

Allied Mills designs benefits to meet employes' needs

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Sears courts Marsh & Mac as subsidiary

CHICAGO—Sears, Roebuck & Co., through Allstate Enterprises Inc., a holding company, has made overtures to Marsh & McLennan Inc. about buying out the giant insurance brokerage firm.

Allstate Insurance Co., a Sears subsidiary, has for several years been doing business with brokers, including Marsh & McLennan, a departure from its traditional methods of operating solely through Allstate's huge captive agency force.

Although there were no indications that Marsh & McLennan was receptive to the offer, sources pointed out that the brokerage stock is still in the hands of a relatively few current and retired officers, who profited handsomely when Marsh Mac went public in 1962. The firm has more than 5,760,000 shares outstanding.

THUS, ACCORDING to one insurance expert, "It would take one hell of a price to pry Marsh Mac loose from its present ownership." Another insurance source said that Marsh Mac might be a reluctant bride because a marriage to Sears might limit the capacity it could muster for its clients.

He explained: "Marsh Mac needs a lot of capacity, as does every other broker these days. The firm's feelers found out that other insurers might look with disfavor on a link with an insurer, feeling that the firm was keeping it on a risk only until Allstate gained additional capacity."

It was understood that if the deal were consummated, Marsh Mac would be operated as a subsidiary—just as Allstate Insurance Co. operates as a Sears property under Allstate Enterprises.

MARSH & McLennan had hired a management consultant firm to investigate the possibilities of diversification last year, but it is not known what advice, if any, the consultant made about a Sears marriage. It is known that the courtship dragged on for a considerable length of time. For example, a representative of major stock brokerage house is known to have indicated that Marsh Mac and Sears were talking at the time the brokerage firm went on the New York Stock Exchange earlier this year.

Marsh and McLennan's previous dealings with Allstate have been primarily in the excess and surplus lines areas.



Smoke billows from the 23d floor of a building at 506 Madison Ave., New York. A bizarre set of circumstances has led to business interruption, personal injury liability and property damage claims being filed against Fiedler Roofers Co., whose workmen were applying tar onto a terrace outside the offices of McFadden, Strauss, Eddy & Irwin, a public relations firm, and a restaurant one block away. A tar melting pot outside the public relations firm overheated causing a propane gas tank to take off like a rocket, sending it into the restaurant, according to fire officials. A worker for Chock Full O'Nuts, operator of the food chain, was injured. Wide World photo

Group life in force reaches 36% of total

NEW YORK—Group life insurance policies accounted for 36% of all U.S. life insurance in force at the end of 1967, according to the Institute of Life Insurance's Fact Book, just published.

Purchases of group life hit \$38.8 billion last year, including \$8.3 billion under the Federal employes' group life program, amended in 1967. Total group life insurance in force now totals \$391.1 billion.

According to the institute, group life coverage for dependents reached \$6.4 billion at the end of last year under 14,330 group plans.

"POST-RETIREMENT coverage for employes is provided by

a majority of the larger group plans and by an increasing number of smaller plans," the Fact Book added.

The institute reported that group annuities issued under insured pension plans remain "the largest and fastest-growing segment of the annuity field." The number of group annuity certificates outstanding with U.S. life insurers at year-end was 7,200,000, about 651,000 above 1966.

The level of current and future annual income provided for certificate holders was \$3.2 billion.

Although no figures were given as to the amount of "key man" life insurance in force, the institute

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Offers multi-industry underwriter as option to one-industry captive

NEW YORK—A multi-industry underwriting company for special risk markets has been suggested as an alternative to industrywide captives such as the one the airlines are attempting to get off the ground.

The feasibility of such an organization was suggested by Graves D. Hewitt, president of Cameron & Colby, Boston, during an American Management Assn. seminar here. He urged that such a facility not become involved in losses of less than \$1,000,000.

By looking only within their own industry, he said, the airlines are following the "traditional pattern of the insurance business, namely, the lumping together of risks having similar nature and exposure of perils insured against."

HE CONTENDED that the special risks of today, however, have a common characteristic which transcends any one industry. This, Mr. Hewitt said, is the potential of a loss so large that no one industry-based insurance facility can have an adequate spread of the risk to handle it.

He suggested that should the special risks markets or buyers elect to augment present market capacity through the creation of industry-sponsored underwriting

organizations, the group should consider including risks of various different kinds, such as oil and petrochemicals.

"That is to say, they might include risks which from the nature of their exposures are heterogeneous but which from the standpoints of size of loss potential and loss frequency become homogenous.

IN CREATING a multi-industry company, the aggregate potential cost of losses in excess of \$1,000,000 is not clearly predictable at this time, he said. Mr. Hewitt suggested that until the underwriting group builds up reserves to support a series of losses, the subscribing insureds should be prepared to pay a fixed insurance charge for coverage. However, after reserves are built up "there probably would be a demand for an annual pro rata distribution of excess premium earnings," he said.

Mr. Hewitt warned that many special risk classifications could be only one disaster away from having little or no market for their insurance needs. He pointed out that the annual aggregate premium income of domestic nonmarine special risks markets is under \$250,000,000, less than 1% of the insurance activity in this country.

Democratic platform calls for U.S. health, safety legislation

CHICAGO — The platform adapted by the Democratic party at its stormy national convention contains several important planks of note to insurance buyers of which probably the most notable is a call for enactment of occupational health and safety legislation.

The plank reads: "By enacting occupational health and safety legislation to assure the material reduction of the present occupational death rate of 14,500 men and women each year and the disabling accident rate of over 2,000,000 per year."

The Congress may consider a proposed bill when it convenes later this year. (See Washington Watch column page 10 for additional discussion of this safety legislation and other planks in the Democratic platform.)

Other insurance-related planks in the platform include:

"Updating the benefit provisions of the Longshoremen and

Harbor Workers Act.

"Benefits, especially minimum benefits under Old Age, Survivors and Disability Insurance should be raised . . . and thereafter should be adjusted auto-

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Injured cops are covered

CHICAGO — The more than 100 policemen and 30 newsmen injured in the melee surrounding the Democratic National convention held here last month will be covered for hospital expenses under workmen's compensation.

The city police department is self-insured for policemen injured in the line of duty, a department spokesman said. "The

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Risk managers can contribute to corporate profits, says Reavis

By GEORGE YOUNG

ATLANTA—A wide ranging agenda encompassing some of the insurance industry's knottiest problems attracted a lively gathering of insurance educators, buyers and industry leaders to the annual meeting of the American Risk Insurance Assn. held here last month.

The three-day program of the ARIA, an association of insurance university educators, courted new proposals in the fields of group insurance and reviewed some of the industry's perennial problems such as investment income and capacity.

Insurance buyers, speaking at open seminars, sought to define

the concept of risk management and how it should be approached at the university teaching level.

MARSHALL W. Reavis, insurance manager, Wurlitzer Co., Chicago, said few corporations or educators realize the value of the risk manager as an integral part of the management team.

"The risk manager contributes to corporate profits in the areas of insurance management, loss control and property preservation," he said.

One of the greatest challenges to the risk manager, according to Mr. Reavis, is property preservation, which he said is thwarted in many instances by a lack of cooperation and the failure of in-

ternal communication within the corporation.

Edward P. Lalley, insurance manager for National Dairy Products Corp., New York, and president of its captive insurance company, Ideal Mutual, told the educators that too much emphasis is placed on "insurance" and a minimum on "risk."

"**GRADUATES OF** insurance schools are not versed in loss prevention and safety," he said. The university educators were urged to consider the vast difference between the conventional insurance industry and the corporate business world.

Upgrading the role of insurance managers in the corporate

scheme was advocated by **H. Randolph Bobbitt**, of Ohio State University.

"Buyers should be decision makers on an upper management level," he said. "There is probably no one single individual in a company better versed on all aspects of operations, from financial to personnel, than the insurance manager."

He urged corporations and educators to consider insurance management as "risk retention and loss prevention," not insurance buying. "Insurance should be an alternative in the risk management function," he said.

EMMETT J. Vaughan, University of Iowa, said the case study approach is being used in many universities with students of insurance conducting loss prevention and safety studies at corporate plants.

The case study concept has been so successful, he said, that requests from corporations to use their plants for studies ex-

ceeds the capacity of the university to participate.

A "different and unique" concept in property insurance called "perpetual" fire coverage was outlined by **Dick L. Rottman**, associate professor of finance, University of Missouri.

Under the plan, a return on a single premium deposit will continue a policy in force "forever" without payment of an additional premium. According to Mr. Rottman annual losses and expenses are paid out from an annuity created by the initial deposit.

He pointed out that some perpetual insurance is written already but is limited mostly to dwellings and institutional risks.

Investment operations are of special significance to perpetuals, he said. Most companies return the deposit in the event of a cancellation and investment earnings, while the policy is in effect, are a prime source of income.

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Describes special risks, excess layers

NEW YORK—Descriptions of three special risks and four layers of excess coverage highlighted a recent American Management Assn. seminar on special risks and markets here.

Bruce A. Woolery, vp, Argonaut Insurance Group, Menlo Park, Cal., described three special risks insured by his company and some of the cases which have evolved from handling such risks. He contended that the business of special risk insurance, rather than being a totally routine commercial field, has significant humanitarian considerations.

His company defines a special risk as one which contains one or more of these factors—unusual exposures; exposures with potential of catastrophe; and exposures that require specialized underwriting, specialized engineering and specialized claims knowledge.

The three risks he described included a sophisticated explosives manufacturer and the dangerous exposure to workmen's

comp, oil and gas well drilling contractors and physical damage exposure, and professional hospital liability and exposure to third parties.

"**THE DEVELOPMENT** of new medical techniques and the increasing use of sophisticated equipment have placed hospitals in Argonaut's special risk classification," he said.

He referred to hospital disposables, organ transplants, sophisticated machines, cardiac care centers, the pressure chambers and so forth as adding new dimensions to the underwriting picture.

One current case he referred to involves a doctor who performed a heart transplant. The patient in this case was severely beaten and later presumably died. His heart was removed for the purpose of transplanting. After the patient's death, assault charges were changed to murder. The defense attorney then

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Hartford under pressure to get sprinklers for four new schools

HARTFORD—The City of Hartford has been told that it will not get public liability on four new schools unless the projected facilities are equipped with sprinkler or fire detection systems.

The sprinklers would cost an extra \$753,000 and the fire detection system, an extra \$321,000.

The city would save \$21,000 a year on the cost of fire insurance for the schools with the sprinklers and \$5,600 a year with the fire detection system.

THE ADMINISTRATION has been notified about this situation by the Travelers Insurance Cos., which carry the city's public liability coverage.

City spokesmen remarked that all four school designs comply with state and city fire safety standards, but the Travelers standards exceed the state and local ones.

Estimates of additional costs for sprinklers and fire detection systems have been submitted by the architects for the school building program.

The new insurance carrier requirement, said architect Jay Neyland, is a reaction on the part of Travelers and most other companies to 1967's riots in major U.S. cities.

THE REQUIREMENT, he added, "caught our program in midstream."

The four schools comply with all federal, state and local fire safety standards, including fire exits an fire-resistant walls an doors, and are to be constructed completely with noncombustible materials.

Fire safety provisions in these planned schools, Mr. Neyland continued, are as high as they can be and much more elaborate than any in schools in surrounding areas.

Meeting the Travelers requirement would not allow the city to eliminate any of the fire safety provisions already approved for the schools, it was noted.

AN ASSISTANT to the city's fire marshal said that the city

does not require sprinklers if a public building is constructed of non-combustible materials.

Most of the older schools in the city, he added, have sprinkler systems. In addition, all educational elements are partly equipped with sprinklers, in storage space and boiler rooms.

Most metropolitan Hartford communities—including the city itself—are now in the process of raising fire safety standards.

Moreover, the city will soon adopt a national standard requiring that public buildings be constructed completely of non-combustible materials with sprinklers in any areas where fire hazards are high.

REFERRING TO the Travelers requirement, Edward Lehan, administrative assistant to city manager Elisha Freedman, said that the city is actively reviewing its plans for fire safety provisions in the new schools.

The city council will be asked to decide a plan of action.

The schools will be put out to bid in December.

Lloyd's cautious about results

LONDON—A feeling of cautious optimism is evident in most London insurance circles.

The outlook was borne out by Ralph Hiscox, chairman of Lloyd's, who, while declaring formally last week that in 1965 Lloyd's sustained the heaviest losses in its history, said all indications were that there would be an improvement in most major insurance markets.

Lloyd's, which runs its underwriting accounts on a three-year basis to get a clearer picture of

claims settlements, said it lost \$91,200,000 in 1965.

FORECASTERS FOR such markets as marine, aircraft and nonmarine insurance also reacted with general optimism, but expressed concern over insufficient capacity and lagging premium increases.

R. C. J. Gordon, chairman of Lloyd's Underwriters' Assn., said that new problems confront marine underwriters due to an increase in containerships and the

advent of the supertanker.

Lloyd's, which announced a premium penalty on older cargo vessels this month, is not expected to produce very profitable underwriting results regardless of general premium increases, according to Mr. Gordon.

Although marine business is showing signs of improvement, he said, premium increases over the past few years are insufficient.

A NEW CROP of marine problems was cited by the Lloyd's executive, such as delays and thefts on cargoes destined to newly emergent countries in Africa.

The aviation insurance market, bolstered by general rate increases, showed a profit in 1965, but underwriters are still searching out ways to provide capacity to cover jumbo jets at \$25,000,000 per plane plus liability of \$100,000,000.

London underwriters and brokers reported that changes in Lloyd's regulations to allow aviation underwriters to make increased deposits and consequent larger premium income were increasing capacity.

The property insurance market, plagued by a fresh crop of new and devastating perils, was described as a long uphill struggle by G. B. Stone, deputy chairman of Lloyd's Underwriters' Fire and Nonmarine Assn.

RISING LOSSES in such risks as riots, arson, fire and crime, plus worldwide inflation are factors which will decide the future of the property insurance market, he said.

The caution with which London viewed the riot problem in the U.S. was pointed up when Royal Globe, New York, a subsidiary of Royal, Britain's biggest group of insurance companies, cancelled substantial amounts of property and business insurance this summer.

A rising number of large court awards were cited by Mr. Stone as being decided in some countries on whether or not the defendant has insurance.



"Sixty-two, going on 80," Leroy (Satchel) Paige has been signed by the Atlanta Braves as a pitcher-coach in order to gain an additional 158 days in the major leagues to qualify for a pension. Wide World photo

Satchel Paige is 158 days from pension

NEW YORK—Baseball pitcher Satchel Paige—whose exact age is something of a mystery—is back in the major leagues, needing 158 more days in order to meet a five-year qualification for the leagues' pension plan.

Mr. Paige, a wily pitcher who has been mentioned as a hall of fame candidate, was signed by the Atlanta Braves to serve as a player and pitching coach to fulfill the necessary pension requirement. His years of playing for the minor leagues were not counted as credited service for the pension plan.

His era with the major leagues began in 1943 and lasted for just over four years.

The retirement plan for major league baseball players provides a fixed and variable annuity benefit. The amount of the benefit is determined by retirement age, years of service and the date of retirement and date when a player, coach, trainer or manager began active service.

BENEFITS UNDER the major league baseball players benefit plan are provided by the Equitable Life Assurance Society of the U.S. and by First National City Bank, New York.

The maximum fixed benefit for personnel with active service during or after 1957 and who retired after Jan. 1, 1967 is \$700 per month at age 65 and 20 years service. The minimum benefit is \$125 per month at age 50 and five years service.

The maximum variable benefit after ten years service is \$787.59 per month, and the minimum

benefit after five years is \$125 per month.

If a retired baseball man dies before he receives 120 monthly payments, his beneficiary receives a monthly income equal to one half of the fixed and variable benefits. This benefit to the beneficiary continues until the 120-payment requirement is fulfilled.

A WIDOW'S benefit provision for a member who died on or after April 1, 1967 pays 100% of the fixed retirement benefit.

In addition to the regular retirement plan, active players have the option of enrolling in a supplemental retirement plan. The rate of contribution depends on a player's annual salary. With this program, a participant can choose to have his supplemental retirement benefit paid in either a fixed or variable form.

Life insurance benefits for active members range from \$15,000 to \$50,000, depending on length of service, and for inactive vested members from \$12,500 to \$25,000.

Under an accidental death provision, if a league member dies within 90 days from injuries received in an accident, his beneficiary receives a benefit equal to and in addition to the amount of his life insurance.

For accidental dismemberment, the insured receives a benefit equal to the amount of his life insurance. For permanent and total disability, the plan provides full life insurance and accidental death and dismemberment benefits as long as disability benefits are paid.

Ohio to begin voluntary pool

COLUMBUS, O.—It may get a little easier for businessmen to get property and extended coverage (riot insurance) in Ohio because of a new basic property inspection and placement plan.

Eugene P. Brown, director of the Ohio department of insurance, said the program being established in Ohio is voluntary, but he hoped that all property-liability insurers would participate.

Mr. Brown said the program will be operated by the Ohio In-

surance Institute. The plan will be submitted to the General Assembly for enabling legislation, although the plan will be operating this year.

The insurance boards of Dayton, Cleveland, Cincinnati and other metropolitan areas are being called upon to take part in developing the program, Mr. Brown said.

Adoption of the plan will enable all insurers licensed to do business in Ohio to participate in the federal reinsurance program.

Ostrich approach to alcoholism is no answer

By TERESA NORTON

CHICAGO—"We don't have any alcoholism problem," one spokesman for a company employing 100,000 people contends.

Whether or not this is true, and experts doubt it, alcoholism has become this country's fourth largest health problem after cancer, heart disease, and mental illness.

Dr. Roy E. Joyner, medical director of the Gulf Coast region of Union Carbide Corp., estimates that the cost of alcoholism to industry alone is between \$4 billion and \$7 billion.

This giant toll is taken in terms of absenteeism, off-the-job accidents, fringe benefits, below-par job performance and loss of valuable personnel.

The unfortunate thing about alcoholism, noted Mrs. Dorothy Griffin, social worker with the Chicago Council on Alcoholism, is that "it usually hits a man when he is in his prime." She continued, "A company hires someone out of college, trains him for an executive position and then, just when it has begun to reap the benefit from its investment, the man becomes an alcoholic."

WITH AN EYE to loss prevention, many companies have instituted programs to rehabilitate valuable workers, and more important, to spot alcoholism in its beginning stages and nip it in the bud. An estimated 300 firms in the U.S. are combating the disease, with varying degrees of

sophistication. In 1960 there were only 70 alcoholism programs in existence.

William Burke, assistant insurance manager at Inland Steel Co., described its program. It is handled by the industrial relations and medical departments. Movies on alcoholism are shown periodically and employe handouts, obtained from alcoholic study centers, are used. Problem employes are referred to the Chicago Council on Alcoholism and similar groups.

Time and motion studies often lead a company to come to a group like the council, said Mrs. Griffin. Or perhaps a person who is a recovered alcoholic working within the company may generate the enthusiasm of the higher-ups.

Since some large companies have their own medical departments, they use the council only to help organize a program, she said. The council recommends that a particular person be responsible for dealing with alcoholism and a referral list of available community agencies is proffered. A large company may even hire an alcoholism worker or a social worker to help within the plant. From that point, the company is on its own and sends progress reports to the council.

SMALLER COMPANIES may use the counseling services provided by Mrs. Griffin and John Perkins, executive director of the council.

After a company has asked for help, the council examines the company's insurance policies, said Mrs. Griffin, because alcoholism may be covered in various ways. Some policies don't cover short-term hospitalization. Others cover hospitalization for two weeks and over, which gives the therapy time to be constructive and replace some of the bad habits which led to alcoholism.

There are still some policies that exempt alcoholism from any coverage. "In other words," Mrs. Griffin told *Business Insurance*, "they don't consider it an illness at all."

The philosophy of the council is that, although it is the line supervisor who probably spots the problem of alcoholism first, it

is not his job to be the diagnostician. He is not an expert in this field so his evaluation of the problem should be from the standpoint of the person's job production.

In other words, there must be proper delegation of authority within the company. The line supervisor would report to the person with authority to deal with alcoholism, not deal with it himself.

A COMPANY'S program for handling the situation may be formal or informal, Mrs. Griffin concluded, but the basic fact that must be acknowledged is that alcoholism is a disease that is progressive and chronic.

"It has been said," she noted, "that alcoholism is at the same point today in being socially accepted that tuberculosis was 50 years ago. It is not a moral issue."

