any individual with a broker's license may be hired for such a job even if he doesn't know an oil-fired furnace from a gas hot water heater."

What is needed is mandatory licensing of residential building managers, urged the president of F&R Assoc. Inc., a New York-based real estate management firm handling several hundred residential properties in the area.

The executive, Howard Rosenthal, urged Congressional leaders and governors of both New York and New Jersey to make it mandatory for a person to be tested and licensed to become a property manager.

"The professionally-trained property manager knows the operation of boilers, furnaces, air-conditioning systems, appliances, electrical wiring and plumbing installations, and elevator operations as well as fire and safety regulations. The professionally-trained property manager knows that any defect in a building's equipment is a potential hazard to the lives of building's occupants. During his regular inspections he can spot a defect, order immediate repairs, and possibly prevent a tragic loss of life," Mr. Rosenthal stressed.

Corporate policy on auto rentals needed

CHICAGO—"People unknowingly accept certain sizeable risks when they rent cars that they should be aware of. As corporate risk managers, you should know about these risks so you can instruct your company's employees how to help control your corporate exposures."

So says Ron O'Nan, director of administration/risk management for Budget Rent-A-Car Corp. of America.

One major area he pointed out as very costly for car renters is the choice of full collision waiver option, which in Budget's contract provides for a \$2 per day charge to cover the cost of full waiver of claims. Budget, which is self-insured up to \$100,000, finds that this \$2 covers all collision losses plus provides some profit, Mr. O'Nan acknowledged.

In remarks delivered at the Sept. 17 meeting of the local CPCU chapter, Mr. O'Nan also pointed out that this \$2 charge in reality subsidizes losses under the more comprehensive and less costly option of \$100 limit of liability.

"AS A RISK manager speaking to other risk managers I would advise them to establish a corporate policy" of having all employees choose and initial the \$100 limit of liability option shown on the renter's contract, he stated.

"Most rental firms are self-insured for collision because the rate is very high. It runs about 4% to 5% of gross receipts just for \$250 deductible coverage," Mr. O'Nan told his audience.

He also said it is important to understand that before renting a car or completing and signing the contract, the renter should "make sure that all damage on the car is shown on the contract before you drive out. Walk all the way around the car and verify damage or you may end up with the bill" when the car is returned, even if the renter did not damage

\$600,000 settlement is upheld

SALEM—The Oregon supreme court upheld a \$600,000 damage settlement awarded to Marilyn Smith of Coos Bay who suffered injuries during a flash fire at a service station in December, 1970.

Defendants in the action were Eugene L. McCabe and Delbert Slagh, owners of the Central Enco Service Station in Coos Bay; and Bunker-Ramo Corp., manufacturer of fabric used in an allegedly highly flammable coat worn by Miss Smith when she suffered the severe burns.

The plaintiff, a high school student at the time, claimed her injuries left her permanently disabled physically and psychologically. ■

Staff Dallas office

Richard K. Hapgood is joining the risk management consulting staff of The Wyatt Co. as a consultant, and will be in the Dallas office of the actuarial and consulting firm, effective Oct. 1. Mr. Hapgood spent sixteen years with the Continental Insurance Co. His work for Wyatt will include consulting on domestic and foreign property and casualty insurance and risk management programs.

the car, he urged.

Renters, and companies whose employees rent cars, should also clearly understand the scope of permission to use the car, listed on the back of every contract, Mr. O'Nan said. Even the \$100 limit of liability does not apply if the car is used in a way that is not permitted, or driven by someone not permitted in the contract, he explained.

THERE IS also a conflict between a contract provision that the vehicle be returned in good condition and another provision that the renter is not liable to Budget for losses that come under a fire, theft or combined additional coverage policy, Mr. O'Nan said.

Normally, the car rental agency will ask the renter to pay for such things as, say, a stolen spare tire, under provision no. 1 of the contract. "But you can argue that you're covered by no. 6 if you're smart enough," he added.

Another contract provision states that the vehicle is covered by the rental company's liability insurance under state minimum statutes. Mr. O'Nan pointed out that in Illinois this coverage is \$100,000 personal injury, \$350,000 per occurrence, and \$25,000 property damage, but that he has not changed the contract to include these specifics because "I see no point in advertising our limits." But, he added, other rental companies have detailed this coverage in their contracts. He also told *Business Insurance* that a number of car rental firms are buying coverage up to \$1 million single limit. Budget has excess coverage of substantially more than that primarily with Lloyd's. ■

Underwriting losses termed worst on record

NEW YORK—A collective underwriting loss of \$497.8 million and a \$2.75 billion drop in policyholder's surplus, the worst underwriting results on record for a six-month period, were reported by the Insurance Information Institute for the first six months of 1974.

