

Business Insurance

Most of insurers' Superfund costs consumed by legal expenses

SANTA MONICA, Calif.—Some 88 cents of every dollar spent by insurance companies on Superfund cleanups goes toward transaction costs such as legal fees, according to a new study from the RAND Institute for Civil Justice.

The study also showed that Fortune 100 companies spent 21 cents of every cleanup dollar on transaction costs.

Their transaction costs include money spent disputing coverage and litigating with other potentially responsible parties.

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Property/casualty rates flat

Chicago flood, London bombings not expected to spark price hikes

By MARK A. HOFMANN
and GAVIN SOUTER

The U.S. property/casualty insurance market is stuck in neutral, and not even two disasters earlier this month that could cost insurers billions are enough to nudge it into gear.

Property insurance rates are flat, while rates for most types of liability insurance are not mov-

**SPRING
RENEWALS**

Even in London, where the reinsurance, domestic insurance and aviation insurance markets are hardening, there are few sig-

ing higher except in isolated cases, like directors and officers liability insurance for financial institutions.

nificant signs of a hardening market for North American property/casualty accounts.

Plentiful capacity in the U.S. market is forcing London underwriters to keep a lid on their rates. Any premium hikes are limited to the rate of inflation, brokers and underwriters say.

But terms and conditions for some coverages are being tightened in London, and capacity for

E&O rates increase for large accounting, law firms. Page 52

North American property risks is shrinking.

Energy risks face the greatest problems at renewal, as the London underwriters continue to hike rates and reduce capacity for those accounts.

Overall, though, "it's a good

market for the insurance buyer," summed up David Jeroski, risk manager for General Nutrition Inc., a health food retailer based in Pittsburgh.

"The market to me still appears to be quite soft, rates seem flat and there are no problems with capacity," Mr. Jeroski.

"I don't see any hardening anywhere," said Elliott M. Jones,

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Chicago businesses 'bail out'

Questions include how much will insurers pay out, who's to blame

By SARA MARLEY and LORI BLOCK

CHICAGO—The water that surged through Chicago's underground tunnel system may have caused billions of dollars of property and business interruption losses, but firm estimates of those losses are only trickling in.

The Property Claim Services unit of the American Insurance Services Group Inc., which usually compiles an estimate of insured damage from a catastrophe within a week, will not issue a flood damage estimate until sometime this week—at the earliest.

Insurers say they have not received that many actual claims, noting that business interruption claims take a long time to calculate and that the buildings suffering the worst physical damage still were under water last week.

"Cleanup is taking longer than expected. We haven't assessed the damage," summed up a spokesman for Travelers Corp.

"As of now, reports of claims are very sketchy. They are coming in very slowly," a spokesman for the American Insurance Assn. said. That's not surprising,

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Planning kept some afloat

By LORI BLOCK

CHICAGO—Mondays aren't supposed to be that lousy. Just ask Ira Nathanson of Kemper Financial Services, Leda Hanin of DePaul University and tens of thousands of others who work in Chicago's Loop.

But Monday, April 13—which will long be remembered in Chicago as the day the Loop flooded—would have been much lousier for the Kemper Financial, DePaul and other employers had their disaster plans failed.

Thanks to the plan and quick response by Kemper Financial Services employees, customers of the integrated financial services company probably never knew that the company's headquarters, which houses roughly half of its

2,000 employees, were shut down for two weeks.

The disaster plan "worked out great," commented Mr. Nathanson, vp of corporate communications for the Kemper Corp. unit. "If we had a complaint with the

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Photos by Michael A. Marcotte

DePaul University moved classes from flooded buildings to temporary space.

Disaster to generate flood of litigation

By STACY GORDON

CHICAGO—The Chicago flood will create a torrent of litigation that will last well into the next century and consume tens of millions of dollars in legal fees, attorneys say.

When questioned about the city's

potential liability, Mayor Richard M. Daley quipped: "You'll have to ask every lawyer in the city."

Indeed, virtually every law firm in Chicago was scrambling last week to get a piece of the multibillion-dollar legal-fee pie spawned by the flood. Some firms established special

"flood committees" to coordinate the thousands of lawsuits expected to be filed.