The Tribune Co., publisher of the Chicago Tribune, New York Daily News and other newspapers, according to Lindsey Van Vlissingen, personnel director, has no written or formal program in force; it is felt that the employe himself has the responsibility to assume help. The problem will not be treated until the employe admits he wants help, Mr. Van Vlissingen said. The personnel department is not qualified to counsel this problem

but will initiate counseling with the proper source.

If the employe is new—two weeks, for instance—and the Tribune discovers he has an alcoholism problem, he will probably be fired. If it is a valuable, long-time employe who is involved, the company will do all it can to help, provided he will cooperate, he said.

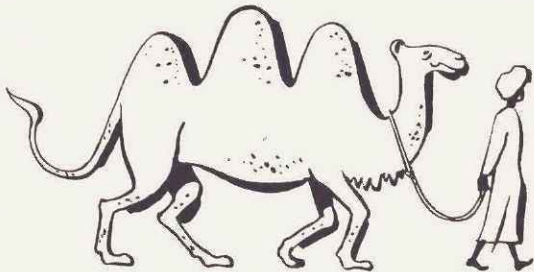
HARRY C. BAKER, manager of employe relations at International Harvester, pointed out that his company encourages workers to tailor programs to fit their own needs. Alcoholism plans are locally administered by each of International Harvester's 23 plants. Alcoholics Anonymous is one organization which is used.

"The union has generally been cooperative with us," Mr. Baker said, "although there is no formal procedure for working together." In the past they have agreed with the union to protect a worker's rights for a certain number of days in order that he might recuperate.

A spokesman for Carson Pirie Scott & Co., Chicago department store, noted that an alcoholic employe would receive the same probationary warning that any other problem employe would. They have fired a few people because of alcoholism but, as is generally true of the merchant-

Continued on page 6

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dates for buyers

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Sept. 15-19, International Assn. of Accident Boards and Commissions, Milwaukee.

Sept. 16-18, Assn. of the Superintendents of Insurance of the Provinces of Canada, Royal York Hotel, Toronto.

Oct. 7-9, CPCU annual meeting, Roosevelt Hotel, New Orleans.

Oct. 10-11, Council on Employee Benefits, New York Hilton.

Oct. 10-11, SE Regional ASIM, Holiday Inn, Riverment, Memphis.

Oct. 16, Southern California Chapter, American Society of Insurance Management, fall insurance conference, Biltmore Hotel, Los Angeles.

Oct. 24-25, Council of Profit Sharing Industries, Chicago.

Oct. 28-30, University of Wisconsin extension division, corporate risk management course, Wisconsin Center, Madison, Wis.

Nov. 6-8, AMA Fall Employee Benefits and Pension Conference and Fall Insurance Conference, Drake Hotel, Chicago.

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Glass walls prove bigger problem than hurricanes to marina owner

ST. PETERSBURG BEACH, Fla.—'Tis not the winds that blow, but whether people go.

That's the basis of an unusual insurance problem for Stowaway Marinas Inc., despite its location in the heart of the hurricane belt.

According to Dave Pickett, president of the corporation, most action on his variety of insurance policies has resulted from people walking through huge glass walls of the marina boat showroom rather than claims for hurricane damage.

"We had several people walk right into and through the glass," Mr. Pickett explained. "I didn't do anything about stopping it, though, until I walked into a

glass window myself."

THEN, HE ADDS, he placed product decals at eye level on all glass sections to catch the eye of visitors—and employees. In the incidents, Mr. Pickett said, it was fortunate none was injured so claims were only for the broken glass. Since the decals were placed, there have been no further similar incidents.

One of the large marina operations in the Tampa Bay-Gulf Coast area, Stowaway has provision for dry storage of 600 boats, large sales room, outdoor display area, full service for stem drive and outboard boats and a restaurant operated by a man-wife team.

Coverage for the marina is placed through Insurance Specialists of Jacksonville.

MR. PICKETT SAID basic insurance of all types is written by Aetna, but he understands portions of it have been reinsured by Aetna with other carriers to spread the risk.

Among policies of Stowaway is general liability coverage providing \$250,000/\$500,000 bodily injury maximum and \$100,000/\$100,000 property damage liability.

A ship repairer's legal liability policy provides maximums of \$100,000 and \$100,000.

Unique to marinas and others in the business of selling boats is

a boat dealer's policy, covering stock on hand. Similar in nature is the equipment floater which covers heavy machinery required for lifting boats out of the water into the dry storage.

OTHER POLICIES OF Stowaway include glass and comprehensive with no deductible amount, fire and extended coverage and a separate policy for the neon sign advertising the marina.

Mr. Pickett explained that claims from hurricane damage have been held to a minimum because there is usually sufficient advance notice of a big blow so all boats and other movable items may be tied down. In five years, the marina has "dropped" only one boat during a hurricane.

Stowaway now is starting a social cruise club for special outings by groups of people who use the marina, or who have their

own docks nearby and cruise the same waters. He doesn't anticipate that club activities will require any change in insurance coverage.

Stowaway also is headquarters for the annual Hurricane Classic ocean power boat race held each year in December. Mr. Pickett said no special insurance is required for that event since the marina serves only as a central organizing point and individuals participating provide their own hull insurance.

Alcoholism . . .

Continued from page 4

dising business, it is not one of their more pressing problems.

THE PERSONNEL department at Quaker Oats Co. would also issue a probationary warning, according to Robert McPhail, manager of employe benefits. "Any employe or dependent has full medical coverage if he is in a legally qualified hospital," he said, "no matter what the illness."

Illinois Bell Telephone Co.'s policy on alcoholism is well defined in a brochure which states that alcoholism is an illness covered by the company's medical and benefit programs as long as the employe cooperates with the attempted rehabilitation. If rehabilitation is unsuccessful the case is handled as an administrative problem.

The brochure alerts management representatives to the fact that they are in the best position to recognize the problem and that one of the strongest motivations for an employe to seek help is the possible loss of his job.

The problem should not be covered up because such an attitude, no matter how well meant, is a disservice to the employe. "The earlier the treatment," the brochure states, "the greater the hope of rehabilitation."

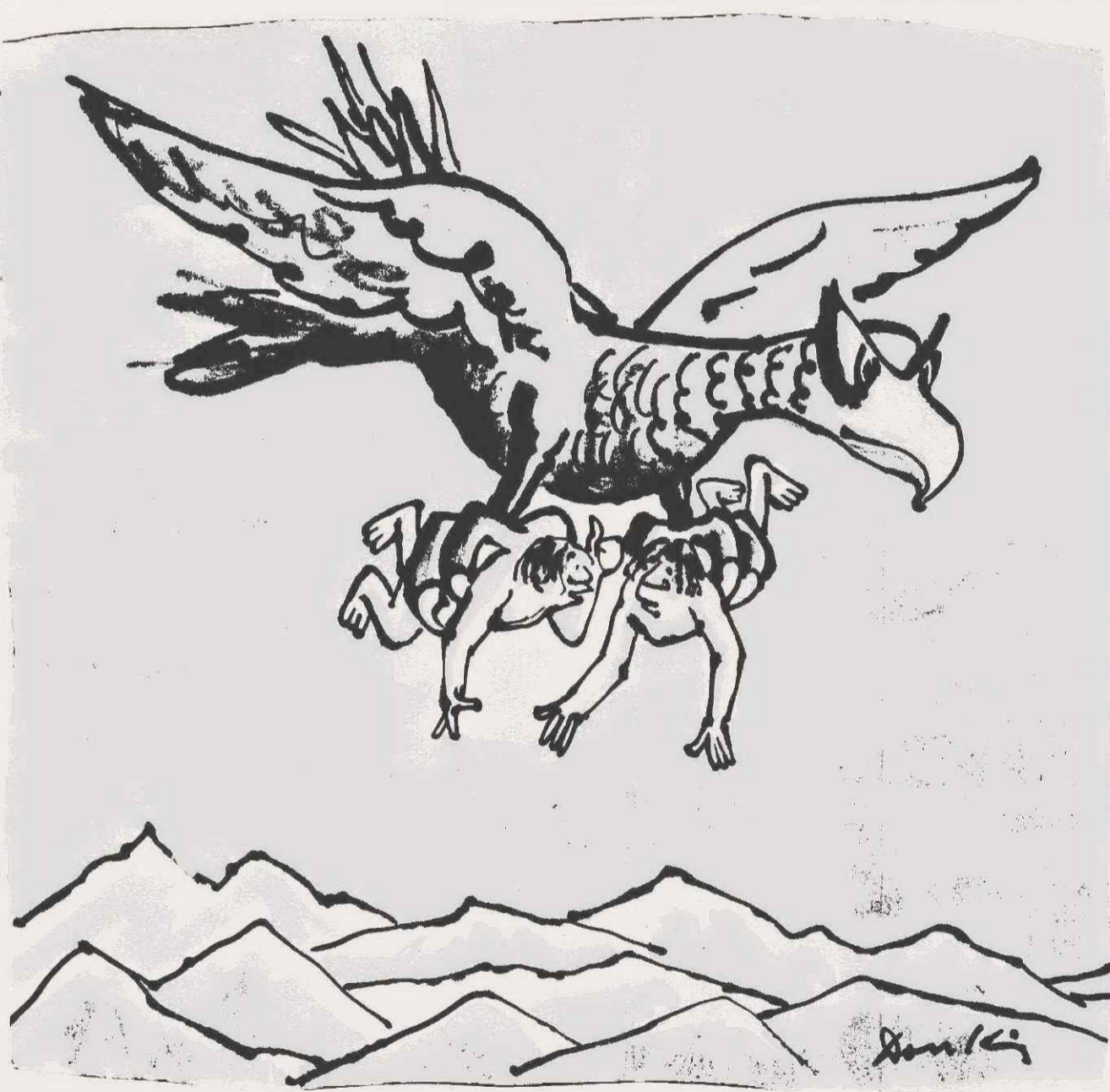
A SPIRIT of help and not of disciplinary action should pervade interviews with the employe, Illinois Bell suggests. The interviewer should be well armed with facts and observations about the employe. Written records should be kept of each session in the event that the alcoholic would deny that anyone has ever talked to him, the brochure stated.

The medical department at Illinois Bell has a trained counselor who coordinates rehabilitation efforts and arranges appointments with staff physicians. The program uses Alcoholics Anonymous and regular counseling in the medical department and cooperates with the employe's family, personal physician and clergyman.

"Sickness disability," management representatives are told, "will be granted if the employe is . . . following a medically prescribed course of treatment, and if the medical department advises that he is cooperating but is unable to work. Based on facts in each case, the benefit committee will determine whether or not the employe will receive benefits."

Auto salesmen get dental cover

A family dental plan to which East Bay automobile dealers, Oakland, Cal., will contribute \$11 per employe monthly for automobile salesmen will end a strike against 38 new car dealers. Also included in the three-year contract is a \$6 health and welfare increase.



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Hurricanes and chemical blasts still upsetting special risk market

NEW YORK—Hurricane Betsy, the Cities Service Co. chemical explosion in Lake Charles, La.—just memories in the minds of most people—are still being felt in the insurance industry as insurers, notably in London, are taking a fresh look at their underwriting risks.

During any American Management Assn. seminar on special risks and markets, several speakers referred to the current capacity problems and the shrinking markets and posed such solutions as pooling arrangements and meshing of American and London markets.

Peter Kininmonth, Keith Ship-ton & Kininmonth Ltd., London, said as a result of disastrous underwriting years, the London market has had companies and underwriting syndicates withdraw from writing business while other companies have withdrawn from underwriting U.S. business. The London market has also had a loss of reinsurance facilities in London and worldwide.

HE SAID THAT to solve the existing problems, Lloyd's of London underwriters are going through every risk on the books "with a fine tooth comb" and possibly having to increase rates. It's rather self evident that rates have to be increased, he said.

One rule of thumb in getting a pool together is to demon-

strate profitability, Mr. Kininmonth contended. "I can't see a pool formed without some evidence of profitability," he added.

Bernard J. Daenzer, president, Wohlreich & Anderson Ltd., New York, urged the meshing of the London and American markets to meet capacity. The capacity of the American market, he said, "has still only been tapped to a microscopic degree."

One example he gave was encouraging companies to take a layer of coverage following a Lloyd's lead. The insurers his company deals with have done this sort of thing and "everyone has made money," he said.

There's a definite need for joining together in order to meet the public need. As to pricing,

he said, "You can't nail down price; it's done by judgment and the judgment of a man in the field a long time is better than a bunch of figures."

He recommended the buyer be queried as to how much he is willing to pay; "you'll usually find that he'll be very realistic about price," Mr. Daenzer said.

He said that there's a tendency for buyers and underwriters to look at the loss records of years past, then price a risk. He contended that the primary layers could be valued on past experience but that the excess layers need to be priced on "a much larger book of business and the overall experience of the market."

Continued on page 25



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Continued from page 2
countered with the argument that, since the heart was removed while it was still beating, the person was not legally dead. The murderer, therefore, was not his client but the doctor.

In outlining the three special risks, Mr. Woolery described the safety engineering that goes along with each risk. With the explosives manufacturer, the same Argonaut engineer has been on that account for 17 years.

"**THE CHALLENGES** of special risks bring the insurance industry to the immediate frontiers of physics, physiology and unpredictable catastrophe," he said.

Robin A. G. Jackson, assistant secretary, General Reinsurance Corp., New York, divided excess coverage into four layers, including primary layer, working excess layer, catastrophe layer and capacity layer.

He said that correct layering of excess limits can or should put a stop to the concept that it's better to take a small share of a large line where it will take a really big claim to give a total loss, rather than accept a large share, or even a complete layer, at a lower level.

MR. JACKSON SAID that the excess underwriter must be realistic and realize that there is not much spread in the excess field—there is a limit to the number of drug risks, gas utilities and oil companies. He warned brokers that careless layer rating can kill excess lines.

Further, he said, excess underwriting is not necessarily any cheaper. "But consider how much it would cost to go to a bank and get \$5,000,000." ■

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Plea for added award denied

HARTFORD—The superior court here ruled that an employer's insurance carrier can't be sued by an employe for pain and suffering resulting from a workmen's compensation injury.

The decision resulted from a \$1,000,000 personal injury suit of Sinai Barrette of Danielson who was injured two years ago while working at the Two Rivers Dyeing Corp.

Mr. Barrette sued the Travelers Insurance and Greater New York Mutual Insurance Cos.

He contended in his suit that he had a right to bring a negligence action against the insurance carriers because although the workmen's compensation law insulates employers from common law liability, it fails to shield the insurance carrier. ■

info for buyers

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

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

• A 35-page booklet, **A Basic Outline for a Company Program on Alcoholism**, is provided as a public service by the Christopher D. Smithers Foundation, Inc. It discusses recent progress in the study of alcoholism and provides a chart on the stages of the disease and what businessmen should do about them. Write the foundation at Suite 1202, 60 E. 42nd St., New York.

• **Danger Is Your Companion** is a 16-minute, black and white, sound film for sale through your local chapter of the American Red Cross. It points out the possibility of accidents and shows what is being done to combat carelessness and to train people to give emergency first aid. Stock #321514, cost \$24.75.

• **Guide for the Family of the Alcoholic** is a 12-page brochure which explains the role of the family in rehabilitation of an alcoholic member. It attempts to aid the non-alcoholic in understanding and facing the serious illness and suggests how the destructive impact of the disease upon the family can be limited. Benefits managers may wish to offer this to personnel workers for use in counseling. It is free by writing Public Relations Dept., Kemper Insurance Cos., 4750 N. Sheridan Rd., Chicago.

• **The Story behind Underwriters' Laboratories Inc.** discusses the background and facilities of the organization and steps in testing for public safety and follow-up services. This booklet and a smaller one, **Facts about Underwriters' Laboratories Inc.**, are free by writing Public Information & Education Services, Underwriters' Laboratories Inc., 207 E. Ohio St., Chicago 60611.

• **New Catalog No. GS-167** (96-pages) has been published by General Scientific Equipment Co., Limekiln Pike and Williams Ave., Philadelphia, Pa. 19150. In conjunction with the catalog, General Scientific offers a professional guidance service to determine particular safety needs. Both the catalog and the guidance service are free by writing the company on your letterhead.

• The American College of Life Underwriters has published its 1968-1969 **Catalogue**. The 104-page book contains complete information on the CLU diploma program and the college's certificate course program and lists procedures to follow in matriculating with the college, preparing for the examinations, and qualifying for the CLU designation or a certificate. It also contains a section on the continuing education program for CLU's. Three chapters are devoted to group insurance, health insurance and pension planning. Single copies are free by writing the American College of Life Underwriters, 270 Bryn Mawr Ave., Bryn Mawr, Pa. 19010.

• **Dental Prepayment—A Method of Financing the Cost of Dental Services** answers 14 questions about dental prepayment ranging from its definition to an explanation of types of plans. It is available free by writing the Council on Dental Care Programs, American Dental Assn., 211 E. Chicago Ave., Chicago 60611.

• **All Risk Management** is a 20-page brochure explaining a new concept from American Mutual Insurance Cos. All risk management uses the traditional services of insurance not just to protect assets but to help build them. It makes insurance a force for profit instead of just protection. The program begins with an analysis of total business operations rather than review of insurance policies, and maintains a working balance of all the customer's productive assets within the change and growth of his operations. The booklet is free by writing the American Mutual Insurance Cos., Wakefield, Mass. 01880.

• A useful manual on fire protection is available from the Alti Manufacturing Co. The brochure explains technical aspects of fire protection and their relation to code and insurance requirements. **Specifying Fire Protection with Intumescent Coatings** also provides a quick reference to the area of operations of leading organizations involved in fire prevention and fire protection activities. It is free by writing the company at 98 E. Main St., Rockville, Conn. 06066.

• General Scientific Equipment Co. has published a booklet called **Guide to Eye Safety**. It points out where risks are, how to reduce injury, first aid techniques and do's and don't's for eye safety. For a free copy, write the company at Limekiln Pike & Williams Ave., Philadelphia, Pa. 19150.

• The Council of Profit Sharing Industries has released a 158-page, hard-bound book, **Successful Profit Sharing Plans, Theory and Practice**. Material is presented from the point of view of existing theory and management objectives, and a review of current practices and actual plans of the Council's 1,500 member companies are presented. The book is designed to be used by those concerned with management and operation of profit sharing plans and for those considering installation of a profit sharing plan. It sells for \$6.00. Write the Council at 29 W. Wacker Dr., Chicago 60606.

• The **1968 Life Insurance Fact Book** contains industry aggregates which, in most cases, are complete through the end of 1967. Sources of data are tabulations of annual statements, surveys made by the Institute of Life Insurance, and statistics compiled by other life insurance organizations, commercial publishers and government agencies. Individual copies are free by writing Mr. Fred DeLuca, Mng. Dir., Institute of Life Insurance, 277 Park Ave., New York 10017.

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• The **Boeckh Building Valuation Manual**, a three-volume set, will help insurance managers make decisions on proper coverage and valuations without the help of outside counsel. Each volume discusses depreciation and valuation of land and includes information on land description and measurements. Material is organized according to occupancy and computer-produced cost tables reflect all unit-in-place costs converted to costs per square foot of floor or ground area. The complete set is \$99. Individual volumes are: Vol. I, Residential & Agricultural, \$38; Vol. II, Commercial, and Vol. III, Industrial & Institutional, \$44 each. To order the manual or to get additional information, write the Boeckh Div., The American Appraisal Co., 525 E. Michigan St., Milwaukee, Wis. 53201.

• An illustrated, 27-page booklet, **Safe Schools**, is available from the American Insurance Assn. for 20¢. It explains specific fire hazards in new and existing buildings and lists recommendations for their elimination. Details of necessary fire protection equipment are given and it is recommended that fire drills be conducted monthly. A program for accident prevention and rules for precautions in various types of classes are provided. Write the association at 85 John St., New York 10038.

• **Social Security Amendments of 1967** has been published by Huggins & Co. Inc. Its 18 pages analyze the Social Security Act as amended to date with a detailed summary of benefits, eligibility requirements and calculation rules, with accompanying tables and examples. A special section refers to Medicare. Copies are free by writing the company at 1401 Walnut St., Philadelphia 19102.

• **You and Emergency Fire Control** is an illustrated employe educational folder released by the National Fire Protection Assn. It urges employes to be prepared for any kind of emergency which might hit their business and advises giving priority to learning how to operate portable extinguishers and other fire fighting equipment and to knowing fire exit routes. Another booklet, **Here's Your Inspection 'Tool' Kit**, provides a check list for ridding work areas of common but dangerous fire hazards. Sample copies of both are free by writing Mr. Deuel Richardson, Public Relations Mgr., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110.