Inflation and a "sagging securities market" effected the losses suffered by companies which file their countrywide results with the California insurance department and which write more than 80% of the business.

While the companies recorded a net investment gain of \$1.65 billion, this was accompanied by unrealized capital losses of approximately \$5 billion, the insti-

tute noted in the 1974 edition of "Insurance Facts."

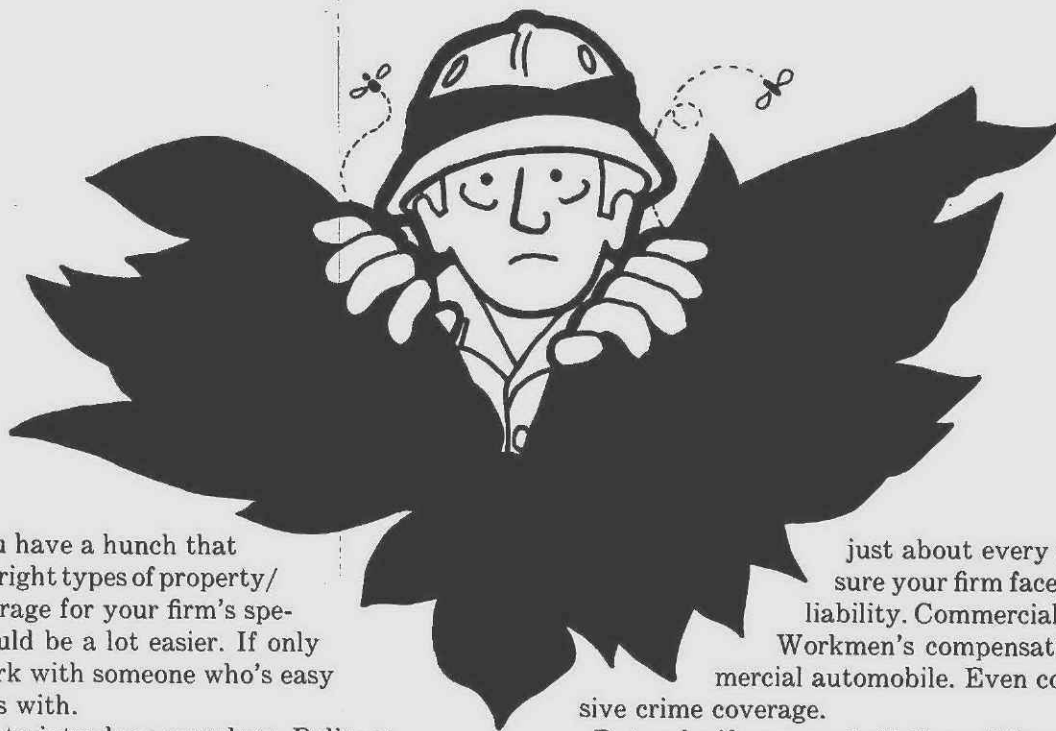
The Insurance industry closed out 1973 with a substantial drop in underwriting profits, the institute reported. A net gain of \$5.76 million showed a decrease from the 1972 gain of \$2.7 billion.

The ITT also reported that insured catastrophe losses increased \$210 million from 1972 to \$293 million in 1973. A record 1,109 tornadoes was a major factor in the losses.

A record dollar loss from fires, \$264 billion was recorded in 1973.

Free copies of "Insurance Facts" are available from the Insurance Information Institute, 110 William St., New York, N.Y. 10038. ■

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Canadian government pushes export insurance

MONTREAL—The federal government here is moving aggressively to sell insurance as a means of boosting international trade.

Export Development Corp. officials are touring the country in an effort to drum up customers for insurance policies designed to

reduce the risks to foreign trade.

Spokesmen for the federal Crown corporation said they want to make more Canadian exporters aware of the insurance service as part of an overall effort to enhance Canadian foreign trade.

The trouble so far has been in

reaching small and medium sized exporters, a problem the EDC hopes to resolve through advertising campaigns and meetings with the media, said T. Chase-Casgrain, EDC vp.

EXPORTS CREDIT insurance would help Canadians to compete more effectively with the rest of the world by reimbursing exporters for up to 90% of losses through unforeseen foreign events beyond their control, Mr. Chase-Casgrain contended.

"This element takes on added importance when we realize that it is a fact of life that official support institutions exist in most countries with which Canada must compete," he said.