As of last week, at least four lawsuits had been filed against the city and Great Lakes Dredge & Dock Co., a contractor that installed pil-

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Minnesota OKs health access plan

Law will tax providers, smokers to aid many, but not all, uninsureds

By JERRY GEISEL

ST. PAUL, Minn.—A new Minnesota law that will tax health care providers and smokers to help pay for a state health insurance pool for the uninsured could drive up employers' costs yet still leave most of

the state's uninsured without coverage.

But other provisions in the law, including the creation of a health care cost containment commission, could eventually keep health care costs under control.

The new law, H.F. 2800, was signed last week by Republican Gov. Arne Carlson after a six-week sprint through the state Legislature.



Gov. Arne Carlson predicts Minnesota's landmark health access reform law will be closely watched by other states.

Gov. Carlson said that other states will be closely watching Minnesota as they grapple with approaches to providing coverage to the uninsured and attempts to restrain rising health care costs.

"The entire nation is looking to Minnesota for direction" on this issue.

"Let us not disappoint... We are

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Information Systems... Page 36

Update

Superfund cost study

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"For the first time, we have hard data confirming that Superfund is wasting on lawyers countless billion of dollars that could be spent on cleanup," says Joseph W. Brown Jr., chairman and chief executive officer of Crum & Forster Inc.

However, the study's authors caution that "the verdict is not yet in," because this preliminary study does not measure the spending experience of federal, state and local governments and small to medium-sized companies.

Many blast victims uninsured

GUADALAJARA, Mexico—Insured property and liability losses stemming from explosions that ripped through the sewer system of Guadalajara last week are expected to be small, though the blast killed about 200 people, injured thousands and leveled city blocks.

"Most of the damage was to homes and the streets. It's like a huge plow went down those streets," said Richard Atherton of broker Asesores Kennedy in Mexico City. He noted that most commercial claims will be for shattered windows.

Many of the damaged homes and businesses are not insured, said J.D. Dawson, owner of broker Dawson y Correa, with offices in Mexico City and Las Colinas, Texas.

Estimates of the extent of damage were unavailable last week.

State-owned oil monopoly Petroleos Mexicanos blamed the blast on a nearby cooking oil factory. Pemex alleged Aciera la Central had dumped hexane, a volatile liquid used to extract cooking oils from seeds, into the sewer system. But, reports say authorities had called Pemex to investigate strong gasoline odors coming from sewers several days before the blast.

Aciera la Central buys property and liability coverage from Seguros la Comercial S.A., Mr. Dawson said. He noted that private companies in Mexico usually purchase no more than \$1 million in liability coverage. Pemex buys liability insurance from government-owned Aseguradora Mexicana, but has a significant retention, Mr. Dawson said. Jenner, Fenton & Slade Ltd. places excess coverage for Pemex in London.

Minnesota to cut comp rates

MINNEAPOLIS—Minnesota Gov. Arne Carlson is expected to sign a bill early this week requiring insurers to reduce workers compensation rates in the state by 16%.

The bill, S. 2107, would, among other things, cut disability benefits by 8% on average, reduce the state's workers comp medical fee schedule by 15%, cap attorney's fees and place limits on lifetime benefits for minor injuries. The law would take effect Oct. 1.

Meanwhile, the National Council on Compensation Insurance is seeking workers comp rate increases in several states.

The NCCI has filed for a 38.4% increase in Arkansas advisory workers comp rates, effective July 1 on new and renewal business.

A 27.8% workers comp rate increase is being sought in Virginia, effective Aug. 1 on new and renewal business.

And, the NCCI plans to amend a 33.6% rate increase request in Georgia after Gov. Zell Miller signed H.B. 1679 into law, which introduces medical cost containment features the NCCI says will shave 4.5% off workers comp costs. The NCCI's new filing seeks a 26.8% rate increase, effective July 1 for new and renewal business.

Bomb damage at \$1.23 billion

LONDON—Insured damages from two Irish Republican Army bombings in London April 10 could total 700 million pounds (\$1.23 billion), the Assn. of British Insurers estimates.

That figure, which includes property damage and business interruption claims, is lower than the ABI's 1 billion pound (\$1.76 billion) estimate made shortly after the explosions (BI, April 20).

London churches were especially hard hit by the bombings, as many irreplaceable stained glass windows were damaged.

Six churches, a rectory and a church hall were damaged after the first IRA bomb exploded in the London financial district, said Don Bullock, city manager for Ecclesiastical Insurance Office P.L.C., which insured the churches and other buildings for property losses. Preliminary estimates put the damage to the church property at 2 million pounds (\$3.5 million).