• **Accident Analysis and Remedial Action** is a worksheet designed to provide a method of classifying the various types of information about individual accident cases. The 30-page book stresses the importance of a well prepared accident investigation report. The book is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 for 25¢.

• Based on a series of studies prepared by the Bureau of Labor Statistics, **Private Pension Plan Benefits** deals primarily with the types and levels of benefits available for normal, disability, and early retirement. It also covers vesting provisions, supplementary pension plans and death benefits. The 104-page book is available for 55¢ from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

N.Y. eyeing mob ties closely: Stewart

By WILLIAM GUEST

NEW YORK—The New York state insurance department works closely with the state investigation committee and the U.S. Labor Department in investigations of mob infiltration of pension and welfare funds, according to Richard E. Stewart, superintendent of insurance in New York.

"While the regulation of these funds is not as complete as permitted with insurance companies," he told *Business Insurance*, "our examiners can go in on a regular cycle basis, or as a special check, if information leads us to doubt that all is above board."

Mr. Stewart pointed out that pension and welfare funds which

are union-operated only do not come under the jurisdiction of his department, and that "powers have not been given us in this respect."

AN EXAMPLE OF close cooperation between the insurance department and the state investigation committee was recently afforded when the Mason Tender's district council welfare and pension funds, representing 11,780 participants, was told by a state supreme court to show cause why the superintendent should not take over the rehabilitation of both funds.

"We pooled our resources in this case," Mr. Stewart said. "The investigation committee was concerned with crime, but our responsibility was with how

the funds were being managed."

The unique aspect of the union's rehabilitation order, Mr. Stewart pointed out, "is that we hit them because we considered their pattern of management placed the funds in jeopardy—not because of insolvency."

Insolvency is usually the basis for taking over a company, he said, as was the case in July when the Workmen's & Suffolk Mutual and Citizens Casualty Co. were both rehabilitated.

AMONG ABUSES CITED by the insurance department when presenting its case on the Mason's funds were excessive fees paid for professional services, gross deficiencies in record keeping, overpayment of insurance premiums, apparent fraud in the

payment of disability claims, probable fraud and wrongful conversion in payment of death claims, and extension of fund benefits to business agents who did not contribute to the fund.

The department also charged that the pension fund made improper payments of at least \$37,000 in death claims.

However, according to the 1967 annual statement of the Mason's welfare fund, its net assets were \$6,094,031. The pension fund also reported assets of \$13,588,979.

THE COURT also charged that "any further transaction of business by either fund would be financially hazardous to members, creditors and to the public."

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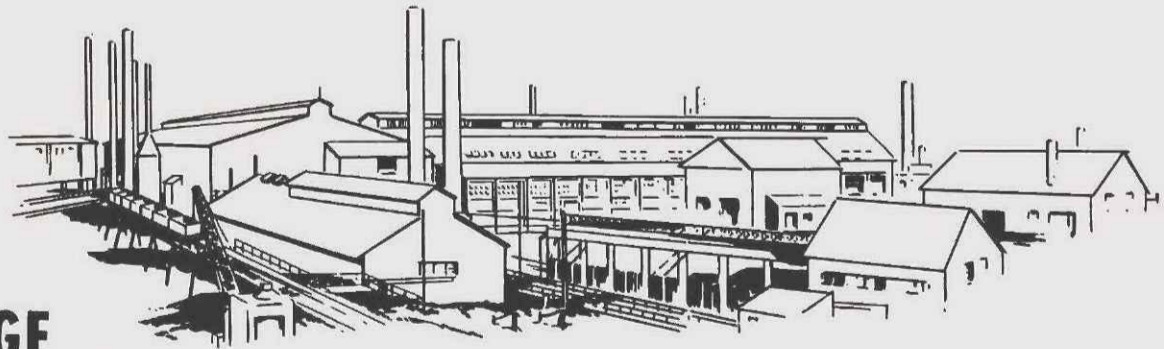
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washington watch

Wallace threat to Democrats requires second look at platform

WASHINGTON—It has recently been estimated—and few people have argued—that George Wallace has the support of about 20% of the nation's union members in his third party drive to be elected president of the U.S.

To say that this has been a source of chagrin to labor oriented Democratic legislators who are up for re-election this year is very much an understatement. It may be closer to the

truth to say that it scares the hell out of them—and, for that matter, the entire Democratic leadership, since the party's majority in Congress could be in serious jeopardy if it loses strength in the traditionally strongly-Democratic northern urban areas.

It is, of course, futile to attempt to assess the full meaning of the former Alabama governor's strength among the blue collar workers, but its immediate effect on the insurance and em-

ploye benefit scene is not hard to guess.

One Washington insurance lobbyist summed it up saying, "If I were a labor Democrat in danger of losing in my district because of Mr. Wallace, I would—in addition to the obvious move of adopting a very conservative stand on such issues as civil rights and crime in the streets—make a great deal of noise in favor of pending labor proposals."

OF COURSE, noise does not always make laws, and it must be said that most Washington observers are predicting that very little, if any, legislation will be passed this fall when Congress reconvenes.

On the other hand, noise cannot be ignored and a look at the areas where it is likely to be the loudest might be enlightening.

The Democratic platform highlighted the biggest labor issue currently awaiting Congress' return when it called for enactment of the occupational health and safety bill "to assure the material reduction of the present occupational death rate of 14,500 men and women each year, and the disabling accident rate of over 2,000,000 per year."

The safety bill, which was introduced early in January, would give the Secretary of Labor the power to set and enforce safety standards for all industries affecting interstate commerce.

THE ORIGINAL proposal was hastily, and some say poorly, written and was given little chance for passage because of the almost limitless power over industry it would have given the labor secretary. However, after many days of hearings, the House select subcommittee on labor completely rewrote the bill, providing enough checks on the secretary to give it a fighting chance by making it more acceptable to those legislators who would like to go on record in favor of a measure to improve industrial safety but would have had to oppose the broad mandate given the secretary by the administration bill.

The House version has been reported out of the full committee and will certainly get to the House floor this fall. The Senate has held only one day of hearings on the bill.

Another area which is certain to be talked up big by the labor Democrats this fall is unemployment compensation. The Democratic platform states that this program "should be modernized by national minimum standards for level and duration of benefits, eligibility, and universal coverage."

There is no such proposal in Congress at this time, although President Johnson promised in his January budget message to Congress that an administration bill in this area would be forthcoming. President Johnson failed in an attempt to get such a bill passed in 1966—the last Congressional election year.

SEN. EUGENE McCarthy (D., Minn.) introduced a proposal to

Continued on page 23

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Say group merchandising to gain acceptance

By ROBIN MENZ

NEW YORK—Insurance executives and educators on both sides of the collective merchandising controversy agreed that some form of the merchandising concept will gain acceptance.

During an American Management Assn. meeting here, speakers advised on how to market a specific product, warned about the effects of collective merchandising, and described such plans as one in effect at the University of Pennsylvania.

The speakers referred to a group merchandising plan as a payroll deduction setup giving a lower premium and without individual underwriting selection or individual proof of insurability; and to mass merchandising as giving a lower premium but with the insurer retaining the right of individual underwriting selection. Franchise merchandising refers to a payroll plan without any reduction in premium and with underwriting selection.

Bernard L. Webb, assistant professor of insurance, Georgia State College, said the greatest determinant of the extent and course of collective merchandising of automobile insurance will be the attitudes and practices of labor unions. He pointed to the Teamsters, which has a group auto plan in the Los Angeles area and is seeking to expand the program, to the New Jersey AFL-CIO's plan for collective merchandising, and to the interest of the United Auto Workers in collective automobile insurance.

HE ALSO NOTED that the Ohio AFL-CIO and two other state AFL-CIO groups are taking a different approach—that of a captive insurance company to provide auto coverage for their members.

As one union leader told Mr. Webb: "We bargain for pensions and the member doesn't collect until he retires. We bargain for life insurance and the member has to die to collect. If we bargain for auto insurance the member sees the benefit now."

Louis P. Sigel Jr., state national director of the Pennsylvania Assn. of Insurance Agents, pointed to some of the pitfalls of collective merchandising of property and casualty insurance. However, he acknowledged that group merchandising is an area of possible growth for the future, providing its growth is controlled.

He warned that the disasters of a poorly-conceived and improperly guided group insurance development in property and casualty insurance are very obvious. "Rate discrimination and competitive abuses could destroy all semblance of equity and fairness to the degree of hazard and exposure," he said.

MR. SIGEL said that concentration of economic power in the hands of large consumer groups may correspondingly develop concentrations of power within the hands of a limited number of insurance companies.

"Without limitation and restraint, group insurance could destroy the present structure of marketing property and casualty insurance," he said. "The public interest would suffer in terms of being unable to secure competent and sound insurance counsel and advice on individual and specific insurance matters."

profitable groups will move from one carrier to the other and nongroup-rated risks will pay for the experience of the group-rated risks. The solution, he said, would be to place in force a mandatory five-year retrospectively rated plan for all types of collective merchandising plans.

He also questioned whether state insurance departments will

allow rates to exist that are unfairly discriminatory and "by unfairly discriminatory I mean a rate that a particular group of individuals enjoys at the expense of other nongroup insureds."

JOHN R. WARGUS, account executive, Hutchinson, Rivinus & Co., reviewed his company's experience with the mass merchan-

dising plan for the University of Pennsylvania. He said that because of the spread of risk which is available to underwriters under the mass merchandising plan, "we have written considerable business to date and even are taking cancellations from other companies in the area. The loss experience has been very satisfactory on lines which are

usually considered to be loss producers."

In regard to the insurance buyer and collective merchandising, he said there seems to be a general feeling that they will become involved in personal insurance problems of the employees if the corporation adopts such a plan. The other drawback from

Continued on page 12

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Organist Dee's insurance package covers accidents to instruments

ST. PETERSBURG BEACH, Fla.—When you're a top entertainer in your field, make a variety of road trips during a year and own, operate and manage your own supper club in the heart of a resort area, business insurance requirements are likely to tax the ingenuity of agent and underwriters.

Lenny Dee, organ impresario known to his followers as "Lenny the Leprechaun" because of his multi-faceted talents in comedy and music, takes no chances. As a result he has a broad insurance portfolio covering everything from possible accidents in the club to instrument damage while on tour.

Nationally known through his recordings and tours as one of the leading artists who helped make the electronic organ the second most popular musical instrument in the country, he also operates Lenny Dee's Den here, although all of his business operations are concentrated under Lenny Dee Dolphin Den Inc.

MR. DEE IS MORE than just a musician whose talents have captured national attention. He also is a businessman who pays personal attention to functional details for operation of both the restaurant and his musical organization.

Placement of his insurance risks is handled by Nabors, Crane & Whittle Insurance Agency of St. Petersburg. This summer Mr. Dee and his agents are weighing plans for group coverage of the 35 employees of the corporation.

However, workmen's compensation with \$100,000 limit, along

with general liability carrying \$100,000/\$300,000 limits is covered in a single policy written by Aetna Insurance Co., Hartford.

WITH TWO CADILLACS and a Volkswagen for travel by musicians with their equipment—as well as for movement of equipment to local appearances—coverage comes under two separate policies.

A general automobile liability policy covers the Cadillacs. Again an Aetna risk, this policy provides \$100,000 liability for each person and \$300,000 maximum for each occurrence. Property damage is limited to \$10,000 coverage with an aggregate of \$25,000. Medical payments rang-

ing from \$250 to \$10,000 also are provided.

The Volkswagen is covered by a separate policy with \$10,000/\$20,000 liability and \$5,000 property damage limit for each accident. Medical payments under this Aetna policy have a ceiling of \$1,000 per person.

AN EXCESS LIABILITY policy underwritten by Continental Casualty Co. provides the landlord-owner-tenant coverage for Mr. Dee, even though he does not own but leases the building in which the colorful restaurant is housed. This policy provides liability up to \$90,000 for each person with an aggregate of \$280,000 for each occurrence

However, the same policy also offers additional automobile coverage of \$100,000 for bodily injury to a total of \$300,000 for each occurrence. It adds \$50,000 maximum property damage liability for automobile accidents.

Coverage, also by Aetna, includes mercantile robbery protection up to \$2,000 for both inside and outside the premises losses. Another Aetna policy gives protection against "mercantile open stock burglary" for total loss up to \$2,000, with additional co-insurance of 60% up to a limit of \$7,500.

THE DECCA RECORDING artist's portfolio also includes a scheduled property floater for the neon sign which tells the beach community and its visitors about Lenny Dee's Den. This is for \$1,200, replacement value of the sign.

And since Mr. Dee moves the valuable Hammond organs about

when he is on the road, and other musical equipment and arrangements go along, a special personal articles floater covers these items up to \$15,100. This policy also is written by Aetna.

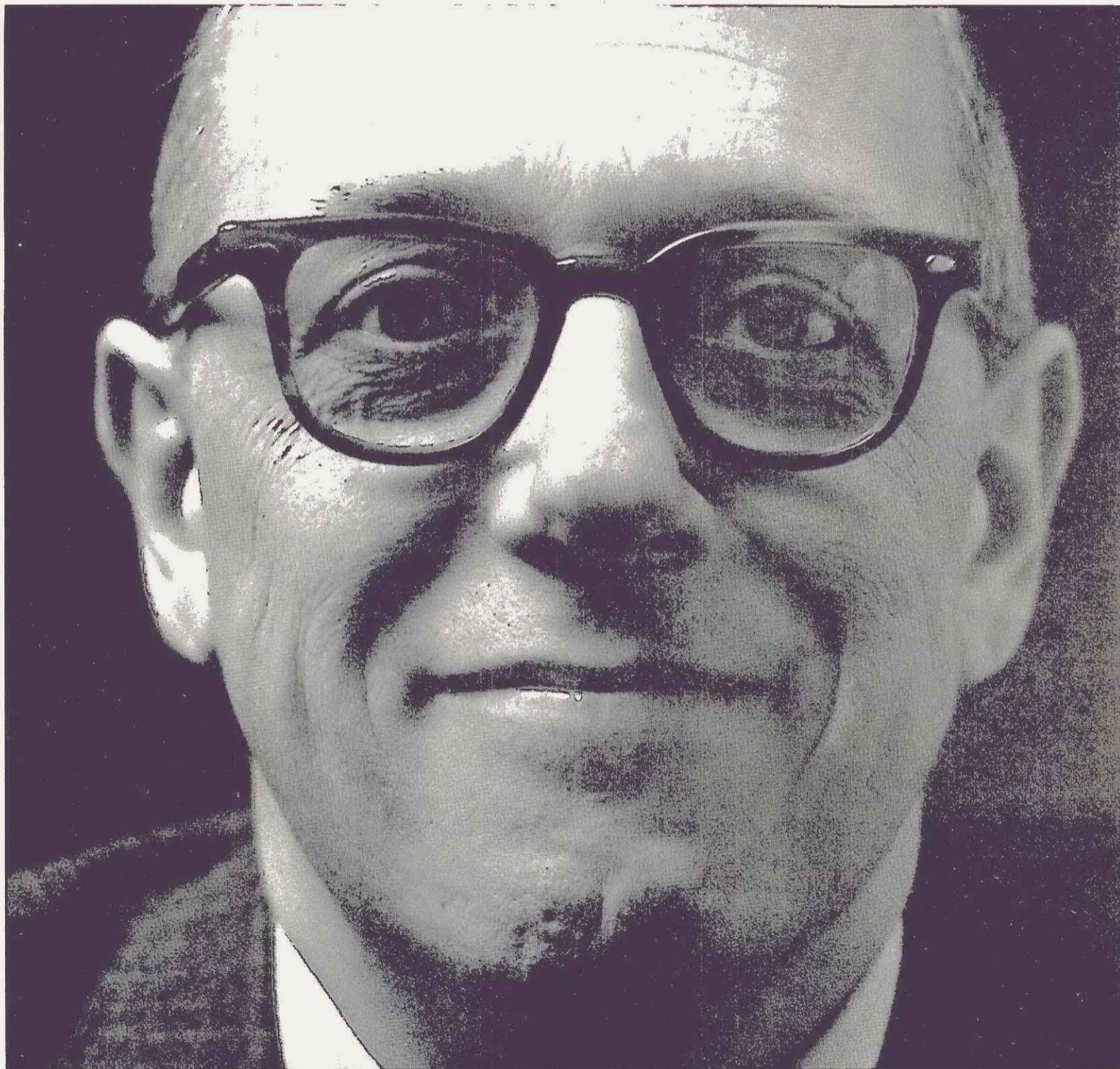
One of the frequent, although not regular stars of Mr. Dee's performances is his toy poodle, Miss Muffet. She always brings down the house when she does appear, and when she is absent, customers call for her.

Somehow in the concentration on other facets of the lively business, Mr. Dee omitted Miss Muffet from the insurance coverage.

The impish little canine doesn't seem to miss it though. ■

Gagen gets pr post

Robert C. Gagen Jr. has been named manager of public relations for Marsh & McLennan Inc., succeeding Earle Voght, who has retired. Mr. Gagen joined the brokerage firm in 1966.



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Group auto...

Continued from page 11

the corporate buyers' standpoint, would seem to be in the area of union employees.

"There is a natural reluctance on the part of the employer to put the plan into effect, because he feels that the next step will be a union contract requiring him to pay for it."

Another speaker singled out university sponsorship, personalized service, payroll deduction and consultation as the main advantages of the University of Pennsylvania's mass merchandising program.

LAWRENCE L. Kosnett, senior consultant for employe benefits, life insurance and estate planning, Johnson & Higgins, described how his firm took a simple program—survivors' income—and sold the plan to its personal accounts. Johnson & Higgins was the sponsor for the program and, as Mr. Kosnett said, with a direct mail program "you need a strong sponsor."

But, he warned, the sponsor has to gain financially, either directly or indirectly, from the program. And, he also pointed out that permanent group life insurance is hard to sell through the mail; people still go to local agents.

He briefly described a few steps in the marketing process and where possible, he advised the use of trade journals to reach a huge number of people.

Mr. Kosnett further said that banks have gained public acceptance and "if you can get them to sponsor a plan, then join 'em."

Murphy plans to salvage 'rich' Andrea Doria are announced

SAN FRANCISCO—An attempt will be made next spring to salvage the sunken hulk of the Andrea Doria, known to insurance underwriters as the "star of the wrecks."

Murphy Pacific Marine Salvage Co., Emeryville, Cal., plans to use polyurethane foam to raise the "invaluable" Andrea Doria from its watery grave some 200 miles from New York.

The 30,000-ton Italian luxury liner went down in 265 feet of water with the loss of 50 lives in a collision in 1956. It has presented many salvage problems.

The ship is loaded with most of the belongings of the 1,134 passengers and 575 crew members aboard at the time, including \$1,900,000 worth of jewels and an

undetermined sum of cash in the ship's safety boxes.

The sunken ship also holds a collection of restorable works of art as well as furnishings, plus more than a million dollars of liquors and vintage wines.

The Andrea Doria has never been officially abandoned and still belongs to the insurance underwriters.

J. Philip Murphy, head of the salvage firm, expects the effort to cost between \$4,000,000 and \$7,000,000.

The foam will be pumped into the holds, tanks and other sections of the hull and is expected to expand to 30 times its original volume to form a solid, buoyant material that will force the ship to rise to the surface. ■

Ulcers excited by 'blackboard jungle' earn comp award

SAN FRANCISCO—The ulcers 58-year-old former New Yorker Ben La Rosa gathered from 25 days of substitute teaching in the "blackboard jungles" of eight of this city's junior and senior high schools, have won him a \$170-a-week disability award, retroactive to last February and payable until further orders.

The award will be appealed by a deputy city attorney.

La Rosa, who moved here from New York City, began his local teaching career last September. He then "suffered day after day of violent student behavior" which reactivated previously suffered ulcers. ■

Extended coverage rates are hiked in Mountain States

DENVER—Mountain States Inspection Bureau has been granted a major increase in insurance rates for commercial extended coverage.

The higher rate affects nearly all stores, offices, plants and apartment houses with more than 20 units. The new rate is higher on the Eastern Slope than west of the Continental Divide.

For \$50 deductible policies the annual rate increases from \$1.58 per \$1,000 coverage to \$2.45 per \$1,000 coverage in eastern Colorado. On the Western Slope, the increase is from 48 cents per \$1,000 to 86 cents per \$1,000.

FOR POLICIES without the deductible, the increase from the present rates is simply \$20 a

year per building on the Eastern Slope and \$10 a year on the west.