The EDC insured exports worth \$539 million last year and expects the figure to climb to

\$650 million this year.

But Mr. Chase-Casgrain said the company, with 1,100 policies in force, is reaching only about 60% of the insurable export market and only 10% of total exports.

"We would like to see this grow," he said. "We would like to see more people interested in our services."

FORMED BY AN ACT of Parliament in 1969, the EDC provides loans to foreign purchasers of Canadian goods and insures Canadian investments overseas as well as exports.

Its scope or business has been increased by Parliament, and it expects during the next Parliamentary session to be granted insurance liability limits of \$750 million, up from the current \$500 million, along with an increase in

loan ceilings to \$4.2 billion from \$1.5 billion.

The current campaign centers on export credits insurance, said Mr. Chase-Casgrain.

The insurance is offered "not to cover normal day-to-day loss, but catastrophic loss which could completely sink an average company," he said.

SUCH LOSS includes disruptions through war or revolution, economic insolvency of a foreign country, import restrictions arising from economic or political events, and diversion or interruptions in export traffic.

Goods insured must have 60% Canadian labor content, and exporters are required to use good business sense and methods.

"We are not here as a bailout organization," Mr. Chase-Casgrain said.

Last year, the company paid \$5.5 million in claims and recovered \$3.7 million.

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- Risk Finance
- Risk Management Administration

Each report is preceded by a **Current Comment** section with notes on ideas and subjects of current interest. The format is 8½" X 11", looseleaf, three hole punched, for ease of filing in an attractive loose-leaf binder which will be mailed to subscribers with their first report. A cumulative index is prepared annually and the length of each report is 30 to 40 pages, permitting thorough analysis of each particular subject. Emphasis is placed on developing practical working tools for the risk manager, drawn largely from the continuing contacts of the writers and their staff—who are risk management consultants—with both large and small companies and institutions in the U.S. and Europe.

The editor of **Risk Management Reports** is H. Felix Kroman, president of his own consulting firm *Risk Planning Group*, assisted by his staff, and an editorial advisory board including the following experts: Stanley R. Tarr, Director of Risk Management, *Rutgers University*, New Jersey

Jean-Paul de Cottignies, Partner, *Risk Factoring, S.a.r.l.*, Paris, France
Edgar S. Clark, Vice President, *Risk Planning Group*, San Francisco
Peter Downes, Insurance Manager, *American Trading & Production Corporation*, Baltimore

Peter Law, Vice President, Insurance, *U.S. Industries*, New York
Stefan J. Valovic, Director of Fire Protection & Insurance, *Kaiser Aluminum & Chemical Corporation*, Oakland, Ca.

Additional experts will be named from insurance companies, brokers, safety consultants, etc.

Among the many different subjects to be treated individually by Risk Management Reports are the following:

- **Product Safety:** Identifying product liability control areas with emphasis on the Consumer Product Safety Act. Report will also detail how one major U.S. corporation has dealt with the problem.
- **How to deal with those who provide Risk Management Services, Agents/Brokers, Claims Organizations and Engineering Facilities:** The care and feeding of those you depend on for services and how to get the most out of them.
- **The Annual Risk Management Report:** What should a risk manager report to his management annually? Some reports are too long and too detailed, others not long or detailed enough. Examples of good reports will be provided.

- **Self-Insurance and Workmen's Compensation:** The pros and cons of self-insuring workmen's compensation—with the emphasis on the pros. Report will also identify those firms capable of assisting in the administration of self-funded plans and summarize state laws regarding the self-insurance of workmen's compensation.
- **Managing Risks of Data Processing Facilities:** How to apply risk management techniques to the ever-important and costly data processing facility.
- **Captive Insurance Companies:** Updated analysis of the pros and cons of captive insurance companies along with a list of current captives.
- **Risk Management Cost Allocation:** An effective risk management program should be understood and implemented at the operating unit level. How do you create cost incentives at that level to make your risk management program more effective.
- **The Risk Management Function in Management:** Given the evolution of the risk management function—from clerk to buyer to manager—where should today's risk man belong in the organization of his company.
- **Natural Hazards—Earthquakes, Floods and Windstorms:** How are you fixed geographically and, if there's an exposure, how should you cover it. Report will also delve into the various government disaster insurance programs available or on the drawing boards.
- **Corporate Risk Insurance Management Manual:** Every company should have a corporate policy on risk management and insurance that has the approval of the board of directors. A risk management manual is also a valuable tool. Should it be one or 100 pages? Examples will be included in the report.
- **The Risk Manager and Corporate Social Responsibility:** Should the risk manager, in the best interest of his company, take an active role as an ombudsman of sorts?
- **Risk Control and Risk Management Administration—A conflict between Line and Staff:** The risk man often must walk a delicate line between line and staff management. How can he without falling in either direction?
- **Risk Retention Levels:** How large should your deductible be—\$100 or \$100 million? There are objective and subjective methods for determining this level.
- **A guide to Emergency Planning:** An analysis of what several corporations have done to plan for that which no one wants to see happen but that which could happen to your firm.
- **Directors & Officers Liability Insurance:** The question still persists—Is Directors and Officers Liability necessary? Millions are spent on it annually, but are benefits being returned?