Industry criticizes health report

WASHINGTON—A consumer group report that claims the private health insurance delivery system is much less efficient than government programs is highly misleading, a health insurer trade group contends.

A report by Citizens Fund, a Washington-based affiliate of Citizen Action, says health insurers "spent more than 40 times as much on administration per dollar of benefits provided as the Canadian national health system and 18 times as much as the Medicare system." If insurers were as efficient as Canada's system, "the nation would have saved \$16.7 billion (in 1990)," the report says.

Commercial insurers spent more than 37 cents to deliver each dollar of benefits in 1990, compared with 2.1 cents by Medicare and less than 1 cent by the Canadian system, the report said.

The \$16.7 billion, which the consumer group labeled "waste," included every non-claim expense, except profits and federal income taxes, and included state premium taxes, which the Health Insurance Assn. of America estimates exceed \$1 billion annually.

The survey did not cover Blue Cross & Blue Shield Assn. plans, health maintenance organizations or self-insured plans.

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Court opens new door to CGL pollution cover

By STACY GORDON

LOS ANGELES—For the first time, a California court has ruled a policyholder is entitled to coverage for pollution-related claims under the personal injury endorsement to the comprehensive general liability policy.

Superior Court Judge Paul Boland on April 8 held that pollution is a "chemical trespass" covered by the personal injury endorsement.

The endorsement provides coverage for intentional torts, including "wrongful entry or eviction, or other invasion of the right to private occupancy."

Judge Boland found that when an adjoining landowner sues because hazardous wastes have

seeped onto its property, this could be interpreted as an "invasion of the right to private occupancy" covered by the personal injury endorsement. In essence, the landowner has been stripped of its right to enjoy its property due to the contamination.

This ruling is significant because many of the obstacles to coverage under the property damage and bodily injury provisions of the CGL policy do not apply to the personal injury endorsement, including:

- The pollution exclusion, which bars coverage for all pollution that is not "sudden and accidental."

- The owned property exclusion, which bars coverage for pollution on the policyholder's

property.

- The occurrence definition, which limits coverage to events neither expected nor intended by the policyholder.

In addition, the personal injury endorsement in the CGL policy has separate—and often equal—limits apart from the property damage and bodily injury coverage portions of the policy. Thus, recovering under this endorsement could increase a policyholder's coverage.

Finally, personal injury coverage is not occurrence-based. Instead, it is triggered by an "offense" that takes place during the policy period. Since most jurisdictions agree that a trespass begins upon first contam-

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Mandatory health plans

Employer costs could rise by up to \$86 billion, study finds

By JERRY GEISEL

WASHINGTON—Requiring all employers to offer health care coverage could boost employers' health care costs by as much as \$86 billion a year, an employee benefits research group estimates.

Depending on the scenarios and assumptions used, mandatory coverage would boost the annual health care tab for U.S. employers by as much as \$86 billion or as little as \$12 billion a year, according to the Employee Benefit Research Institute, a think tank in Washington, D.C.

The EBRI report released last

week, "Health Care Reform: Tradeoffs and Implications," also found that a Bush administration proposal to give uninsured Americans tax credits to purchase health insurance still would leave tens of millions of people without coverage.

In addition, the report examines several other health care issues, including the impact on workers if they were taxed on employer-provided health insurance and public attitudes on changing the health care delivery system.

While requiring employers to offer health insurance has been debated in Congress for years,

there have not been credible estimates on how much these proposals would cost employers.

EBRI, though, says employer costs would vary widely depending on the breadth of the requirement and the estimated expense of offering a health plan.

For example, employers' health care costs would rise by a total of \$86 billion a year assuming health insurance cost an average of \$2,430 per employee and it had to be offered to all employees working at least 19 hours a week. Assuming costs averaged \$970 per employee, however, employer costs would rise by

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Jury denies liability, but lawsuit potential remains

UR ruling gives warning

By JOANNE WOJCIK

LOS ANGELES—Managed care providers should not be overly confident following a recent California jury verdict that relieved an insurer of liability for the death of a patient, attorneys caution.

The fact that the case went to trial at all, they say, indicates that utilization review firms and insurers should exercise extreme caution when making treatment decisions.

"We're still in hot water because there's a potential to be

sued," said Lawrence P. Postol, an attorney with Seyfarth, Shaw, Fairweather & Geraldson in Washington, D.C., who specializes in managed care liability.