The rating bureau, which represents 252 member and subscriber companies, contended the reason for the proposed increase is "unusually large hail and windstorm losses the past several years and because of continuing inflationary rises in repair and replacement costs," said J. Richard Barnes, state insurance commissioner.

The \$50 deductible options also have been extended from wind and hail coverage to apply to damage from smoke, riot and civil commotion, aircraft and vehicles.

Mr. Barnes said there are only minor dollar increases for buildings designed to resist hail and wind.

There is also an increase in the premium for insurance on contents.

The new rates apply to all policies written or renewed on or after Sept. 1. Mr. Barnes reminded that the new rates apply only to commercial property owners; a 15% increase in homeowners policies became effective in March.

Ursillo joins Kornreich

Ralph J. Ursillo has joined Saul Kornreich & Sons, New York, as account executive for commercial clients.



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opinions

Life and health protection

Spiraling costs have made group life and health coverages, once called fringe benefits, of primary concern to corporate management at all levels. In addition, sophisticated employees, before joining a company or relocating to another part of the country, always ask the extent of these benefits.

However, the whole subject has become so complex, and involves so many new trends, that corporate executives responsible for employee benefits often wonder if they're on the right track when setting up or renewing their programs. This is especially true when a company is located in an area where it's harder to meet similar executives and thrash things out.

With these factors in mind, *Business Insurance* is bringing out an edition in November which will place special emphasis on what's happening on a region-by-region and industry-wide basis.

We'll run selected profiles of corporate group life and health plans and discuss new trends in these areas, such as prepaid drug schemes, psychiatric benefits, rehabilitation services, survivor's benefits and levels of life insurance and hospital coverage for retired employees.

At the same time, we'll point out variations in health costs and benefits in various states, and discuss methods of bringing these into line. Attention will also focus on effective methods of claims control.

With union pressures for broader life and health benefits continually being felt, we also plan to interview key union executives to uncover their thinking on upcoming benefit demands.

Key-man life insurance—while not strictly group insurance—will also get scrutiny from *Business Insurance* reporters. We plan to give coverage to current key-man programs installed at corporations across the country, with emphasis on smaller firms with from 200 to 1,000 employees—which are most vulnerable to the loss of a key executive.

Running through all our stories will be the crucial problem of how to hold down the escalating costs of employee protection—and also how much protection employers should continue to give to retired employees.

With this special issue, we hope to provide readers with an idea of some of the trends which will be shaping the group life and health field in years to come, and also to present a picture of current practices in this turbulent area.

Poor public policy

Now that the federal riot and flood reinsurance pool has been created, and the states are in varying stages of implementing their portion of the pool arrangement, insurance companies may find it necessary to "stay in the kitchen in spite of the heat" on those risks in riot-prone areas until the program is fully implemented.

A situation in Chicago is a case in point.

An Illinois circuit court has allowed Lumbermen's Underwriting Alliance, Kansas City, Mo., to cancel fire and business interruption coverage on a business located in a ghetto area. Fortunately the insured, Douglas Lumber Co., will be able to obtain insurance under

business insurance

for buyers of employe, property and liability protection

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Group life insurance in force

	NUMBER OF MASTER POLICIES	AMOUNT IN FORCE
1920	6,000	\$1.5 billion
1930	19,000	\$9.8 billion
1940	23,000	\$14.9 billion
1950	56,000	\$47.7 billion
1960	169,000	\$175.4 billion
1967	260,000	\$391.0 billion

Group life insurance in force in the U.S. at the end of 1967 totaled more than \$391 billion, a figure accounted for under 260,000 master group life insurance policies under which more than 68,000,000 individual certificates are issued. More than 85% of these insurance programs are employer-employee groups whose coverage is purchased and administered by employee benefits managers for the nation's businesses. Group life insurance in force has more than doubled during the decade of the 60's, and sales of group life in 1967 totaled \$38.8 billion, about one-third of which was accounted for by new master policies.

Source: Institute of Life Insurance

a pool plan being set up in Illinois with Federal backup. However, it will be forced to operate for an undetermined length of time without vital insurance coverage.

This action of Lumbermen's may not have been based in the best public policy and may be another black eye for the insurance industry at a time when it needs to strengthen its public relations as much as possible.

Lumbermen's is a reciprocal exchange set up in 1905 to enable owners of lumber and wood-working plants to share risks among themselves. *Business Insurance* has carried reports of its good works. For example, we reported a \$1,000,000 claim payment to a sash and door company in northern Wisconsin that not only helped the firm rebuild but aided the entire community, which depended upon jobs from the firm to get back on its feet quickly.

Since it was originally set up for lumber interests, it would seem that in the Douglas Lumber case the insurer has been less than kind to one of its own, especially since insurance sources point out that the exchange is "exceptionally well prepared to meet contingencies."

In June, 1966, Douglas was asked to switch its coverage to Lumbermen's, even though it had been an excellent source of business for its previous insurers that had shared the risk on a pro rata basis for 50 years.

Lumbermen's allegedly told Douglas that the riots which occurred in Chicago in July, 1966, would not affect coverage despite Douglas's location in the heart of Chicago's west side ghetto.

Douglas subsequently placed almost \$700,000 coverage with Lumbermen's. Last October, the insurer advised Douglas that it wished to cancel but agreed to remain until other insurance was obtained.

Last April, new riots occurred and the insurer gave written notice of cancellation. Unable to obtain other coverage, Douglas brought suit. The insurer successfully contended in court that Douglas could not rely on verbal promises made prior to the execution of a written contract, which contained cancellation clauses.

A sensible call

We applaud the recent proposal made by Jacques W. Sammet, exec vp of Continental Casualty Co., before the committee on automobile law of the American Bar Assn. for an independent study of automobile insurance.

Mr. Sammet urged that insurance trade associations, members of the bar and agents' groups join in a study that would provide valid information to buttress the insurance industry's position if there are serious variations in the results of a two-year, \$2,000,000 study by the Department of Transportation. "The independent study might, in fact, come to approximately the same conclusions as the DOT study," Mr. Sammet said. "Then a course of action is clear. But what if the major elements of the study are reflections of political compromise?"

It occurs to us that buyers of corporate insurance would have much to gain from Mr. Sammet's suggested study, the DOT study or from any of the myriad other investigations undertaken by various legislatures and other legal and professional groups. In addition, insurance buyers must realize that they have a kind of public trust to act as spokesmen for the public because of their special expertise and body of skills.

For example, as *Business Insurance* reported last month, R. W. Bland, risk manager for Panhandle Eastern Pipe Line Co., said that a change to a no-fault system, for example, would effect a 91% saving in present costs to his company. He contends that a no-fault, compulsory first party system would mean that most major corporate programs would become self-insured.

We feel that insurance managers must be prepared to study the good and bad of the present automobile insurance system as well as the various proposals being offered. These studies must not only be made in light of what is best for the insurance buyer's company but what is in the public interest as well.

Letters

Spends more time

To the Editor: People in our organization find your *Business Insurance* newsmagazine highly informative. We read it regularly and find that many of the articles contained therein help us to keep up with insurance developments as they pertain to our business.

It also keeps us abreast of general developments in the insurance field so that we can follow trends in losses and premium rates.

I personally look forward to receiving it. I spend more time reading it than any other insurance publication which I receive.

Leo J. Bauman

Comptroller, B. R. De Witt, Inc., Pavilion, N.Y.

Wendorff's title

To the Editor: We were very pleased to see your story (page 3, August 12 issue) on Rollie Wendorff's talk to the American Bar Assn. on the subject of employe benefits liability.

This concept, as I'm sure you know, is difficult at best to get across—and this is further compounded by the relatively recent emergence of the problem. We appreciate your helping us bring this message to insurance buyers and managers.

We'd be even more grateful if Rollie had been identified as assistant general counsel for Employers Insurance of Wausau, and not just "a Wausau, Wis., attorney."

But thank you, anyway, for helping us inform your audience of a serious, and growing, problem.

Robert W. Gunderson

Director of Advertising and Public Relations, Employers Insurance of Wausau, Wausau, Wis.

Fresh mind food

To the Editor: I would like to take this opportunity to compliment you on the fine job that is being done with your new publication. I think it is something the industry has desperately needed. Its up-to-date information and up-to-date method of presentation is excellent. It is something that should help attract the brighter students of our schools into an area that I feel needs new fresh minds.

William J. Jones, III

Director of Insurance & Employee Benefits, United Industrial Syndicate, Inc., New York, N.Y.

Handgun loophole

To the Editor: I was reading your article about controlling firearms and I disagree with you on one of your three points. I am in favor of one and three, but not two and I am in the process of writing my Congressman accordingly. I am definitely against any law that would make registration of all guns necessary.

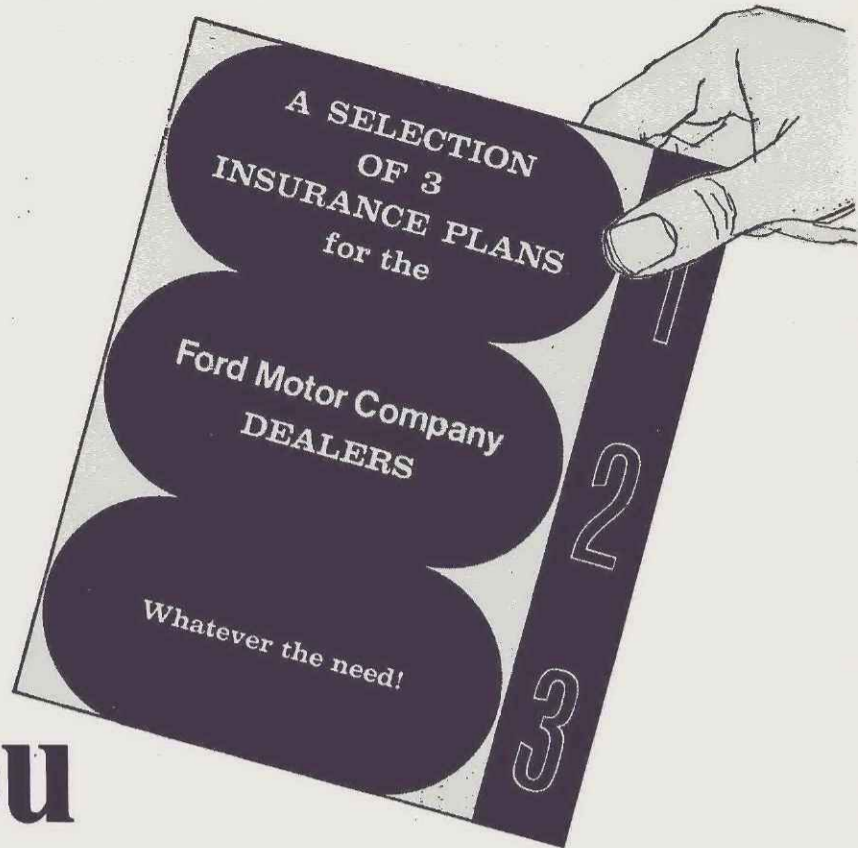
In Missouri we do require registration of handguns when purchased. I personally think that is all that is necessary.

I would like to add one thing, President Johnson was requesting that there should not be the interstate sale of guns. Here in Missouri all we have to do is go to Illinois and buy a pistol over the counter and bring it back to Missouri . . . I do not think this is right.

C. Gene Morgan

Gene Morgan Insurance Agency, St. Louis, Mo.

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Allied Mills fits benefits to employe needs

By RICHARD BJORKLUND

CHICAGO—Benefits for salaried employes of Allied Mills Inc. have been redesigned in the past year to conform closely to employes' protection needs and to their family budgets. Information on the new benefits package has been boiled down to easily understood terms in a loose-leaf notebook provided to every protected employe.

Allied Mills, an agribusiness complex of 32 plants and 50 stores and warehouses, employs more than 5,000 persons. A significant percentage of Allied Mills personnel are enrolled in the benefits plan that includes a comprehensive medical program, salary continuation, long-term disability, death benefits and a pension plan.

The company's employe benefits program was overhauled in a nine-month period beginning in May, 1967, by Herman Harrow, Allied Mills' director of industrial relations, who drew upon his previous experience as director of industrial and public relations at Welch Grape Juice Co.

"IN REDESIGNING our benefits program, we considered such fundamental principles as getting the greatest possible protection for every premium dollar spent on our insured plans. We self-insured the basic salary continuation plan and went to a pooled rate for long-term disability and accidental death; the medical and group life continue to be experience rated. But our primary objective was to give employes the kind of protection they most need and to allow them to understand their benefits through straightforward communication," said Mr. Harrow.

One key provision of the new benefits package makes all coverage effective upon date of hire. "It is understandable that a waiting period be imposed on hourly employes because of the turnover among such workers," Mr. Harrow explained, "but salaried people need protection immediately. There is a problem in hiring salaried people if there is a one- to three-month lag in benefit coverage. So, despite some administrative problems and slightly increased cost, we arranged to have our carrier—the Travelers Insurance Co.—accommodate immediate coverage."

Another unusual aspect of the Allied Mills program is that contributions by the employe are determined and stated as given percentages of salary, and increased contributions by the individual are automatically tied to salary increases. "For the employe this means that his costs can easily be computed in his family budget," Mr. Harrow said, "and for us it reduces administrative costs by eliminating the periodic determination in dollar amounts of employe contributions."

Employe contributions are required for only two coverages—death benefits and long-term disability payments. An enrolled employe at Allied Mills contributes 1% of monthly salary for basic death benefits coverage and the company pays the cost of supplemental accidental death coverage. Basic coverage provides for a death benefit of 150% of annual salary, and supplemental accidental death benefits are 150% of annual salary for 24-hour coverage plus an additional 150% for business travel accident.

For long-term disability



Herman Harrow

coverage, paying two-thirds of annual salary (up to \$2,000 monthly) until normal retirement after six months' of ab-

sence due to accident or illness, the employe pays ½% of monthly salary.

Allied Mills pays the entire cost of a comprehensive medical program, salary continuation and a pension plan. Under the comprehensive medical program, after an initial deductible of \$80 per person to a family maximum deductible of \$200, 80% of all medical costs for diagnosis, prevention or treatment are paid to a maximum of \$20,000.

"What we have done," Mr. Harrow explained, "is to take the tax impact into account by taking the major share of the employe's contribution and placing it in group life, making a greater share of benefits nontaxable. What we say to our employes is that we'll give you free coverage

for accidental death and dismemberment and travel accident if you'll enroll in the group life program. This encourages people to enroll."

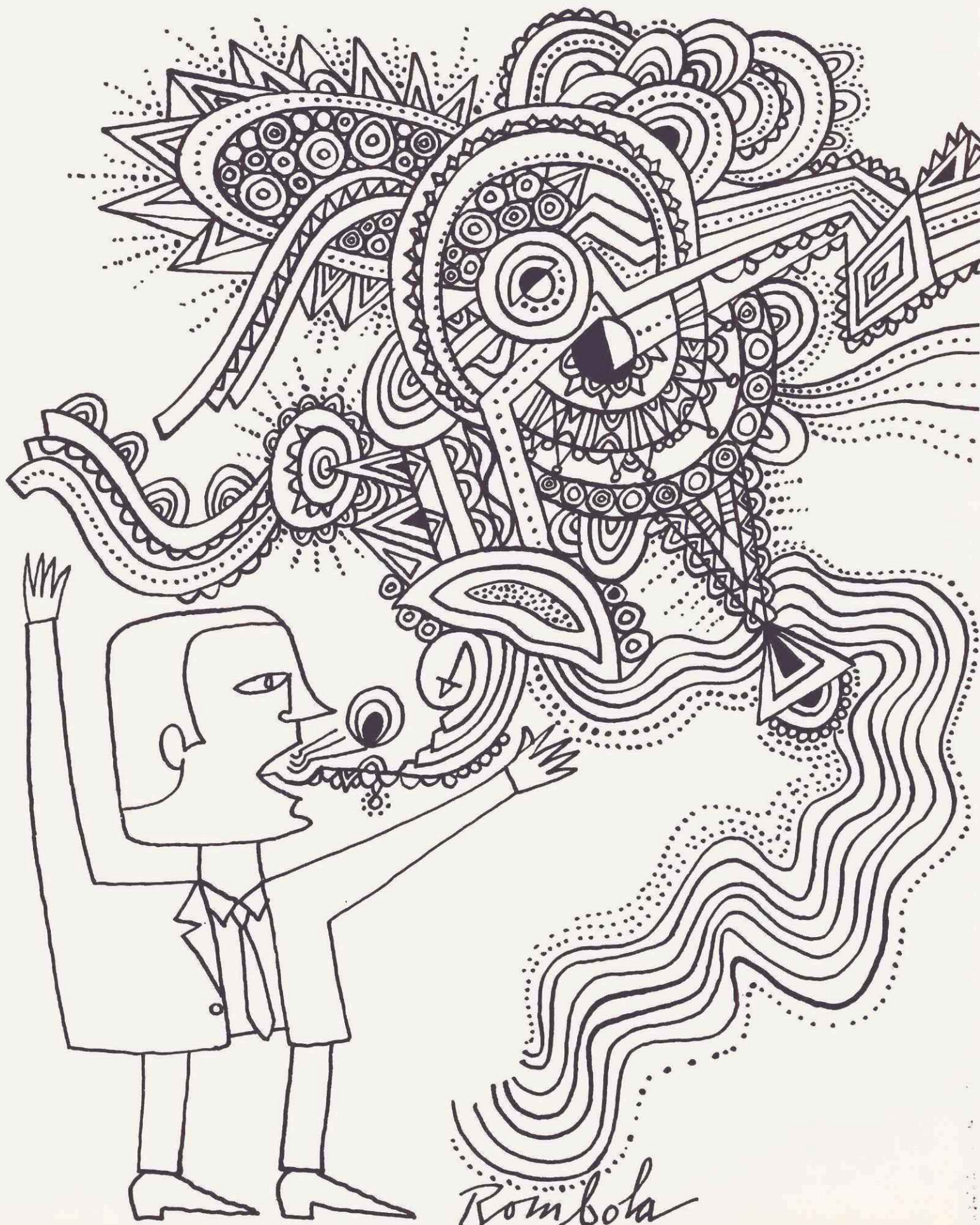
Similar principles guided the design of Allied Mills' salary continuation and long-term disability program. "Here, too, we provide the basic salary continuation plan at no cost if the employe contributes to the long-term disability benefits plan. We now provide a liberal salary continuation program that allows full salary for illness or accident of two to 26 weeks, depending on length of service, with two-thirds of salary payable thereafter for a maximum period of six months. But we also wanted our employes to have long-term disability benefits, partly as a protection for the company's

reputation among its employes and the public."

MR. HARROW called long-term disability "the most valid and valuable insurance we provide because of the vital need for protection against economic death and because the employe can get the coverage through us at about one-seventh of the cost of an individual plan. Our coverage is integrated with Social Security, pension benefits and workmen's compensation to assure the employe of two-thirds of his salary, which is completely tax free."

This clear, simple percentage figure—two-thirds of regular pay until normal retirement—is the kind of benefit that has an

Continued on page 18



Most MER/29 plaintiff lawyers joined precedent setting 'group'

Business Insurance in its past two issues discussed the development and marketing of Richardson-Merrell's anticholesterol drug, MER/29, and a subsequent criminal indictment which was brought against the company and three of its scientists for their handling of the drug.

This article will review the formation and actions of the so-called "MER/29 Group"—a band of plaintiffs' lawyers and law firms which pooled their resources and knowledge to better handle the hundreds of civil product liability suits which were brought against Richardson-Merrell for injuries sustained from the use of MER/29.

The full impact of this prece-

dent-setting alliance of attorneys on the field of product liability law can of course not be measured. But there is no question that this particular area of jurisprudence will never be the same, and it would behoove anyone with even the most remote connection with the field of product liability to study the group's make-up and functions carefully.

For information in this article *Business Insurance* is indebted to a comprehensive piece on the "MER/29 Group" written by the group's trustee, Paul D. Rheingold, for the *California Law Review*.

WASHINGTON—The "MER/29 Group" was formed by 33

lawyers with MER/29 cases in April, 1963, one year after the drug was taken off the market. By 1967 the group had grown to some 288 member lawyers and law firms and had collected and spent \$70,000 to finance a discovery program, pay for medical consultant advice and print a newsletter.

Third in a series

The newsletter informed each member of the developments in trials, settlements, the proof being assembled by the group, new medical knowledge and current developments in the industrial and regulatory fields. Twenty-six issues of the newslet-

ter were published.