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We live in an age of information explosion and all in the risk management field (including financial officers, risk and insurance managers, safety specialists, consultants, agents, brokers and insurance company representatives) have different specialized inputs, many of which are depended upon to assist in decision making. However, there is no single source which can give current, in-depth and lucid comment on a particular topic of importance to the risk manager. He needs a resource which is objective and which has researched all of the pertinent material which applies to a given subject. Risk Management Reports, then, becomes a research and intelligence arm for the risk manager. For example, when a member of the board asks, "What should we do about Directors and Officers Liability Insurance?", the risk manager should be able to turn to a Risk Management Report giving him both sides of this question, a specific outline of markets underwriting the coverage, recommendations for corporate action, limits carried by other companies and a bibliography of pertinent articles.

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Disability plan set for hotel personnel

LAS VEGAS—The Sahara and Mint hotels became the first Las Vegas hotels to provide their employees with income protection during periods of total disability when they instituted disability insurance programs this month.

The program, the cost of which is borne entirely by the hotels, covers employees against total disability due to accidents or illness for up to one year.

Both hotels are Del Webb properties.

ANNOUNCING the precedent-setting step, Vernon Daniel and Dietrich Mayring, general managers of the hotels, said, "We have been investigating the feasibility of such a disability plan for some time and are confident that the plan we have selected provides maximum protection with a minimum of restrictions and requirements for our employees."

Details of the plan include: no medical examination or evidence of insurability is required; no credit checks will be necessary; all employees in covered classifications who are under 65 years of age will be eligible; amount payable will be \$500 per month not to exceed 60% of salary.

The appropriate disability allowance will be paid during periods of total disability for up to one year. A waiting period of thirty days will be required of all eligible employees.

The plan will be administered locally through the Nevada Resort Assn. Health and Welfare Trust.

League will seek carrier

SAN FRANCISCO—Withdrawal of Pacific Indemnity Insurance Co. here from the writing of insurance coverage for political subdivisions of the state led the League of California Cities to create a special committee to "explore new sources" for such insurance protection.

Officials of the league also are considering a request to the legislature that it establish a state liability insurance fund to guarantee liability insurance availability for cities, towns and counties.

Much is in the works at Joy Manufacturing

Firm plans to extend HPR status internationally

PITTSBURGH—"We are almost a 100% highly protected risk in the U.S. and Canada," Joy Manufacturing Co.'s risk manager told *Business Insurance*. The company's goal now is to extend HPR-status to its international operations "in the next five years."

Much is in the works at Joy. The company is currently working towards a "worldwide everything policy," risk manager Thomas V. Hallett said.

It has just completed a worldwide property insurance policy, underwritten by Factory Mutual through Johnson & Higgins. It took more than a year to put the program together. It "is intended to cover any and all properties in the world, in transit or otherwise, ocean or inland," Mr. Hallett said. The policy is a standard form, although each property is handled individually. All properties are rated the same, he disclosed.

How do you make a program like this work? "You need broad form limits," Mr. Hallett explained. Under this particular policy, each property is insured for \$500,000. Additional coverage is available if needed.

PLANS ARE BEING made for a captive insurance subsidiary study to be conducted for Joy in the near future. But it is still too early to discuss details of the study, Mr. Hallett noted.

Joy manufactures mining systems equipment, industrial and general products, air pollution control equipment and ore and petroleum processing equipment. Last year the firm had over \$328 million in sales.

The nature of the firm's business implies some very large product liability exposures. Joy's risk manager preferred to use the term "product reliability," however, stressing the positive.

"Our experience in product litigation is that it's rising substantially over the past few years," but Joy has had some success in controlling claims through its extensive risk management program, he said.

"With product reliability programs and risk management programs, we're turning the corner. We're getting better. Losses are going down and benefits are going up. So, we're at least staying even."