"People dealing with utilization review should not let down their guard," agreed Maureen Corcoran of Pillsbury, Madison & Sutro in San Francisco, another specialist in managed care liability.

Insurers and vendors "should continue to be scrupulous in monitoring care and in setting up protocols to minimize their liability," she said, "otherwise any

cost savings you achieve through UR could disappear in one lawsuit."

The plaintiff's attorney in the California case, Peter Aronson of Weissburg & Aronson in Los Angeles, also admonished UR vendors: "UR companies would be well-advised to expressly provide for utilization review in their contracts and to do so in a careful and appropriate way."

But Gordon E. Bosserman of Baker & McKenzie in Los Angeles said he views the verdict as a victory since the jury did not

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Inside

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✓ Professional liability insurance for large accounting and law firms is becoming more expensive and capacity is tightening following a series of settlements stemming from the savings and loan debacle. **PAGE 52**

✓ Declines in the Japanese stock market are threatening to curb special dividend payments to policyholders of Japan's five largest life insurers. **PAGE 55**

✓ Self-insured multiple employer welfare arrangements could apply for certification by the federal government but would remain subject to state regulation under a bill introduced in the House last week. **PAGE 58**

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Economic realities force change in benefit departments

Versatile managers survive sharp pencils

By JOANNE WOJCIK

Corporate downsizing, mergers and acquisitions, and the enduring recession are changing the face of employee benefits and their administration.

Benefit costs will probably rise for companies that cut their workforces, because the use of medical services tends to increase during times of economic uncertainty, consultants point out.

In addition, early retirement incentives can increase costs because retirees' health care costs are higher than those of active workers, consultants say.

Employee benefit departments themselves are likely to feel the pinch as companies become leaner, forcing those who remain on the payroll to take on more duties.

Employer relationships with benefit consultants and other vendors also will probably go through a transition, with some employers doing more work in-house, while others find farming out some work cost-effective.

Recession is forcing many employers to reduce their overhead to remain competitive.

In addition to trimming group health care expenditures—which many employers already had targeted in light of soaring health care costs—many employers also are cutting their payrolls through layoffs, early retirement incentives and by not filling spots that open through attrition.

"The pressure on staffing and the pressure to contain the cost of the (benefit) program is greater than it's ever been," said Gary Yeaw, director of group insurance at Allied-Signal Inc. in Morristown, N.J., which has cut its staff nationwide.

"I've been in this business 17 years, and I've never seen more dynamic change as in the last two years," said Randall K. Abbott, national practice leader for Alexander Consulting Group Inc. in Boston.

"Employers today have to balance three things: the corporation's ability to pay for benefits, changing employee demographics and their desire for choice, and new competitive pressures due to the emergence of a truly global economy," he pointed out.

For example, Xerox Corp. has been "going through substantial reorganization to become leaner and more competitive" in an increasingly global marketplace, remarked Helen Darling, manager of benefits operations for the Stamford, Conn.-based office products giant.

While the company has not made any major layoffs recently, it has been offering early retirement incentives for several years. But to keep retiree health care costs down, benefits are being scaled back for new retirees, Ms. Darling pointed out.

For example, retirees for years have been offered first-dollar health care coverage. But workers retiring on or after Jan. 1, 1995, will be offered enrollment in the same flexible benefit plan as that in which active employees participate, which will include a health care deductible, she explained.

"There's a lot of understatement on the cost of early retirement health care plan

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Benefits administration

More companies discover family-friendly benefits can help them save money

By DEBORAH SHALOWITZ

Employers are implementing and expanding benefits that help workers shoulder their family responsibilities despite companies' concerns about containing benefit costs.

Many work and family benefits are relatively inexpensive to implement, benefit managers note (see story, page 10).

And, some of these benefits can even save employers money by helping them recruit and retain employees, increase productivity, reduce absenteeism and improve morale. Work and family benefits also can improve a company's image in the community.

Work and family benefits can include child and elder care resource and referral services, parental and family leave, an employee assistance program, a dependent care spending account and flexible

BLS also reports that 67% of working women in 1991 had at least one child younger than 18.

Because of demographic trends, "even in the recession, there seems to be expansion" in the work and family area, said Fran Sussner Rodgers, president of Work/Family Directions Inc., a Boston-based firm that provides dependent care programs for companies and offers consulting and research services.