New members joining the group received a backlog of newsletters, several hundred pages of background documents, pleadings, answered questions, medical reports and outlines of depositions taken. In addition, the group supplied, at the cost of copying, a set of key documents from Richardson-Merrell's files for use in proving liability, the depositions taken with exhibits, the MER/29 new drug applications, a medical analysis of cataracts prepared by an ophthalmologist hired by the group, transcripts of previous trials, outlines of previous trials, suggestions for the examination of witnesses, and trial and motion briefs previously used.

SPECIFIC documents made available to members included depositions from: the former president of Merrell Labs (a vp of the parent corporation at the

time of the deposition); two other Richardson-Merrell vps, one of whom had been in charge of promotion; a Merck & Co. scientist who had performed an outside test on MER/29 and had reported its results to Merrell; two former Merrell scientists who testified to the changing of laboratory records at Merrell; the Food and Drug Administration physician who had been in charge of following MER/29; and the chief ophthalmologist of the National Institute of Health who had performed MER/29 animal experiments which produced cataracts.

In all these depositions, the defendant was represented by its national defense counsel and the plaintiffs' group by Paul D. Rheingold, sometimes with another attorney.

In addition, because the grand jury had subpoenaed all Richardson-Merrell's files relating to MER/29, some 107,000 documents were available on sixty-five rolls of microfilm. The company voluntarily agreed to produce one time only these microfilms for the group. Members then sought copies from the group rather than from the defendant. Mr. Rheingold spent virtually two summers reading and copying pertinent documents on the film for the group and even then he said he read only half.

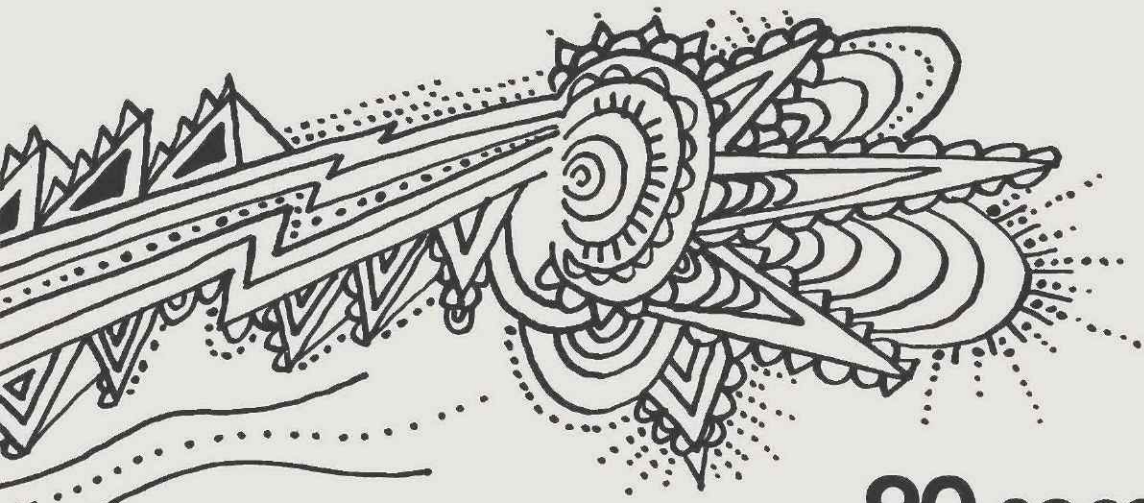
THE GROUP also submitted to Richardson-Merrell a standard set of interrogatories to which the company provided uniform answers. The questions dealt mainly with matters left unanswered by the depositions and with issues raised by the previous documentary discovery. These interrogatories were then made available to members for use in states where they are allowed.

The individual member's cost for all this was phenomenally low; each was originally assessed \$100 and later an additional \$200 to pay for the discovery program.

"Such economy was particularly desirable in the MER/29 cases, which involved relatively small injuries, because a case potentially worth about \$50,000 for example, did not justify trial expenses of \$10,000," Mr. Rheingold explains.

The group's actions—as can be seen—largely centered around pretrial activities. This was largely because most members preferred to try their own cases both for monetary and prestige

Continued on page 28



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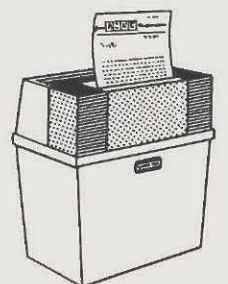
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Writer notes insurance industry 'hysterical' over news in print

ATLANTA—A forum of three insurance journalists meeting at a seminar of the American Risk Insurance Assn. sharply disagreed over whether insurance companies or the press is responsible for what was conceded to be a sour industry image.

H. J. Maidenberg, business writer for the New York Times, said the insurance industry has not kept pace with the public responsibility of a major U.S. industry.

"There is a lot of mail received from the insurance industry, but very little information," said Mr. Maidenberg. Scoring the industry for holding back news from the press, he said "the insurance industry has led a very sheltered

life and becomes hysterical when news is printed it is unaccustomed to seeing."

Defending the industry, Frank Bauer, Hartford Times, said difficult-to-understand terminology is one reason why insurers are misunderstood and reporters go astray when reporting insurance news.

HE POINTED out that a negative industry image is created in part by a national press that overreacts to statements by publicity prone politicians.

In the automobile and riot insurance areas, for example, Mr. Bauer said the insurers were scored by most of the nation's press which in turn failed to re-

port the industry side.

Al Goldsmith, Washington Newsletter, said the insurance industry is responsible for its own image. He maintained that difficulty in obtaining hard news from the industry and being confronted with ambiguous terminology makes the reporters' job very difficult on a day-to-day basis.

"The insurance industry has to further orient reporters about what is going on," said Mr. Goldsmith.

"WHAT THE insurance industry is accustomed to," he told the audience, "is a trade press that is, in effect, a mutual admiration society."

One educator, directing his criticism at the press, said newspapers suffer from "high turnover and uneducated financial reporters."

He reminded Mr. Maidenberg that his predecessor is now a public relations expert for an insurance firm and said, "On most newspapers the turnover is so high, you never get to talk to the same reporter twice."

MR. MAIDENBERG said it is the reporter's job to report news, not to become insurance technicians.

"The press is not put off by ambiguous terminology," he said. "It is a matter of insurance industry behavior, not terminology."

The New York Times business writer cited the financial and banking industries as having had a similar public relations problem which was solved by cultivating the press and concentrating on its public relations. ■

Allied Mills...

Continued from page 16

impact, Mr. Harrow believes. "It's just like saying we'll pay 80% of medical costs," he explained, "because it lets the employe know exactly where he stands and permits him to measure his family budget and savings requirements against what the Allied Mills program assures him and his family in the event of crisis."

Mr. Harrow told of another advantage to Allied Mills resulting from the redesigned benefits package. "Many companies operate through direct monthly contributions for their coverages. But we have observed that in the medical area if a person contributes for years and gets nothing back he may become angry if every dollar isn't paid when he has a medical expense. Under our program, we make it clear that the company is paying for the entire coverage and therefore the company is in a psychologically stronger position when the employe has to pay a part of a medical expense." The employe's contribution comes in the form of the initial deductible and subsequent coinsurance only at the time costs are incurred.

MEDICAL benefits under the Allied Mills program, Mr. Harrow commented, are not only easily understandable but they keep up with the times better than programs that offer fixed dollar amounts for certain forms of hospitalization, medical treatment or surgery. "Our program has a fixed annual deductible regardless of the nature of the treatment or the local medical costs that may apply, and there are no internal time or dollar limits on any covered expenses," the industrial relations director said.

Mr. Harrow's department makes the most of the Allied Mills benefit program by communicating the plans to employes through a simple leaflet, often used in recruiting employes, and a loose-leaf notebook that explains each benefit plan in detail but in clear laymen's language. "Some people have the mistaken idea that they must have a regular insurance policy to assure them of benefits coverage," Mr. Harrow remarked.

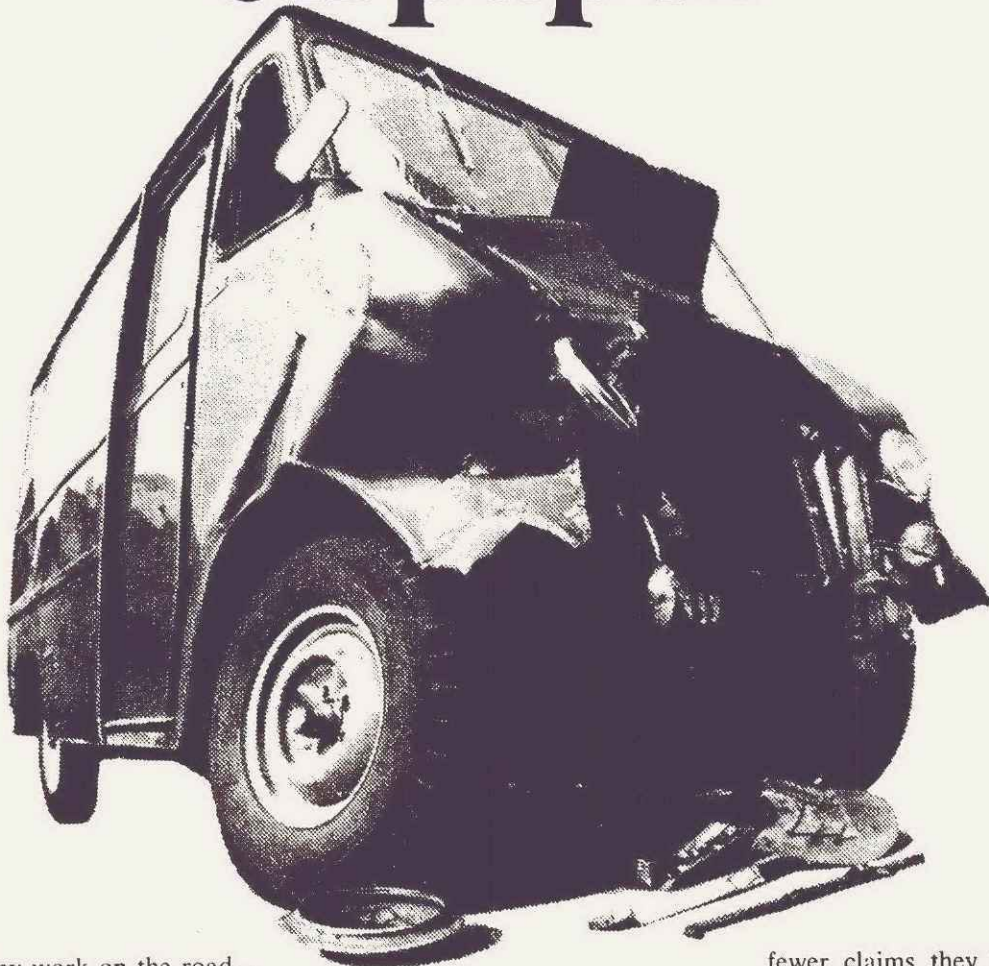
"This idea is a holdover from other personal lines of insurance, such as homeowners and auto, which do require that the individual policyholder have a policy as evidence of the contract. In employe benefits, however, the contract is with the employer and individual copies of policies for employes merely confuse the issue. Riders added every year cause employes to say their coverage is confusing. Besides, employes do not read their certificates and are vitally interested only when the need arises; too often the legal mumbo jumbo confuses rather than enlightens.

"We eliminate this confusion and encourage the employe and his family to read about the coverage by providing a simple booklet. This approach may cost a little more, but by giving the employe his own copy of the plan in simple language, we encourage him and his family to read its major provisions. In so doing we believe their understanding of the plan is enhanced and hopefully their appreciation is also multiplied." ■

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Deans & Homer, San Francisco, has acquired a 50% interest in Gray, Amonette & Co., a San Francisco life insurance firm.

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Deferred compensation— a new union trend

by Charles F. Levinson
insurance manager
Port of New York Authority



Charles F. Levinson

A good hard look at most union-controlled employe benefit plans shows them to be comparatively broad in scope and able to take care of the basic needs of the union member, many even to the extent of dental bills and eye glass expense.

Where now to put money won by negotiation by the union?

Take-home pay, while looking good on paper, has a big tax bite right off the top before it reaches Mama's hands. She already has raised her charge account and food budget in anticipation of the raise. Even the single man knows he spends in proportion to what he takes home.

REGULAR PENSIONS CAN be added to and increased in lieu of take-home pay, but then comes the ugly problem of

a lack of vesting for the employe with little service. He could contribute large sums that he would lose if there is a layoff, shutdown or he is fired before he gets a right to the money he's put up. What he wants is some way that he can avoid the tax bite and accumulate the money safely.

To satisfy this need of members, union officials are turning to exactly what management has long used to satisfy the same needs of its executives. The theory of the so called "deferred compensation" type of plan is—as the name implies—to defer income that would ordinarily be received in a high income year to one of low income when the tax bite would not be as large, such as after retirement or during a prolonged period of unemployment. Often, some life insurance is included to provide for the family in case of premature death, in order to give the family some major part of what would have been accumulated under the plan if the deceased had lived.

A typical plan operates this way:

- During negotiations the union wins a 20¢ per hour increase to be applied to some undesignated employe benefit program.

- The union, usually through a consultant, negotiates with an insurance carrier to work up a plan to invest the \$400 average per member developed per year at 20¢ per hour. This investment usually is on the basis of three-fourths of the \$400 invested with insurance company at interest of at least 6% guaranteed for at least two years.

The other one-fourth is put into paid-up-at-age-65 life insurance for whatever amount can be bought at the age of the union member when he enters the plan. The benefit of a paid-up-at-age-65 policy is that it has a high cash value and forms

part of the investment program. It also serves to help finance the expenses of the union in operating the plan, since on death a member of his family receives only the life insurance proceeds if that exceeds the total amount paid into the deceased's account before his death.

FOR INSTANCE, if he is in the plan for five years paying a total of \$2,000 at \$400 per year and his life insurance proceeds are \$6,000, three-fourths of the \$2,000 not used for life insurance remains in the fund to help operate it.

The fund pays off in the following manner:

- **When the member retires at age 65.**

1. He may receive in cash the total of the cash value of his life insurance and the interest-swollen invested portion. This can be received either in lump sum, in ten annual installments or used to buy an annuity with ten years certain.

2. He may elect to keep the life insurance in force with no additional premiums required for all or part of the principal sum and only cash in on the investment portion.

3. He may continue both insurance and investment as they are.

- **If he leaves the union before retirement.**

1. He may continue his life insurance or he may cash it in.

2. He may withdraw his funds from the investment portion and cash in his life insurance with a guarantee that his total proceeds from both will never be less than the total of what he put into the fund.

- **Death of members prior to retirement.**

1. Proceeds to family of the face amount of the insurance policy but

never less than total money put into the plan by member.

THE LIFE INSURANCE carrier administers the entire plan, leaving the union office only the matter of forwarding the monies they receive from the employers under the union contract.

The life insurance carrier handles all payments to members or their families as needed. Once a year they furnish each member a statement of what was in his account as of the past December 31. Usually no physical examination is required on the life insurance with everyone automatically covered with disability waiver of premium.

The union does have some work involved for its staff, principally at the beginning of the program. Agreements must be signed with the individual employes who will pay the money direct to the union.

INDIVIDUAL AGREEMENTS must be signed with each member assigning his 20¢ per hour to the union and setting forth the terms and conditions under which the union would return the money to members. Also while the life insurance attaches automatically, individual applications are usually needed by the life insurance carrier.

Often if there is a high degree of new employe turnover in the industry involved, the agreement with the member does not give full vesting immediately but only after several years in the plan. Since the union receives the 20¢ per hour on all members this tends to allow enough extra funds to accumulate so that the fund is self supporting from its inception.

Deferred compensation plans are proving popular with union rank and file. Look for more negotiations in that direction.

Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

A Machiavellian view of business

by John Street

In a recent television appearance in New York, Norman Mailer, the poet laureate of the Pentagon, said of Pres. Johnson: "Even if his resignation from the Presidency was done for Machiavellian reasons, at least he's a Machiavellian, which you couldn't say before." The laughter which followed this barb reflects the common misunderstanding of Niccolò Machiavelli. He is erroneously thought to be a cold and ruthless tactician, a devious political schemer and builder of intrigues.

However, far from being a sinister philosopher, he was a thorough analyst of the art of statecraft and a reporter on the techniques required to perpetuate power in the 16th century Italian states. In the course of his study, Machiavelli reluctantly and pessimistically concluded that human nature was unfortunately bad,

and rulers had to rule accordingly. His commentary was precise, pertinent and to the point—and remains so to this day.

Using this Renaissance political reporter's precepts as a springboard, Antony Jay published earlier this year an irreverent and entertaining book entitled, *Management and Machiavelli*.

A Britisher and student of history, Mr. Jay suggests that the corporation and the state are comparable and that "the new science of management is in fact only a continuation of the old art of government." With an easily readable style, he combines the business perception of Peter Drucker and the wit of Northcote Parkinson, as he pursues his point that "corporations and states are essentially the same organism." Although his parallels range well beyond Machiavelli and the Middle Ages, his book is a stimulating and engrossing challenge since it asks us to look at the corporation from a new

and different perspective.

MACHIAVELLI DEFINED the effective prince or leader as being "empirical, pragmatic and practical." Mr. Jay recognizes these same qualities in modern corporate management. His comparisons also include the similarity of the power struggle between medieval barons and courtiers and the more modern struggle between line and staff. In another apt parallel, illustrating that decisions are often influenced by those without title, he points out that "the boss' secretary can wield great power, like the king's mistress, without any authority at all."

Recognizing that change is the dominant element of corporate life Mr. Jay compares the sequence of corporate change to the Renaissance, Reformation and Counter-Reformation periods in European history. If "the essence of a Reformation is that it is a power bid har-

nessed to an idea," the current corporate turmoil of tender offers, counter-offers and protective mergers is easily comparable to earlier political history.

On meeting the threat of a "reformation," Mr. Jay wisely points out that "... counter-reformations grow from the same soil as the reformation they counter" and that "if, therefore, a corporation suffers from a Luther, it should start looking for a Loyola."

The structure of a corporation is also subjected to historical parallel and analysis. According to Mr. Jay, the "conventional management hierarchy is rather like an enclosed city-state: A young man can look around him and see the mountains which circumscribe his ambition." He then argues in favor of the "cell" structure of management organization, imputing the possible longevity of the Roman Empire to the relative autonomy allowed its local governors.

Although modern communications may dictate a higher degree of centralization, permitting moderate autonomy to decentralized units may be the most effective means of progressive management.

THE TRADITIONAL triangular hierarchical structure has, in his words,
Continued on following page

perspective

Continued from preceding page
not only a "depressing effect on the human spirit" but it can be overly rigid, reinforcing its own prejudices. While this concept is hardly new, Mr. Jay's historical parallel is particularly convincing. He suggests that the almost universal use of the pyramidal table of organization may be an outgrowth of mass experience with the typically rigid discipline of the armed forces over the past 100 years. Military discipline may be essential, but corporate discipline carried to the extreme may be disastrous.

OF COURSE, PROGRESSIVE management is "much more an attitude of mind than a diagram." Change must be the principal concern of leadership, rather than the procedures of the past. Man-

agement should ask itself on completion of a particularly successful year not, "What are we doing right," but "What are we doing wrong?" Without this sense of the future and continuing critical self-analysis, Gresham's Law may take over, when the "bad drives out the good in management as well as in currency."

This is an unusually pertinent remark, in view of the current situation within the property and casualty insurance industry, where companies are considered "rich, sitting ducks." A recent article in the New York Times quoted an investment banker as describing most property-casualty companies as being "dinosaur clubs disguised as top management who do not have the constitution to change or resist change." Perhaps Gresham's Law has reached its nadir in these companies.

In a particularly engrossing chapter entitled "The Yogi and the Commissar," Mr. Jay dissects the traditional rivalry between the contemplative idea man and the active manager or doer. He suggests that few leaders combine the "dual insight" of both types and that many management problems arise because one type is forced to operate as the other. A "separate salary and career" ladder seems to him the most sensible solution.

HE ALSO POINTS OUT that the potential leader, characterized as "the winner," often makes an uncomfortable and disagreeable subordinate; one who is unlikely to be obedient. In business, as in government, such an individual often prefers to run his own smaller show, rather than

submit to the rigidity of the larger organization.

Late in the book, the author suggests that the "nation-firm," the new, large multi-national corporation, may succeed the nation-state as the prime political unit. Even now, many such corporations exceed in size and power all but the largest countries. These employers require an increasingly complete allegiance of their employees, and in return offer paternalistic fringe benefit protection in active or unconscious competition with federal and state programs. Somewhat idealistically, Mr. Jay foresees future world competition through exports and sales rather than by armies and suggests that the "economic nationalism of governments may be defeated by the economic internationalism of the corporations."