ALTHOUGH INSURANCE is not the alternative to good loss control, Mr. Hallett reasons, Joy has adequate product liability coverage. Average limits of product liability insurance, under the general liability and umbrella coverage for companies in this industry would be \$50 million, Mr. Hallett estimated. For Joy specifically, the biggest risk is underground, since the firm is the nation's largest mining machinery maker.

Mr. Hallett outlined some of the risk management approaches he uses.

"We believe in liberal policies rigidly enforced, consistent with the style of the company. I can't send out rigid checklists for people to follow. I'm going to give them guidance."

He does this through an "awareness" approach. This involves making plant managers and other employees aware of the loss potentials, as well as giving

instruction on how to curtail them. Handbooks and other materials are given to plant managers to educate them in risk control and loss prevention techniques.

"WE'RE NOT the kind of company that has small accidents," Mr. Hallett said. Joy's losses are expensive ones, when they do occur. Mr. Hallett recalled one loss from a flood that occurred about two years ago which cost the company about \$300,000.

Insurance limits must be adequate to provide necessary protection. "You're not just insuring the physical plant. You're protecting something that produces income and protects a market position," he contended.

Annual insurance premiums for Joy run close to \$2.5 million. Liberty Mutual collects over \$1 million of the total premiums, and Johnson & Higgins processes the rest.

Joy has a complete property conservation program. No plant in the states is built without sprinklers. "Any recommendation from an insurance company,

be it Liberty Mutual or Factory Mutual must be responded to in writing within six weeks."

"We do simulated OSHA inspections," the risk manager said. The firm is even contemplating a change to water-base paint from oil-base to cut down some hazards.

"Risk decisions calculated to expose the corporation to less than \$100,000 are made by the corporate risk manager. Major risk decisions are analyzed by the corporate risk manager and then my recommendations are submitted for approval to the chief executive officer, chief financial officer, corporate controller and corporate treasurer through a predetermined risk decision format."

While a number of corporations are turning to a multi-broker approach, Joy believes in using only one broker and one direct writer.

"These people have to know Joy as well as I do," said the risk manager in defense of this approach.

This is not an adversary relationship, but a marriage," he is convinced.

Just a little over two years ago, Joy used four brokers. Now the firm uses only Johnson & Higgins. The broker takes care of the company's excess liability, fire, property coverage, aircraft production and specialty lines business.

LIBERTY MUTUAL is the direct underwriter of workmen's compensation, general liability and auto insurance for Joy.

The key to this kind of compatible relationship is continuous communication, the risk manager believes. Each month, Joy and Johnson & Higgins sit down to discuss the firm's insurance needs and how the broker can accomplish them.

At the end of each year, Mr. Hallett asks the broker and direct writer for 10 suggestions on how he, as risk manager, can save money on the corporation's risk management program.

Unfortunately, this has not been as successful as Mr. Hallett hoped. "I am very disappointed in the number of suggestions I get from them," he said.

Rate increases needed: AIA exec

CINCINNATI—"There is no doubt that insurance rate increases are needed to offset the effects of tight money policies and inflated inflation."

That was the word from T. Lawrence Jones, president of the American Insurance Assn. (AIA) speaking to the Cincinnati Insurance Board here.

The big danger, he said, is that regulatory resistance to rate hikes just might force companies to limit their capacity for new business.

"Some companies in any event may feel it prudent to write new business more cautiously or to try to trim their losses and high exposures. But, we would hope that there will be no large scale flights from the marketplace as some companies found necessary in the late 1960's," he said.

A GOOD regulatory climate could avert a capacity crunch. "If they act in accord with the evidence of what is so—not what one wishes were so—and act promptly on rate increase requests, regulators can help prevent the kind of chaos that existed in some market five years ago," Mr. Jones surmised.

The insurance industry has a tremendous impact on the economy. There is a need for a greater understanding of this, it was noted. "Its investments are sound and prudent. Those investments produce both the needed reserves to cover losses, which usually slow during periods of recessed business activity, and the needed capital to insure new risks," he explained.

Problems are not easily curtailed. "Insurance companies are being squeezed between the restrictive monetary policies of the Federal Reserve Board and the hyper-inflation both here and abroad, which, like an exotic strain of flu, has been remarkably resistant to the conventional economic serums," it was noted.

THE AIA president said tight money policies of the Federal Reserve have lead to "alarm-gong decreases in the market value of company stock portfolios."

Although investment officers realize stock losses are on pa-

per only, the speaker said, "companies cannot help but be deeply concerned by unrealized capital losses of the magnitude estimated at \$5 billion for the industry as a whole in the first eight months of this year. This translates into

nearly a 20% loss in surplus, and into trepidation that some catastrophic loss could force insurers to sell some of their stock holdings and thereby convert an unrealized loss to a realized loss," Mr. Jones said.



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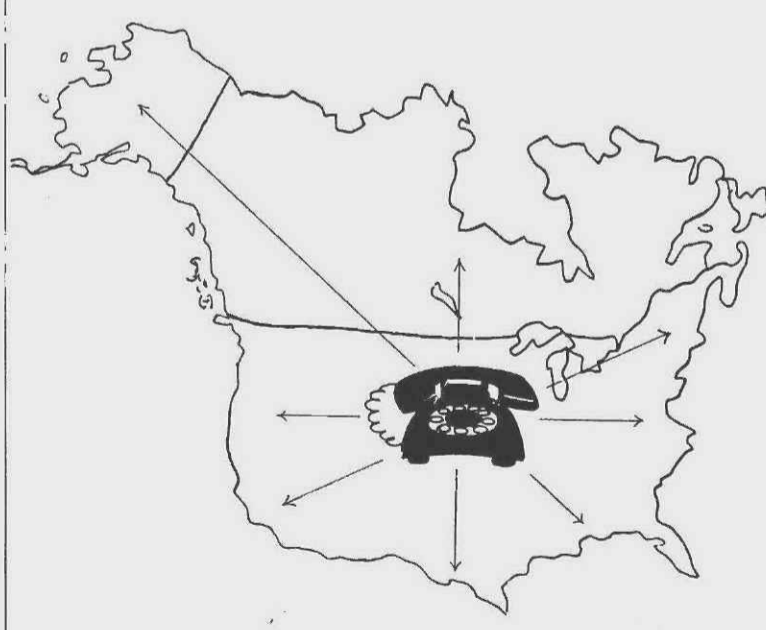
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dates for buyers

Oct. 7-11: The International City Management Assn. and the American Society of Insurance Management will sponsor a governmental risk management seminar at the University of Delaware in Newark, De. The seminar will include sessions on self-insurance and retention plans for municipalities and governmental units, disaster planning and insurance placements. Contact Prof. Roos, University of Arizona, College of Business and Public Administration, Tucson, Az. 85721.

Oct. 11-16: The International Foundation of Employee Benefit Plans will hold its 20th annual education conference in Toronto, Canada. Main topics include national health insurance, fund investment, and the new pension legislation. Write the International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wi. 53005 (414-786-6700).

Oct. 17-18: The Council on Employee Benefits will hold its 28th annual conference on employee benefits at the Marriott Motor Hotel, Houston, Tx. Topics include new pension legislation, national health insurance, employee benefits and inflation, and the dental scene. For further information write C.S. Lazaroff, secretary-treasurer, the Goodyear Relief Assn., 1144 E. Market St., Akron, Oh. 44316.

Oct. 19-20: The National Fire Protection Assn. traveling seminar on high-rise fires will be in Philadelphia, Pa. (Also Boston and Dallas at later dates). John T. O'Hagan, New York City fire commissioner and chief of the department will be one of the instructors. Write F. James Kauffman, NFPA, 470 Atlantic Ave., Boston, Ma. 02210 (617-482-8755).

Oct. 20-23: Security World magazine will sponsor an international security conference at the New York Hilton Hotel. Loss-prevention workshops and a showcase of security products will be featured. Write the International Security Conference, 2638 S. La Cienega Blvd., Los Angeles, Ca. 90034.

Oct. 21-23: The American Management Assn. will hold its 37th annual insurance conference at the Palmer House in Chicago. This year's theme—trends in government legislation: the financial and social impact on the insurance and risk management community. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

Oct. 22: The first in a series of federal pension plan legislation briefing sessions will be held at the Regency Hyatt Hotel in Chicago, sponsored by Hay Assoc. and Huggins & Co. Inc. Sessions will also take place in Atlanta, Philadelphia and New York at later dates. Write Joseph A. Banik, Huggins & Co. Inc., 1401 Walnut St., Philadelphia, Pa. 19102.

Oct. 24-25: Profit Sharing Council of America will hold its annual conference at the Crown Center Hotel in Kansas City, Mo. Write the council, Suite 722, 20 N. Wacker Dr., Chicago, Il. 60606.