Telling the benefit story

What MUST you tell them?

by Howard L. Peck, partner
Hewitt Associates
Libertyville, Ill.

"The employees are to be apprised of the establishment of a qualified plan and the salient provisions thereof. The most effective way of doing so is to furnish each employe with a copy of the plan. Where this is not feasible, however, various substitutes may be used. It will be sufficient that a booklet summarizing the plan in all its essential features be furnished the employes . . ." from Revenue Ruling 65-178 of the Internal Revenue Service.

Even if we ignore the naive assumption of the IRS that a plan document communicates, we are still concerned with the problem of determining what constitutes an adequate "substitute." When your purpose actually is to communicate and not just to comply with the

law, you find yourself on the well-worn horns of the well-known dilemma: If you give the employe all the facts, you risk hopeless confusion; if you simplify the story so that most people can understand it, you risk the omission of some substantive information.

And this applies to nonqualified plans as well as to qualified plans. Extreme care is needed in preparing the popularized explanation, whether it's a booklet, a letter, a filmstrip, a movie, an article in the company magazine—or whatever.

THERE HAVE BEEN some court decisions in recent years that confirm the need for such care. Not long ago the California supreme court held that the language of an employee's insurance certificate controls in the events of a conflict with the terms of a master contract, even though the certificate expressly states that the opposite is true.

In the case before the court, an employe had received a life insurance certificate that told him he had \$14,000 of coverage and that if he had to stop work

because of disability the coverage would be continued for the period of the disability but not more than a year.

Elsewhere in the certificate there was a statement that the coverage would be reduced to \$1,000 if the employe retired.

The employe became disabled, retired, and—within a year—died. The beneficiary claimed \$14,000; the carrier paid \$1,000, pointing out that the master contract provided for the reduction in case of the retirement of a disabled employe. The beneficiary brought suit and the trial court ruled that the master policy controlled. The decision was affirmed by the California court of appeals.

IN REVERSING the decrees, the state supreme court pointed out that the certificate is the only document the employe receives or sees, and that when it is in conflict with the master contract the certificate should govern. So, a little omission in the certificate language in this case cost somebody \$13,000.

But what if you're not *trying* to cover all the main points of a plan? For exam-

ple, some employers have prepared little folders summarizing benefit programs for prospective employes. In such a folder a pension plan might rate two or three short paragraphs. Because of their simplicity these thumbnail descriptions have been used widely by active employes. Obviously, such a piece can't cover even all the *main* points. Do you then refuse to give people anything, so as to avoid the danger of misleading them?

Are there any guidelines to follow in plotting your communication course? Let me suggest two:

- Be sure that what you tell them is accurate *as far as it goes*. If the material represents something less than a description of the "essential features" of the plan, say so, and refer the employe to some other piece of material that has been given to him and that *does* cover these features.
- If your description purports to cover all the main points, be sure you haven't left out any—especially the negative ones.

The situation suggests that the communication job be handled by people with a broad knowledge of benefits as well as a high level of communication skill.

Remember, if some of the recent court decisions indicate a trend, you may be held responsible for what you say in your communication material, not just what is provided in the plan document.

Managing your money

'Puts' and 'calls:' A low-risk way to play the stock market

by Joseph S. Robinson
member of the New York Bar

If you think you can grow rich on a salary—no matter how large it is—there's something you should know about your Uncle Sam. He's big on sharing . . . sharing your success with him.

Of course, you don't want to cut off your Uncle Sam without a penny. But still it's perfectly okay to keep him from biting off more than he's entitled to chew.

One thing you can do is to convert some of your ordinary income into capital gains. Then the tax is only half as much and never more than 25%. There are many ways to do this—in real estate, in securities, in investment programs you may never have considered up to now.

One investment idea with a fabulous dollar potential is the technique of trading in "puts and calls." It can increase your capital return without too much risk.

A *put* is an option to sell shares of a particular stock at a fixed price. The Securities & Exchange Commission defines a *put* as a contract which gives the holder

the right for a stated period of time to sell a specified number of shares of a stock to the writer of the contract at a price per share which was fixed at the time when the option was brought.

A *call* is an option to buy. It gives the holder the right to purchase stock from the writer at a fixed price.

THE PUT OR CALL is exercised at the holder's discretion. The exercise price is generally the market price of the stock at the time the option is purchased. The length of time of the option can vary, but in practice certain intervals are well established—e.g. three months from the date of contract or six months plus ten days from this date. Less often, the interval is one or two months, or a full year.

Here's the way a *put* is exercised: An investor buys 100 shares of XYZ at 80. He feels the stock will go lower in the next three months but wishes to protect himself in case his judgment is wrong. He therefore buys a 90-day *put* on XYZ at 80—the current market price—for a premium of \$500. If the price rises, the investor cannot lose more than \$500 since he will simply let his *put* expire. On the

other hand, should the price go substantially below 80 within the next 90 days, he can purchase stock at the reduced price, then exercise his *put* and sell the stock at the option price.

Suppose you're considering the purchase of ABC stock which is presently selling at 40 and expected to go up. You buy a 90-day *call* at 40 for a premium of \$425. Should stock rise within the three-month period, you'll exercise your *call* and then sell the stock. If the stock has gained more than 4¼ points (plus commissions) you'll have a profit. If it has not, you'll sustain a loss. But the most you can lose is the cost of the option—\$425 in this case.

Keep in mind that when you purchase a *call*, you expect the price of the stock to go up . . . when you purchase a *put*, you look for a decline in the market price.

Why should you choose to buy an option instead of buying the stock itself? There are several sound reasons for adopting this course.

IN THE FIRST PLACE, taking the example of the ABC stock, you might have bought the *call* for \$425 because you had only that amount to spare at the time and

you could not afford to outlay \$4,000 for the stock—even on margin. Perhaps you had the \$4,000 but wanted more leverage. Your \$4,000 would buy you ten *calls*, controlling 1,000 shares of ABC stock. If your judgment of the stock rise proved right, you could make ten times the profit than from the outright purchase of 100 shares.

On the other hand, you might have chosen the *call* in order to hedge your possible loss. Even if you had the \$4,000 needed to purchase 100 shares at 40, you might have decided you did not wish to risk more than \$425 in this speculation—in the event you found yourself on the wrong side of the market. The purchase of the *call* placed a \$425 ceiling on a loss, no matter how much the ABC stock declined in price.

NOW LET'S GO BACK to the purchase of the *put* in our example of the XYZ stock selling at 80. Here, the investor concluded after seeing reports of reduced dividends, cut back in earnings, etc., that the stock was due for a dip. So he purchased a *put* at \$500.

If his judgment proved correct, he will make his profit when XYZ goes below 75. For instance, suppose XYZ drops to 50, he can thus buy 100 shares at 50 and sell on the same day for a gross profit of \$3,000. Deducting the commission costs and the \$500 purchase price of the *put*, the investor will show a net profit of about \$2,400.

Keep in mind that the investor could never lose more than \$500 (the premium he paid) no matter how wrong his market opinion.

Blame lost tanker on 70-foot wave

NEW YORK—A massive wave, said to be 70 feet high, is said to have sunk a loaded oil tanker off the coast of South Africa in June, a disaster which took 22 lives and caused hull and cargo losses estimated to exceed at least \$2,000,000.

A spokesman for Transoceanic Marine Inc., which represented Stavros S. Niarchos Shipping Enterprises, owners of the 46,434-ton tanker World Glory, declined to comment on the hull and liability insurance coverage, but U.S. sources said it was placed

with London insurers.

The 736-foot vessel, loaded with crude oil owned by a Gulf Oil subsidiary company, broke in two while navigating in an area with a reputation for being dangerous and stormy.

BECAUSE OF THE closing of the Suez Canal in 1967, U.S. shipping companies say the area is one of the most traveled routes from Middle East to the West.

Insurance companies, both foreign and domestic, are studying the World Glory breakup for causes of the sinking.

A spokesman for Gulf Oil estimated the cargo loss at \$900,000 and said the case is still being investigated. Although hearings have been held, he said, the oil firm is not certain what source

will pay Gulf for its loss.

INSURANCE RATES IN the treacherous South Africa water-route are not expected to be affected by the tanker sinking.

A U.S. marine underwriter said insurers are more concerned about collisions in congested waterways such as the English Channel, approaches to the North Sea and the port of New York.

"The World Glory loss is the first in the South African area in a long time," he said. "The area is notoriously rough but no worse than the North Atlantic in winter."

A 100-foot wave, which caused severe damage to an Italian Line passenger vessel a few years ago in the North Atlantic, he said,

is typical of the elements encountered by marine navigators throughout the world.

THE WORLD GLORY loss, he continued, should caution shipbuilders to maintain high standards so vessels can withstand the pressure of heavy weather.

The Liberian-flag World Glory was built in 1954 by the Bethlehem Steel Co. According to a shipping expert, it was constructed to specifications of the American Bureau of Shipping.

Improper loading was pointed out by the underwriter for causing many marine accidents, but he doubted if improper loading of the crude oil accounted for the World Glory loss. "Most losses caused by improper loading are with bulk shipments," he said. ■

Move to cut hospital stays

NEW YORK—Two Blue Cross units are moving to cut down on the length of time patients stay at hospitals.

Capital Blue Cross, Harrisburg, Pa., and Geisinger Medical Center, Danville, Pa., have set up a program of preadmission testing enabling subscribers to receive routine and specific diagnostic services prior to admission as a hospital inpatient.

And Blue Cross of Syracuse, N.Y., has received approval from the state insurance department to increase benefits for the emergency outpatient department and for outpatient use of the operating room. Blue Cross will now pay the full cost for the use of these facilities at no increase in rates.

Services covered under the Capital Blue Cross arrangement with Geisinger include laboratory, x-ray, electrocardiogram services and metabolism testing. Normally these services are covered as an inpatient benefit.

The preadmission testing procedure is the second pilot program started by Capital Blue Cross in recent weeks. On June 1 the unit reached an agreement with the Visiting Nurse Assn. of Reading and Berks County allowing Blue Cross subscribers to receive home health agency services.

The Syracuse Blue Cross increase also involves expanded mental and nervous disorder benefits, including for the first time care at accredited private psychiatric hospitals on a non-member hospital basis. ■

Hails Federal flood passage

HARTFORD—A Hartford insurance executive has hailed the signing of the National Flood Insurance Act of 1968 by President Johnson as "one step closer toward marketing flood insurance."

Donald H. Garlock, chairman of the organization committee of the proposed Assn. of Flood Insurers, noted that the group has been working for more than a year to develop a program that will satisfactorily implement the legislation.

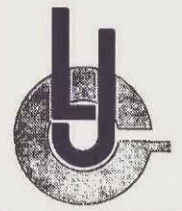
At the same time, Mr. Garlock, who is second vp in the casualty-property department at the Travelers Insurance Cos., called a committee meeting.

While membership in the flood association will be open to all companies writing property insurance in the U.S., the initial invitation has been sent to those writing more than \$25,000,000 in 1967, due to the practical problem of available space. ■

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Amusement park, insurer and town to post safety notice

AGAWAM, Mass.—In what is believed to be the "first" co-operative effort between a town administration, amusement park and an insurance company, public inspection notices on each amusement ride are to be posted at Riverside Amusement Park.

The project is a joint arrangement between Edward J. Carroll, president of Riverside Amusement Park Inc.; the town of Agawam; and Fireman's Fund American Insurance Cos.

Under Massachusetts state law, there is no requirement for the public posting of inspection certificates on amusement rides, although such certificates are necessary for some other mechanical devices—such as elevators and buses.

Miles J. Leavitt, a Fireman's

Fund vp, said that at the moment amusement park rides insured by the company are inspected prior to each summer season and at intervals of two to three weeks thereafter.

THE INSPECTIONS are unannounced.

The new plan will have the Agawam safety inspector, Joseph J. Conte, accompany a Fireman's Fund safety engineer on a tour of the amusement park.

For each ride that is certified by the safety engineer as "safe", the town safety inspector would issue a certificate of safety and occupancy—similar to those issued when a new residence has complied with all plumbing, building and electrical requirements. ■

Auto liability rates raised in Belgium

BRUSSELS—Maximum rates for auto liability insurance have been boosted in Belgium, AFIA reports.

The minister of economic affairs has applied a 22% increase to vehicles used for business and pleasure effective with new policies June 1.

On existing policies the increase goes into effect at the next annual premium due date, if any loss has occurred during the previous period. If no loss has occurred, liability rates go up 14%.

The 22% boost also applies to replacement vehicles, but a 5% "no claims" bonus will be paid if the driver hasn't filed any claims in the past three years. ■

California moves to set up brush fire, riot area pool

SAN FRANCISCO—California's insurance industry has established a new state-wide basic property insurance inspection and placement program, with a new governing body and preliminary approval by insurance commissioner Richard S. L. Roddis.

The program is intended to implement recent legislative action requiring basic property insurance for insurable dwellings in fire-potential brush areas of Southern California and in riot-prone urban areas of the state.

G. R. Pahlman of Kemper Insurance Group, and chairman of the governing committee, said: "We hope to have the plan functioning within 30 days, although a way may be found to handle risks in the brush areas on an

emergency basis before that."

The new state law requires every company writing property insurance in California to participate in a pool which will issue insurance in the high-risk areas at standard rates set by the Pacific Fire Rating Bureau.

THE LAW requires, however, that insurance be written only on dwellings. In many so-called ghetto areas, there remains a critical shortage of insurance for commercial-industrial properties.

Federal legislation, Mr. Pahlman said, would enable companies to buy reinsurance from the U.S. government so that coverage might be extended to commercial-industrial property as well.

Under the program, risks may not be refused because of location or circumstances beyond the control of the owner, although certain inherently uninsurable properties can be rejected.

Basic property insurance will include fire insurance, extended coverage, loss against wind, hail, malicious mischief coverages.

The new program will not provide homeowners with personal liability, theft, civil disorder, vandalism and other coverages.

COVERAGES WILL be limited to a maximum liability of \$250,000 at any one location, a limit which can be changed by the governing committee.

Surcharges may be imposed, in conformity with a uniform rating plan approved by the insurance commissioner, if the inspection of a property should reveal one or more sub-standard conditions.

Any risk rejected under the program has the right of appeal to the governing committee and, eventually, to the insurance commissioner. Any risk declined must be notified of the right of appeal. ■

AFL-CIO asks hospital check for efficiency

WASHINGTON—The AFL-CIO has called for hospital efficiency incentives and reasonable controls on doctors' fees to check the rising cost of medical care.

Lawrence Smedley, assistant director of social security for the AFL-CIO, said, "The insurance industry has a particular interest here. They should cease acting as a neutral party, a payment mechanism, and give more representation to the consumer."

Bert Seidman, AFL-CIO social security director, charged that the present cost-plus system encourages inefficiency because hospitals know they will "get whatever it costs them whether the costs result from efficiency or inefficiency."

Recently improved hospital wage rates are not the reason for the medical costs spiral, Mr. Seidman said. "Hospitals should have taken steps to improve their efficiency in other ways, but they haven't," he asserted, "and this is what has really contributed to the increase in costs."

"We are pushing legislation to check costs," said Mr. Smedley, "and the real leverage will be through the Federal programs, Medicare and Medicaid."

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CA CONTINENTAL ^{Life} ASSURANCE CO.

Texas agent assn. head makes case for 'top level' insurance buyer

HOUSTON—Corporations are beginning to make long needed changes concerning their insurance programs, according to the newly elected president of the Texas Assn. of Insurance Agents.

Gamewell D. Gantt Jr. said companies are now devoting more time to coordinating their insurance efforts, placing greater importance on insurance programs, as well as assigning the responsibility to a top level corporate executive.

The majority of firms are now assigning the insurance buying task to a particular person, Mr. Gantt says, often the comptroller or the secretary-treasurer. Previously many companies had various people buying insurance



Gamewell D. Gantt Jr.

without coordination of efforts. The former method, and still

in use by many firms, results in some duplication, according to Mr. Gantt. For example, a company might have coverage for its employees under three separate policies covering injury, and the firm may have a 24-hour accidental disability or death policy on its workers as well as compensation insurance and hospitalization insurance.

Each of these insurance policies may have been administered by a different department without regard for the other programs, resulting in possible overlapping of coverage. Mr. Gantt says premium dollars may be saved by coordinating the insurance programs.

Another advantage of central-

ized responsibility for insurance coverage, Mr. Gantt says, is that either the insurance company or independent agent knows whom to deal with and is best able to coordinate both the firm's and the insurance companies' efforts.

Mr. Gantt is all for simplifying insurance coverage.

"I have often wondered," Mr. Gantt said, "why you can't have a policy covering any or all hazards out of one's business for 'x' dollars."

MR. GANTT said he wished this could be the case, although he admittedly doesn't think it will come to pass.

Such a policy would be too broad, Mr. Gantt felt, although coverages have broadened considerably in the past 10 to 15 years.

The trend is to fewer policies to provide the coverage a firm needs, Mr. Gantt said. He added the policies should be put in

terms as plain as possible and still be legal.

He says if the insurance industry tries too hard to simplify coverage, problems arise with "changing commas to periods and semi colons to dots." And then difficulties result with these legal contracts, Mr. Gantt concludes.

Marsh Mac names Detroit office head

Thomas O. Mayberry, 43, will succeed R. T. Johnstone as head of the Detroit office of Marsh & McLennan. Mr. Johnstone had been head of that office for 15 years, and although retiring, he will continue as a director of the brokerage firm. Mr. Mayberry, a native of Detroit, joined the company in 1949, was assistant manager of the production department and made vp in 1965.

Young named senior editor

NEW YORK—George Young, associate editor of *Business Insurance*, has been appointed senior editor, succeeding William Guest, who is joining N. W. Ayer & Son advertising agency here in the firm's public relations department.

Mr. Young, who writes a safety column for *Business Insurance*, has served in the fire underwriting department of Liberty Mutual Insurance Co. ■

Wash Watch...

Continued from page 10

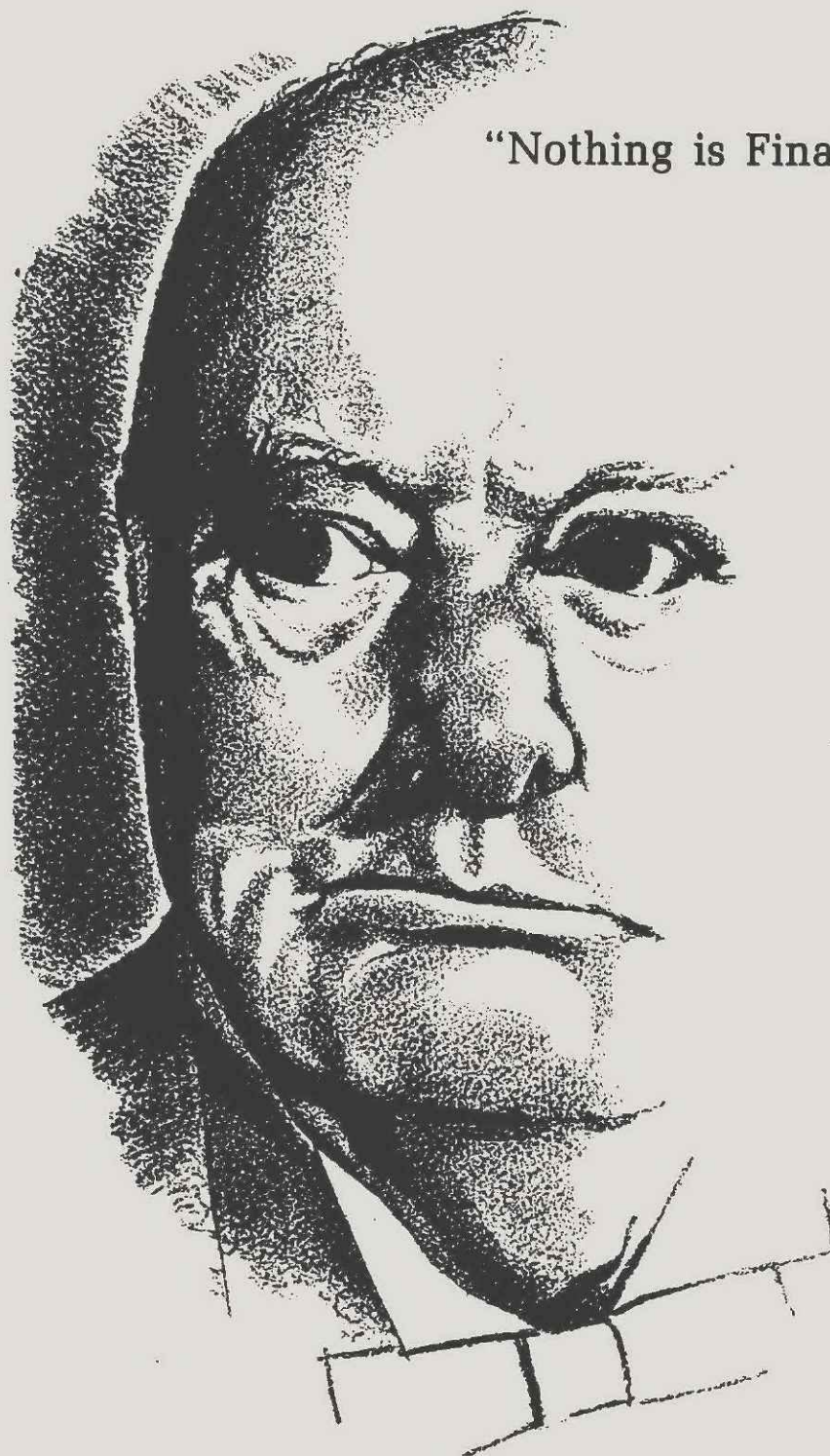
"extend and improve" the federal-state unemployment compensation program in August 1967 after it became apparent that the administration was not going to try again so soon after the defeat of the 1966 unemployment insurance bill. It has been charged by his opponents that this was the only significant piece of legislation Sen. McCarthy ever introduced on his own.