Oct. 27-30: A Caribbean insurance conference will be held in Kingston, Jamaica. Organized by persons in the insurance industry from the area, it will encompass all aspects of the industry, including general insurance, life, captives and insurance regulations. Write Conference Secretariat, c/o M.O.M., P.O. Box 183, Kingston 5, Jamaica.

Oct. 27-30: The Health Insurance Assn. of America will feature Caspar W. Weinberger, secretary of Health, Education and Welfare, at its 1974 insurance forum to be held at the Drake Hotel in Chicago. Mr. Weinberger is expected to discuss the latest developments in national health insurance. For more information contact Health Insurance Institute, 277 Park Ave., New York, N.Y. 10017.

Oct. 28-30: The Society of Actuaries will hold a meeting at the Marriott Hotel in New Orleans.

Nov. 11: A film of a hearing before the Occupational Safety and Health Review Commission is the basis of an instructional seminar sponsored by the American Society of Safety Engineers to be held in Chicago (and in other cities at later dates). Participants will learn how to prepare for and participate in OSHRC hearings. Those interested should contact ASSE, 850 Busse Highway, Park Ridge, Il. 60068.

Nov. 14-15: A look at the Employee Retirement Income Security Act of 1974 is the theme of a conference to be held at the Shoreham-American Hotel in Washington, D.C., sponsored by the Assn. of Private Pension and Welfare Plans Inc. For more information write Ms. Vicki Dungan, Conference Coordinator, at the APPWP, Suite 909, 1029 Connecticut Ave., NW, Washington, D.C. 20036.

Nov. 18-20: The American Management Assn. will hold a session on the principles and practices of insurance buying at the Parker House in Boston. The course will cover the language, the market and the specific types of corporate insurance. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

Nov. 20-23: International Foundation of Employee Benefit Plans is sponsoring a public employees fringe benefit conference at the Fairmont Roosevelt Hotel in New Orleans. The purpose of the conference is to provide a forum for meaningful information and dialogue on all issues affecting public employees fringe benefits. Write the foundation, P.O. Box 69, Brookfield, Wi., 53005 (414-786-6700).

Nov. 24-26: The American Bankers Assn. is sponsoring a seminar and workshop on risk management in banking at the Sugar Loaf Conference Center of Temple University, Philadelphia, Pa. The seminar will be directed toward banks with deposits of \$100 million or less. For more information write Ed Armstrong, assistant director of the insurance and protection division, ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

people

Saret new risk manager for GSI Inc.

Arnold F. Saret joined GSI Inc. as a risk manager for the Esmark complex, Chicago. He reports to Jerrold Roe, president of GSI, provider of administrative services to Esmark. Mr. Saret was formerly corporate manager and director of safety for Apco Corp., and ITT Canteen Corp. The position of risk manager for Esmark has been open for over a year since Jerry Hoover left to join Canteen Corp.

Bert M. Schecter was named to the newly-created position of director of risk manager for Reliance Electric Co., Cleveland, Oh. In his new position, Mr. Schecter will be responsible for administration and funding of all general insurance, group insurance and retirement plans. He was formerly insurance and pension manager for Reliance.

In a related move at Reliance, Mr. Schecter disclosed two appointments in his department, **Rose H. Miklich** was named group insurance manager. She was formerly in a general supervisory position.

Disadvantage inherent in license rule

ALBERTA—Strict solvency requirements on Alberta-licensed property and casualty insurance companies place them at a disadvantage in expanding underwriting volumes, an Alberta insurance executive said at the annual conference of provincial superintendents of insurance here.

Karl Ewoniak, auditor for Canada West Insurance Co., Edmonton, noted regulations for provincially licensed companies approved by the superintendents assess corporation bonds at values not to exceed market value with a writedown of one-third of the value.

The regulations require Alberta-licensed companies to absorb a significant writedown against surplus, Mr. Ewoniak said, "which means we must hold back on acquiring new business volume, an impediment that does not apply to companies licensed in other provinces or to federally licensed non-Canadian companies."

Less rigid solvency requirements in other provinces permit companies licensed there to handle larger insurance volumes because of lower surplus requirements, Mr. Ewoniak said.

J. O. Darwish, superintendent of insurance for Alberta acknowledges the conflict in provincial regulations and said his department would investigate the situation.

OSHA variance

The Seattle-based General Insurance Co. of America asked for and received a permanent variance from an OSHA safety rule that specified certain equipment be installed on exterior building maintenance platforms. The company said its 250-foot tall Safeco Plaza building in Seattle could not be equipped with the devices, but offered satisfactory substitutes.