And then, of course, there is workmen's compensation. The Democratic platform makes no plea for a revamp of the present system although it does call for an "updating of the benefit provisions of the Longshoremen and Harbor Workers act." The Senate has concluded hearings on this proposal.

The only workmen's compensation bill currently on the hill is Sen. Jacob Javits' (R., N.Y.) proposal to establish a national commission to conduct a year-long study of workmen's compensation laws. It has little chance of even being heard in committee this year, but it is certain to be heard about publicly if Congress takes up either the safety bill or the amendments to the longshoremen's act. And, because it is equally certain to be introduced again next Congress, any momentum it might gain this year is important.

Sen. Javits introduced the proposal originally as an amendment to the administration's safety bill, saying that it is not enough to focus on accident prevention alone. He has since introduced it as a separate proposal.

In support of the bill, the New York senator charged that in all but a few states "the disability benefits payable to an injured worker are grossly inadequate," a cry which is certain to find friends in the labor camp and therefore to be mimicked this fall by many Democrats. ■



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Mob ties...

Continued from page 9

This language appeared to be justified when the department discovered in August that in spite of authorization being granted by the court the payment of pension checks has been stopped.

Accordingly, a letter was sent to Joseph Gagliano, administrator of the Mason's pension fund, by George K. Bernstein, first deputy superintendent of insurance, stating that "this arbitrary and unilateral action on the part of the trustees deprives pensioners of their contractual rights, and demonstrates further that the operation of the fund, without the entry of an order of rehabilitation, presents hazards to members, beneficiaries, creditors, and the public."

Mr. Stewart admitted that his department is "question-

ing" whether its powers under the law for taking over insolvent insurance companies "is being cut into."

Taking over an insurer can be a very slow process, he said. "We can seize a company, but they can go to law and spread the issue out over six months. However, if we're right," he continued, "that's a six-month period when we can't protect the assets of the company in question."

In California and Illinois, Mr. Stewart said, the insurance department has the power to take over immediately, and then litigate. "This seems preferable to litigating from the outside."

The entire situation is very difficult, he pointed out, "because we can cause a company a great deal of harm when we proceed against it, and we have to be in the right."

Other safeguards outlined by Mr. Stewart include a "competent and numerous examining

staff that have seen enough of these problems to be able to detect them easily."

There is "tremendous mental pressure and anguish" when deciding to rehabilitate an insurance company, Mr. Stewart admitted. "Often you're dealing with decent people who pledge and probably sincerely believe that they can sell 100,000 shares, or get new management by next Thursday."

However, an examiner can't wait until "next Thursday," Mr. Stewart continued, "because at that point, our interest in keeping the company going as a concern must in my judgment give way to the buyer of insurance—who bought in good faith or ignorance, and is on the short end of the stick."

THE NEW YORK insurance department "isn't carnivorous about liquidating companies," Mr. Stewart emphasized, "and

an examiner isn't trying to be hostile or friendly towards the company in question—he tries to operate on a strict judgment basis."

What "separates the men from the boys" and makes a good examiner, the superintendent said, is the ability to spot hazardous areas quickly.

For example, if reserves aren't equal to liabilities, "then income will take a beating. A good examiner evaluates the book of business, and spots a weakness like this at once. He knows that slight under-reserving over a period of years, combined with underwriting a big risk at a bad rate, can put a company over."

HOWEVER, IN SPITE of all these precautions, Mr. Stewart concluded that "no one has ever figured out a foolproof way of regulating any kind of financial institute against insolvency, bad luck or poor management."

Even though New York has examiners as good as any in the country, Mr. Stewart believes, "all we can do realistically is to require adequate capitalization and guard against management activities which threaten the financial condition of a company, and also detect deterioration quickly and help in its repair."

Councilman in quest of cover flies to London

HARTFORD—In a reversal of this insurance community's traditions, a member of the city council has flown to London to discuss an additional \$500,000 in liability insurance coverage by Lloyd's of London.

George A. Athanson said that his trip was taken solely because of Hartford-based insurance companies' refusal to sell Connecticut's capital community more than \$500,000 in catastrophe or "riot" coverage.

THE MORE than 20 insurance companies situated here have refused to continue Hartford's \$3,000,000 catastrophe coverage in event of civil disorders, at the same time agreeing to raise the city's limits from \$100,000 for property liability and \$300,000 bodily injury to \$500,000 for blanket liability coverage.

The \$32,000 premium increase has already been approved by Mr. Athanson and fellow councilmen.

Councilman Athanson remarked that he understands that several Connecticut cities have attempted to get Lloyd's coverage but were not accepted. "Since my discussions with Lloyd's," he continued, "I have received a cable that the firm's brokers are considering insuring Hartford for an additional liability."

Asks hike in Texas work comp benefit

AUSTIN, Tex.—Revision of the state workman's compensation act and raising the maximum benefit for injured workers from the present \$35-a-week high was termed the number one priority by the legislative committee of the Texas Trial Lawyers Assn.

Jack Eisenberg of Austin, committee chairman, told the group that revision of the act is hampered by problems of basic conflict between labor, the Texas Manufacturers Assn., defense lawyers who represent insurance companies and trial lawyers representing individuals.

GOV. JOHN Connally has asked the legislature to raise the maximum compensation for injured workers to \$45 a week. This would be the same maximum as that paid unemployed persons.

Vale to speak at claims workshop

The Illinois Bureau of Casualty Insurers will hold a claims workshop October 10 and 11 at the O'Hare-Concord Motor Inn, Des Plaines, Ill. Speakers will include Eugene Vale of the Vale School of Adjusting. Reservations will be handled by the bureau, 111 W. Monroe St., Chicago.



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ARIA...

Continued from page 2

"Superior financial strength permits insurers to invest over 70% of their portfolio in common stock," he said. "The perpetuals' total investment yields have been reasonable but not particularly outstanding in view of their investment latitude."

For the insurance buyer, the main disadvantages of perpetuals, according to Mr. Rottman, are a very high initial premium deposit and limited coverage available in certain geographical areas.

He pointed out that there are only 11 mutual insurers in six states which write perpetual insurance. These include Mutual Assurance Co. and Philadelphia Contributorship.

THE THREE-DAY ARIA meeting was highlighted by a panel discussion of three state insurance regulators, all of whom agreed there is no desire on the part of the federal government to take over the insurance industry.

Richard E. Stewart, New York superintendent of insurance, James L. Bentley, Georgia commissioner of insurance, and Richard S. L. Roddis, former commissioner of insurance in California, presented their views on state and federal regulation.

"As a matter of convenience it makes sense for insurers to want uniform federal or state regulations," Mr. Stewart said, "but it is less important for the buyer of insurance."

Mr. Roddis said there is nothing intrinsically better about federal over state regulation. "There is much federal ineffectiveness and inefficiency that can be exposed," he said.

This view was supported by Mr. Bentley, who said the federal government is not willing to be investigated but it is often eager to spur studies of other fields.

CITING moves by state regulators to correct inefficiencies, Mr. Bentley pointed to a National Assn. of Insurance Commissioners study designed to show weak spots in state regulation through reports and analysis.

Also on the ARIA agenda was an employe benefits section in which a trend toward profit-sharing plans and away from retirement pensions was pointed out by Bert L. Metzger, of the Profit-sharing Research Foundation.

"The profit-sharing concept," he said "is a teamwork incentive embraced by many large corporations which want to involve all employes in the business."

The insurance industry, he continued, tends to be steering away from pensions which act as an orderly, systematic way to facilitate replacement by younger personnel.

He maintained that profit-sharing plans make an employe "earn his security" and link him more closely to the corporation.

ROBERT Eilers, University of Pennsylvania, speaking on group medical coverage, said many large corporations are moving toward minimum payment plans. He cited General Electric, Continental Can and American Can as companies which already have minimum payment plans in effect.

Opposition to minimum pre-

Christan appointed

A. A. Christan has been appointed vp of Albert G. Ruben & Co., Inc., Beverly Hills.

mium payment plans comes mainly from state insurance commissioners who are concerned about tax losses on premiums paid to insurers, said Mr. Eilers.

Insurance companies, he continued, are worried that minimum premium plans mean a loss of premium assets and eventually a reduction in stock values.

On the other hand, he said, many corporations are tired of exchanging dollars with the insurers and feel minimum premium plans are to their advantage.

Corporate planning and the holding company concept was presented by Daniel P. Kedzie, vp of CNA Financial Corp., as a force that will make the insurance industry of yesterday "hardly recognizable."

"Insurance companies lately have placed much more emphasis on corporate product and market planning," he said. ■

Hurricanes...

Continued from page 7

And unless the excess coverage is completely separated from the primary layer, it's sheer nonsense, he said. The excess rates have to be calculated according to how the market is going.

Mr. Daenzer further recommended complete fact finding be done by the buyer. He suggested to his listeners that they use a risk analysis questionnaire which has been developed for the purpose of thorough fact finding.

THE 43-PAGE BOOKLET was developed for risk managers, insurance buyers, agents, brokers and underwriters and covers every phase of a company's insurance program. The AMA is in the process of updating the form.

Paul R. Enos, supervisor, spe-

cial risk property department, Employers Insurance of Wausau, Wis., alerted buyers and insurers to the problems of capacity and said that both parties have to work together to reduce the loss potential to as low an amount as possible.

He advised buyers to resort to good construction and observe accepted fire protection standards, install automatic sprinkler systems, provide adequate protection for special hazards and refuse to locate in areas without fire protection facilities.

"Utilizing these practices will allow the underwriter to increase his retention and thus eliminate many capacity problems," he said.

Mr. Enos described methods insurers use to determine their net retention on a risk—the amount of loss an insurance carrier can swallow safely.

He encouraged buyers with large schedules of values covering many locations to use subscriptions and excess policies. This, he said, is a "good method for putting capacity together." Using such methods, the insurer determines his net retention and indicates the amount by subscribing to a percentage of the total schedule or occurrence limit.

John Armstrong Jr., assistant vp, Insurance Co. of North America, Philadelphia, said that the tangible capacity of the American insurance market is tremendous and that it lies fallow and largely unplanted.

During his talk he described the workings of pooling arrangements. Pools, he said, marshal capacity; centralize underwriting thus creating a greater degree of understanding; consolidate data, skill and decision; and attract underwriters into classes of business their normal activities do not expose them to. ■

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Group life...

Continued from page 1

tute said a survey of ordinary life insurance purchased during a two-week period in 1967 from a representative group of firms showed that about 2% of the policies issued (and 11% of the amount of the policies) represented "key man" policies.

Over 80% of the policies were for amounts under \$100,000, the institute reported, and about 1% of these policies provided coverage of \$500,000 and over.

THE NUMBER OF Americans covered under insured pension plans increased by 860,000 during 1967 to 8,700,000 people at year-end, including those receiving pension payments. (These figures, of course, don't include self-administered or bank-trusted plans). Payments into insured

plans amounted to \$2.8 billion in 1967, of which about 85% was paid by employers and 15% by employees.

THERE WERE 5,570 group permanent life insurance contracts—which use whole life or endowment plans and provide life insurance during the working life of the employe and regular income after retirement—in force at the end of 1967 covering 295,000 persons.

Pension payments totaling \$910,000,000 were made to 935,000 persons covered by insured pension plans during 1967, according to the institute. Of this amount, \$780,000,000 was paid to 795,000 covered under group annuities (including deposit administration plans) and \$130,000,000 went to 140,000 persons under individual pension trusts, group permanent and other plans.

At the end of the year some 42,500,000 people, including

about 5,000,000 retired workers, were covered by major private and public pension and retirement programs in the U.S. (including Social Security and self-administered, bank-trusted and insured plans).

Group health insurance payments in 1967 (including amounts paid by life and casualty insurers but not including Blue Cross or Blue Shield) hit \$4.9 billion, compared to \$1.3 billion paid under individual policies. Life insurance companies paid \$4.3 of the group health total.

"The growth of health insurance sold by life insurance companies, especially through group policies, is reflected in the increasing percentage of the premium total it produces," the institute stated. Premiums received by accident and health departments accounted for 26% of the life companies' 1967 premium total, compared with 23% in 1960.

Platform...

Continued from page 1

matically to reflect increases in living costs.

"Medical care for the aged should be expanded to include the costs of prescription drugs.

"America's self-employed citizens should be encouraged by tax incentive legislation to supplement Social Security benefits for themselves and their employes to the same extent that employes of corporations are encouraged.

"Income payments and eligibility standards for the aged, the blind, the disabled and dependent children should be determined and financed on a federal basis—in place of the present inequitable, underfinanced hodgepodge state plans.

"THROUGH A partnership of government and private enterprise, we must develop new coordinated approaches to stem the rise in medical and drug costs without lowering the quality or availability of medical care.

Set hearing on IRS bid to cut pension rates

WASHINGTON — The Internal Revenue Service has scheduled public hearings on its proposed private pension revisions Sept. 16, 17 and 18.

The proposed changes would set a new rate of 30% as compared with 37½% under current rules for integration of private and other retirement plans with Social Security benefits.

In addition, IRS has extended the deadline for written comments on the proposed changes from Aug. 20 to Sept. 27. The IRS asked that the commissioner be notified by those who plan to attend the hearing.

The hearing will begin at 10 a.m. on Sept. 16 and will be continued if necessary the next two days.

Lloyd's to get two Americans as members

LONDON—Lloyd's of London has unofficially accepted its first Americans as underwriters in the world famous insurance group, *Business Insurance* has learned.

The two American members are Bernard Daenzer, president of Wohlreich & Anderson Ltd., New York, and Philip Berman, owner of a department store in Allentown, Pa.

As explained in London, formal approval of the members will come in the fall, presumably November, when the Lloyd's board votes on new members. To join Lloyd's as a nonworking member, subscribers must be able to show capital of \$180,000.

Ralph Hiscox, Lloyd's chairman, said Lloyd's has so far received about 60 inquiries from non-British citizens, about 25 from Americans.

The move to attract non-Britishers as members of Lloyd's is viewed as an effort to alleviate the severe capacity situation.

Injured cops...

Continued from page 1

department stands the medical expense," he said, "and if an officer should have to go on disability, he would get two-thirds pay for one year for each five years of service."

The department has Blue Cross and Blue Shield coverages as well. The police are paid during recovery, the spokesman said.

Costs of treating injuries suffered by newsmen will probably all be picked up under workmen's compensation coverages, a spokesman for a Chicago newspaper told *Business Insurance*. "Most of the injuries were relatively minor," he said, "and for most insureds the cost will be buried in retrospective rating contracts."

Injuries to the police ranged from human bites, to possible leg fracture, hernia, lacerations and eye injuries inflicted by gas and other "unknown" substances. Damage to police equipment was estimated at \$12,000.

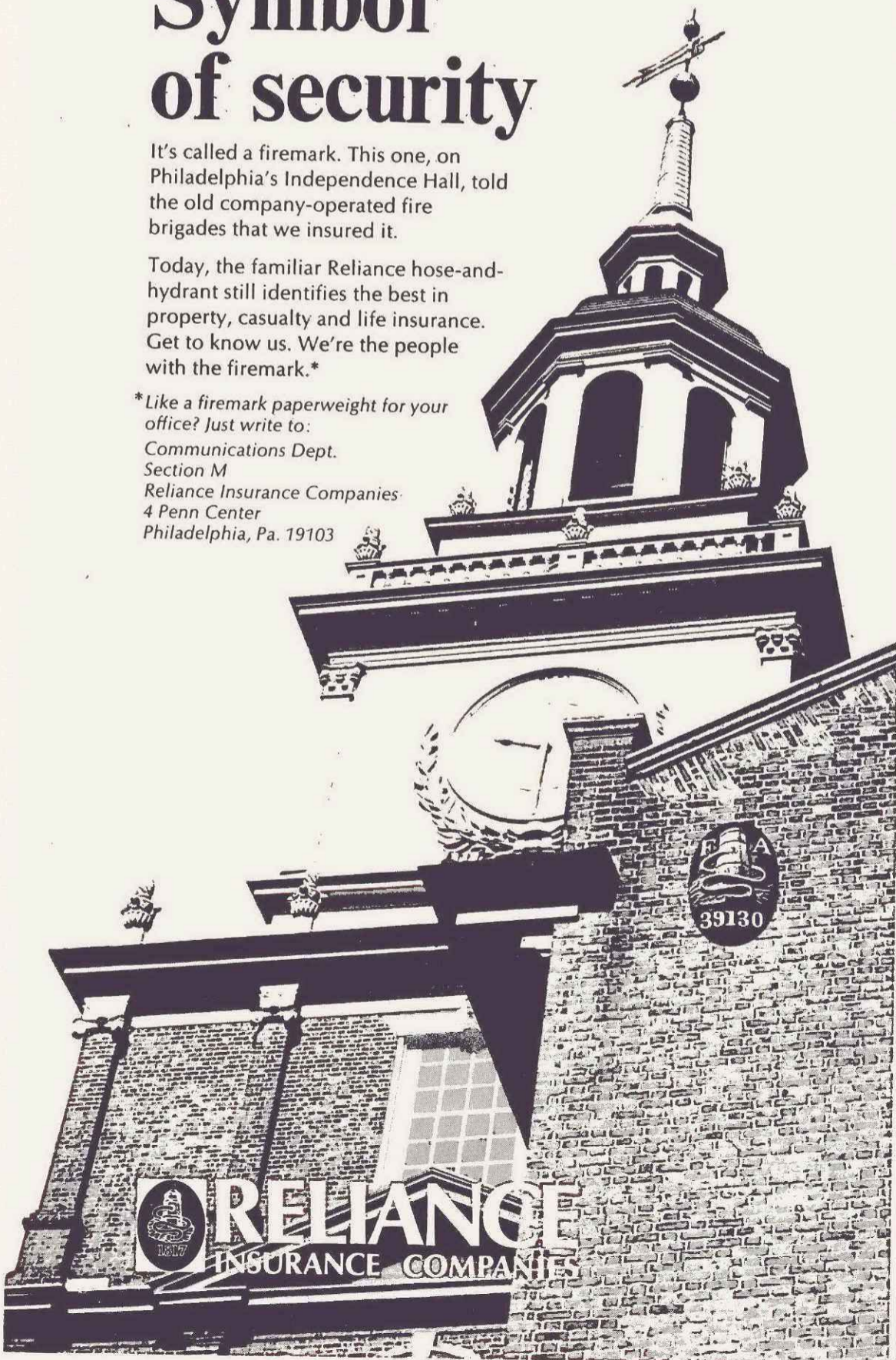
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Bangor Punta to revamp cover

NEW YORK—A new and concentrated insurance program is in the offing for Bangor Punta Corp., according to Robert B. Wiltshire, who has just been named to the firm's newly created position of director of loss control and insurance.

Mr. Wiltshire, who will supervise Bangor Punta's employee benefits and property insurance programs, plans to revise the corporate insurance setup, which currently includes 350 individual policies and involves some 20 agents and brokers.

Initially, the new insurance executive will visit Bangor Punta's operations throughout the U.S. and Canada to make "a physical risk analysis."



Robert B. Wiltshire

He stressed that the first area of concentration for the new department will be loss and accident prevention coupled with a gradual change in the corporate insurance program.

The insurance department at

the company was formerly handled by three separate departments. "The new program," he said, "will lead to a concentrated effort which will bring the profession of risk management into action."

Bangor Punta is a diversified corporation with operating companies in law enforcement equipment, leisure time, industrial products and process equipment, commercial agriculture, textiles and railroading.

Mr. Wiltshire, who is on the insurance planning council of the American Management Assn. and second vp of the New York chapter of the American Society of Insurance Management, held insurance positions with the Equity Corp., General Dynamics and Martin-Marietta before taking over at Bangor Punta.

Recommends three consultants after ex-employee bilks city

ROCHESTER, N.Y.—A city councilman has recommended the city pick one of three insurance consultant firms to advise it as a result of a \$100,000 insurance fraud by a former city official.

Frank R. Camelio was relieved of his duties as the city's agent after a local newspaper disclosed that he withheld \$100,000 from the city's insurer, Travelers Insurance Cos.

City councilman Robert F. Wood proposed the consultants in a letter to city manager Seymour Scher. According to the letter, "the cost of these consultants would be more than amply covered by the savings to the city taxpayers brought by the recommendations of the consultants."

Mr. Scher has announced he will appoint an advisory committee to study the level and extent of the city's insurance policies and whether price quotations would save money.

Insurer pays 25% dividend

A dividend of one-fourth of its annual premium for workmen's compensation has been made to the Valley Restaurant's employer's security fund by Zenith National Insurance Co., Beverly Hills, Calif. "The 25% refund represents one of the highest dividends paid in the restaurant industry," according to Joseph G. Havlick, vp and production manager of Zenith.

Rehabilitation called goal of work comp

HONG KONG—Workmen's compensation should be changed to workmen's rehabilitation, changing the emphasis from compensating to rehabilitating injured workers.

This call for new emphasis on rehabilitating was by Maurice Blond, a member of President Johnson's committee on employment of the handicapped and a New York City general agent for Travelers Insurance Cos., at a Pan-Pacific Rehabilitation Conference.

Mr. Blond points to the workmen's compensation laws as a system that "creates a situation whereby the worker receives a sum of money which he spends and a disability which he keeps."

"THE LAWS were established to provide financial recompense to the worker for his loss of earning power," he says and criticizes the laws for not recognizing that medicine and its ancillary services have been developed to a degree where no injury, regardless of its severity, can be said to be truly totally and permanently disabling.

He recommends the way to promote rehabilitation is not to penalize it. In any reorganization of our workmen's compensation system, "if we are sincerely interested in the restoration of injured workers to gainful employment, then the present highly legalistic systems must be abolished."

He refers to a study which he made of employment of the handicapped in the insurance industry and points out that the employment is consistent with sound business and insurance principles as well as desirable from the human standpoint.

He also notes that a study team from New York University made a detailed analysis of the problem and it recommended specific legislation to include rehabilitation as an integral part of the medical care provided under the workmen's compensation law.

A workmen's compensation program must of necessity be directed toward the saving of the worker through his rehabilitation, "a program designed to take disabled persons from the bed to the job," he says.

Monk goes marine

James Monk has been named manager of the marine cargo department for Johnson & Higgins, San Francisco.

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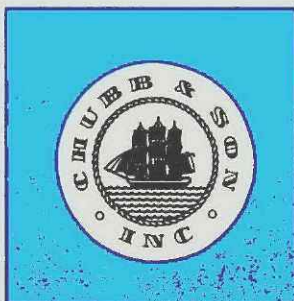
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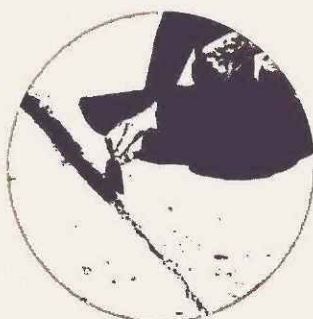
U.S. liable for dock damage

NEW YORK—Damages of \$750,000 were awarded a city drydock owner by the circuit court of appeals.

The federal government was held liable for the damages which occurred when a sailor opened valves that flooded a drydock owned by Ira S. Bushey &

Sons Inc. Federal Judge Jack B. Weinstein dismissed a counterclaim for \$1.5 million for damages to the Coast Guard cutter Tamoroa, which was capsized. Federal court hearing will be held to determine the amount of damages to the drydock. ■

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Court rules insurer must defend town

BINGHAMTON, N.Y.—The state supreme court has ruled that a Buffalo insurance firm must defend the Town of Binghamton in a \$100,000 negligence action in the death of a youngster in a water-filled sewer ditch.

Merchants Mutual Insurance Co., contended that the liability policy it had issued to the town did not cover this type of accident. Patrick D. Monserrate, town attorney, contended it did.

Supreme court Justice David F. Lee, Jr. said he had no opinion as to the liability of the insurance firm to pay any judgment which might ultimately be recovered. He said the insurance firm is obligated, however, under terms of the policy, to provide defense.

"The circumstances that some grounds are alleged in the complaints in the negligence action which would involve the insurance company in liability is enough to call upon it to defend the action," Judge Lee said. ■

Thirty states up contractors liability rates

NEW YORK—Thirty states have revised the basic limit rates for manufacturers and contractors bodily injury and property damage liability.

The new rates were effective Aug. 21 except in Texas, where the change will be made Sept. 18.

At the same time manufacturers and contractors bodily injury excess coverage rates were revised upward. Under this change the increase in excess limit premiums was 20% for classifications with exposure to catastrophe and 25% for most other classifications.

The 30 states with rate changes include Alabama, Alaska, Arizona, California, Colorado, Florida, Georgia, Idaho, Indiana, Iowa, Maine, Maryland, Michigan, Minnesota and Missouri.

Also affected are Montana, Nebraska, Nevada, New Mexico, North Dakota, Washington, West Virginia, Wisconsin and Wyoming.

As part of the manufacturers and contractors rate changes there was a revision of the standard minimum premiums. These minimum premiums have varied according to the amount of the applicable manual rate. As a result of the review there is a uniform minimum premium of \$15 for bodily injury and \$10 for property damage. ■

New firm opened by former A&A vp

A former vp of Alexander & Alexander has formed Risk Analysis & Research Corp., San Francisco, with A&A as its first client. The firm, headed by Edward B. Howell, will serve businesses and professions in high risk activities.

Mr. Howell's new company will concentrate on design professionals' liability and will also involve itself in dam and reservoir coverage, professional liability loss prevention for land surveyors and the feasibility of providing insurance against land failure due to slides, subsidence or heaving.

Mer/29 . . .

Continued from page 17
reasons. Each lawyer handled his case pretty much as he pleased, but, Mr. Rheingold pointed out, they did "avidly wait for group information about other members' cases, including the minutest details available concerning settled cases and the type of trial being put on by both sides."

ANOTHER AID was a "MER/29 school," which, according to Mr. Rheingold, was established because the "newsletters could not adequately convey to individual members the group's collective knowledge about the trial of a MER/29 case." Four two-day sessions were held, operated by Mr. Rheingold and not the group, for a total of thirty members. Mr. Rheingold cites as an example of the school's success the fact that a member began a trial the day after attending the school and won.

It is of course impossible to weigh the full impact which the group has had on the MER/29 litigation. One fact that makes appraisal difficult—and is perhaps in itself a commentary on the effectiveness of the group—is that only 11 out of the 1,000-plus MER/29 cases have involved a jury verdict. Two others resulted in a hung jury and six others were settled after the jury was chosen but before the trial.

Mr. Rheingold speculates that the chief factors contributing to the low trial rate were "an awareness on both sides that liability was clear and that the cases were long and expensive to try and willingness by too many plaintiffs' counsels to avoid trial by taking a marginally adequate settlement."

Drawing conclusions from the results of the 11 tried cases is hazardous because Richardson-Merrell was able to select the cases it wanted tried. "Good cases approaching trial were settled," Mr. Rheingold points out, and "finally when a series of cases came up which favored Richardson-Merrell because of their facts or for other reasons, the company could bring these to trial. The success of these tactics is evident in verdicts for the de-

fendant in the first three cases tried." None of these three cases was a group case.

ONE GAUGE of the effectiveness of the group is certainly the size of the settlements. Although there is no question that other elements entered into the agreed upon settlement—such as the area in which the case would be tried and the course of other MER/29 trials—the preparedness of the individual attorney in each case was of paramount importance in the company's attitude toward settlement.

Mr. Rheingold points out that in the five years from 1962 to 1967—in which over 95% of the MER/29 cases were settled—settlements gradually increased in size and "nonmembers did much more poorly . . . than did members."

He said in his opinion, "these nonmembers, most of whom did not want to pay \$300 to join, not only did a distinct disservice to the clients whom they represented, but were also economically shortsighted, since the increase in value of the case meant in the long run an increase in the fee many times the \$300 investment."

IN A TYPICAL MER/29 case—good medical proof of cataracts and hair and skin change in a man under 60 but with no earnings loss and only slight medical expenses—settlements grew from approximately \$25,000 in the early period, to \$75,000 in the mid period, to \$125,000 near the end, Mr. Rheingold said.

Probably the most significant statement concerning the group—from the risk manager's standpoint—comes from Mr. Rheingold himself:

"The primary achievement of the MER/29 Group was to demonstrate that attorneys all over the country handling the same sort of case could cooperate voluntarily and without court control or supervision in the joint preparation and ultimate disposition of a mass of cases." It is certainly something for risk managers to think about.

In a future issue *Business Insurance* will discuss the impact of the civil litigation on Richardson-Merrell. ■

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Final two building evaluation volumes released by Boeckh

MILWAUKEE—The Boeckh division of the American Appraisal Co. has released volumes two and three of its building valuation manual for commercial, industrial and institutional buildings.

The first of the three volume sets, released earlier this year, provided information on residential and agricultural building costs. Information contained in the manuals is kept current for time and location in all states and Canada through a bi-monthly cost modifier service.

The manual provides a three-way approach to develop building costs: a "ball park" estimate that is a one-page fast estimate of the total cost of the building; a model method that details costs in two pages for a more precise valuation; and component method that builds foundation-to-roof costs through use of in-place component listings.

A SPOKESMAN for American Appraisal said that insurance manager may use the volumes to evaluate costs for property insurance coverages without outside counsel and maintain up-to-

Unions charge auto insurers with violations

COLUMBUS—In an unprecedented move, the Ohio AFL-CIO and the United Auto Workers have filed a suit in Federal Court against 129 auto insurance companies doing business in Ohio charging them with violation of the Sherman Antitrust Act.

Warren Smith, secretary-treasurer of the state organization, said the step challenging the auto insurance rate-making system was taken because "Ohio motorists have no protection under current state laws.

"We believe," he contended, "the rush to raise rates by the insurance companies three years in a row is an indication that Ohio does not regulate the auto insurance industry.

"Under Ohio law the industry itself determines the rate it will charge and when those rates will go into effect. The Ohio department of insurance has no actuaries to review rate filings and only serves as a repository for filing away those increases," Mr. Smith said.

Risk manager class planned

MADISON—The University of Wisconsin extension will sponsor a course on corporate risk management Oct. 28-30 at the Wisconsin Center here.

Prof. Henry A. Dykstal, of the university commerce department, will coordinate the sessions. Cazimir Z. Greenly, Advisors on Corporate Insurance, Skokie, Ill.; William J. Gibbons Jr., director of insurance and administrator of employe benefit plans, Standard Kollsman Industries, Melrose Park, Ill.; and Joseph A. Matt, national accounts coordinator of Employers Insurance of Wausau, Wausau, Wis. will be discussion leaders. Fee for the course is \$90. ■

date information on total dollar loss exposures.

In addition, insurance buyers can check valuations on acquisitions and additions made by the company.

A COMPLETE set is priced at \$99 and individual volumes include residential and agricultural, \$38; commercial, \$44; and industrial and institutional, \$44. An annual subscription to the cost modifier pamphlet is \$15.

The data in the series was computer produced from input provided by American Appraisal employes across the U.S. and Canada, the spokesman said, and reflect unit-in-place costs converted to cost per square foot of floor or ground area. ■

Reagan names new insurance chief

SACRAMENTO, Cal.—Gov. Ronald Reagan has named Richard D. Barger, 40, a Los Angeles attorney who has specialized in life insurance, health and accident law and securities, as state insurance commissioner.

Mr. Barger will fill the unexpired term of Richard S. L. Roddis, who has left to become professor of law at the University of Washington, Seattle.

Mr. Roddis' term expires in January, 1971. The position pays \$25,700 a year. Mr. Roddis, was appointed by former Gov. Edmund G. Brown. Mr. Barger will take over the job within the next 45 days.

Army allows Utah to check chemical warfare testing

SALT LAKE CITY—Utah public health officials are working out a program with the Army to keep tabs on chemical warfare testing at Dugway Proving Ground, some 90 miles southwest of here.

On certain tests, state officials will be able to monitor the air around Dugway for signs of chemicals which might be harmful to man.

Need for such a program came to light after more than 6,000 sheep were killed last March on Utah's western desert by a deadly nerve gas, believed tested at the highly secretive Army facility.

IT WAS FEARED by some officials at that time that the gas might have harmful effects on

humans living in the area.

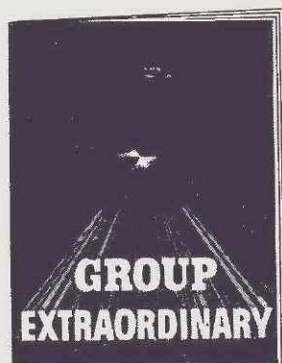
The Army has never explicitly admitted that the sheep deaths were a result of a chemical test at Dugway, but it has agreed to pay sheepmen for the loss of their animals. The sheep, among the best in Utah, were not insured.

Dr. G. D. Carlyle Thompson, state health director, said the program for chemical tests is an extension of the check that health people have done for years in connection with bacteriological testing at the Army base.

"We've had a biological warfare safety program in effect for years, but the need to extend it to cover chemicals was not apparent before," said Dr. Thompson. ■

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for the record

Charges delay in getting cover costs \$25,000

NEWARK, O.—A delay in reconstruction of a downtown landmark, the Soldiers and Sailors Memorial Building, gutted by fire April 29, has been termed "unnecessary and inexcusable" by the trustees of the building.

Charles C. Starrett, chairman of the trustees, said that exposure since the blaze has caused an additional \$25,000 damage

while insurance officials have refused to give their permission for temporary protection for the now roofless building.

Mr. Starrett said that three firms have made damage estimates and that the highest estimate for complete rebuilding was \$250,000. The building's only source of income is rent and most of the long-time renters have relocated permanently but there is no other place for the auditorium theater and the soldiers and sailors relief commission and "they are eager to be back in the building," he said.

William A. Emde Jr., insurance agent, said that the delay is not uncommon and believes that temporary protection would be impossible because of the prohibitive cost.

Samoa gets 1st work comp

PAGO PAGO, American Samoa—Workmen's compensation insurance to employers in American Samoa will be provided by Hartford Fire Insurance Co.

A workmen's compensation law, which will provide benefits in the event of injury or death of workers in the territory, was enacted by the last session of the territorial legislature.

This will be the first time American Samoan workers have had this kind of protection. W. W. Larson has been named commissioner for the new work-

men's compensation commission.

Mr. Larson said an agent for Hartford will arrive here "soon" to work with the Burns, Phillips Co., local agent for the firm, in writing the compensation policies.

All employers in the territory must, under the new law, provide such insurance for their workers by Sept. 30.

Gas explosion award made

FT. WORTH—The father of two seriously burned children was awarded a judgment of \$310,000 as a result of a 1967 gas explosion in suburban Forest Hill. The settlement was one of the largest ever recorded in a damage suit here.

The explosion occurred when workers of Lone Star Gas Co., the defendant, were rerouting the line and a spark touched off an explosion which burned homes and cars in the area.

Lone Star is self insured for liability claims up to a certain limit and Continental Casualty Co. carries the firm's excess liability coverage, according to Continental's Dallas branch claims manager, Bob Miville. He added that the settlement was an agreed judgment.

Bus, fire firms pay settlement

NEWARK—An East Orange woman injured in a 1967 Greyhound bus accident has made an out-of-court settlement for \$165,000 with Greyhound Co. and Goodyear Tire & Rubber Co., Akron, O., whose tires were on the bus.

Greyhound is insured for liability through its captive, General Fire & Casualty, New York, and Goodyear's liability carrier is Aetna Life & Casualty Co., Hartford.

Mrs. Lottie Davis, who received the award, was a passenger in the bus when it skidded on a rain-slick highway and plummeted down a 50-foot embankment. She was hospitalized for one year with multiple fractures of both legs and incurred medical expenses of \$30,000.

The settlement came after U.S. district court Judge James A. Coolahan ruled that the trial of the civil negligence suit should not await the outcome of two pending criminal trials stemming from the accident.

A Morris County grand jury has indicted Greyhound and Goodyear for "reckless indifference to the consequences of permitting an unsafe vehicle to be placed in service."

Plan vote on police fringes

SALT LAKE CITY—City policemen may take their plea for additional insurance and other fringe benefits to the voters in November.

"Unless the city commission comes up with additional benefits by summer, we will begin proceedings to have the issues placed on the general election ballot," said Edward M. Barton, president of Local 470 of Council 54 of the American Federation of State, County and Municipal Employees.

Utah Attorney Gen. Phil L. Hansen has ruled that the issues could be placed on the ballot by the regular procedure. He said increasing the benefits for

policemen is a legislative, rather than an administrative, function of the City Commission and therefore is subject to the general rules governing initiative proposals.

If the city electorate approved the proposals for additional benefits, they then would be binding upon the City Commission, according to Mr. Hansen.

Mr. Barton, however, did not specify the areas in which the policemen are seeking additional benefits. "We'll wait to see what the commission comes up with before we draw up our plans," he concluded.

Crime victim cover urged

MINNEAPOLIS—A city council president called for private insurance companies to offer policies to compensation victims of crime.

"We already assist people who are unemployed, people who are hurt or mentally incapacitated," said Minneapolis alderman Dan Cohen, "but we don't provide any real assistance to the people who are punished by the most directly harmful act of them all, the victims of crime."

The proper role of government, he said, should be to design the crime compensation scheme so as to "provide incentives to private insurance companies to provide this insurance to people who otherwise might be unable to obtain it, not as a means for discouraging those who have such insurance, or who are already able to obtain it."

Coverage should include reimbursement for medical costs and loss of wages, especially as a result of riots, he advised. "This would help avoid violent retaliatory acts and needless taking of lives as a result of riots."

H. W. Piggott, 64, dies

Harold W. Piggott, 64, senior of Safeco Insurance Group in charge of underwriting, died July 15. Born in Seattle, Mr. Piggott developed the first blanket liability policy for the firm, which was a forerunner to today's homeowner policy. He joined Safeco in 1926 and was in charge of more than \$250,000,000 in insurance.

Wash. pension unit asks freer investment bill

OLYMPIA, Wash.—The Public Pension Commission Aug. 2 filed a statement with Secretary of State Lud Kramer for broadened authority for investment of public pension funds.

The commission said the authority would "bring more income to tens of thousands of Washington families" at no cost to the taxpayer.

The passage of a proposed constitutional amendment in November would enable the legislature to change the investment laws of the retirement and pension funds, it was reported.

In the statement, the commission said state-employee retirement boards "have found that the present constitutional limitations do not allow participation in some kinds of excellent long-term investments."

The amendment is backed by retirement boards representing more than 95% of public employes in the state and by public officials, public-employee groups, retired employes and retirement-fund administrators, the commission said.

The statement was the first to be filed on behalf of any measure for the 1968 voter pamphlet.

County eyes disability pay

ORLANDO, Fla.—Orange County employes will be solicited to add disability income insurance premiums to their payroll deduction.

Colonial Life & Accident Co., Columbia, S.C., has agreed to offer the cover for a flat rate of \$3 per month. The county will approve payroll deductions for premiums if 300 of the 800 employes sign up.

The county commission has also received an \$8,718 surplus check from Aetna Life and Casualty Co. because of good experience in life insurance coverage.



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better deal, of course, but the cost of replacing those files on an emergency basis sometimes ran to 3 times the original cost!

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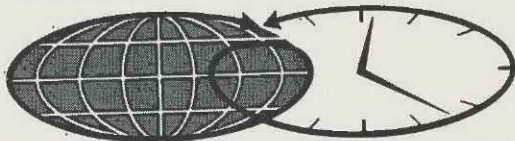
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