Robert C. Wellman Jr. was named general insurance manager with responsibility for all domestic general insurance and workmen's compensation plans. He was formerly insurance assistant with Reliance.

Guy F. Storey III joined the Gold Kist Inc. risk management department as claims coordinator. The position at the Atlanta firm is newly created. He reports to Robert E. Rich, director of the corporate insurance department. Mr. Storey

was formerly regional senior claims rep for Great American Insurance Co.

Robert W. Eckhoff was named assistant corporate insurance manager for General American Transportation Corp. in Chicago. The position has been open for several months since Arthur Meltzer was named corporate insurance manager for GATX. Mr. Eckhoff was formerly with Marsh & McLennan, handling property accounts.

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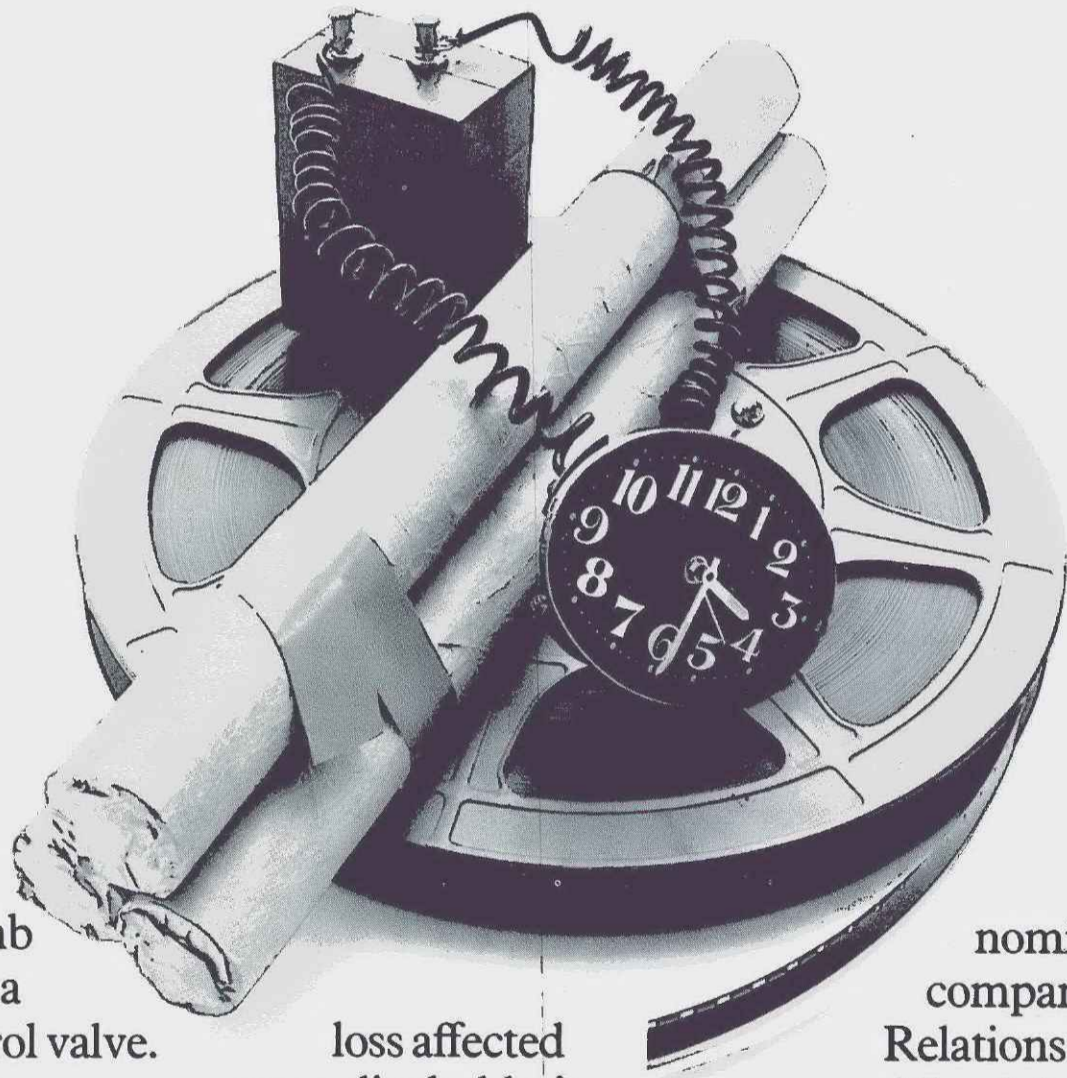
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