"We have seen tremendous growth" in the area of work and family benefits, commented Linda Foster, a consultant with Hewitt Associates in Lincolnshire, Ill.

Despite employers' continuing efforts to reduce benefit costs, many are adding work and family benefits to save money elsewhere.

Although experts agree that measuring the bottom-line impact of work and fam-

pensation Consulting Group.

There are some indicators that work/family benefits do save companies money.

"When employers do try to measure (costs and savings), they try to do it in terms of turnover and retraining costs," noted Carolyn Bronson, an associate in the Princeton, N.J., office of A. Foster Higgins & Co. Inc.

According to research conducted at one company by the New York-based Families and Work Institute, it cost three to five times as much to replace an employee than to cover the cost of an employee's family leave, said Ellen Galinsky, co-president of the institute.

And, according to a study conducted in 1990 by the U.S. Small Business Administration, it cost companies with fewer than 100 workers an average of \$1,001 to hire and train a non-managerial employee and \$1,738 to hire and train a managerial employee.

"Turnover is a very, very expensive phenomenon," said Ms. Wyatt. Turnover costs include lost productivity, recruiting costs, the time it takes to train a new employee, the loss in the company's knowledge base, possibly the cost of a temporary employee and the unmeasurable cost of the impact on other workers, she



work arrangements (see story, page 11).

While some of the leaders in these benefits are large corporations with household names, medium-sized and small companies increasingly are offering family-friendly benefits, too.

And, though the image of work and family benefits as a "woman's concern" is slow to diminish, more men—particularly divorced fathers—are taking advantage of these benefits.

Moreover, companies of all types and sizes increasingly will turn to work and family benefits to accommodate a changing workforce and its needs, experts predict.

One key demographic change is the expanding proportion of women in the workforce. In 1990, women comprised 58% of the total workforce, up from 46% in 1975, according to the U.S. Labor Department's Bureau of Labor Statistics.

Furthermore, the government predicts, by the year 2005 women will account for 64% of all workers.

And, 58% of working women in 1991 had children younger than 6 years old, according to government statistics. The

ily programs is difficult, if not impossible, they maintain that companies save money when they reduce their recruitment costs.

"Work and family issues are not expensive, well-intentioned but misguided ways of managing employees," stated Claudia Wyatt, a consultant with The Wyatt Co. in Chicago. "They're ways of keeping the employees you have."

However, "we do see evidence that some aspects of work and family developments are on hold because of the recession," noted Arlene Johnson, program director of workforce research for The Conference Board, a business forum in New York.

For example, companies might not add a work and family program or build an on-site child care center as readily now as a few years ago, she said. But she predicts a "rapid increase" in work and family programs when the recession is over.

"I'm convinced if you don't waste the (people) you've invested in, you're saving money," commented Iris Goldfein, a partner in the Chicago office of Coopers & Lybrand's Actuarial, Benefits and Com-

said.

Employers that offer a family leave policy may find it easier to hold onto employees who otherwise may have left. For example, Aetna Life & Casualty Co. found that 91% of employees who took a family leave between June 1990 and June 1991 returned to their jobs, up from 88% a year earlier and 77% in 1988 before the company instituted a formal family leave policy, noted Michelle Carpenter, manager of family services for the Hartford, Conn.-based company.

Companies also save money with work and family programs through increased productivity, reduced absenteeism and improved morale, experts agree.

Furthermore, there is "no way to calculate (the value of) increased loyalty, but it's enormous," according to Ms. Wyatt.

"The appreciation and dedication you get from employees you can't even measure," agreed Ms. Foster.

However, many companies are not instituting the policies to save money.

Companies "are not expecting dollar

Continued on next page

Family leave

Continued from previous page savings here," said Marie Dufresne, senior vp in the Chicago office of employee benefit consultant Hay/Huggins Co. Inc. "You have trained, skilled employees; you want to keep them on board."

"We do this because we recognize that people who are working for us have these responsibilities," Aetna's Ms. Carpenter said.

Aetna offers employees a wide range of work and family benefits, including child and elder care resource and referral programs, work and family seminars and a library, an employee assistance program, adoption assistance and counseling, a dependent care spending account, discounts at certain national daycare centers, parental and family leave, and a host of flexible work options.

Johnson & Johnson, also well-known for the comprehensiveness of its work and family programs, decided to offer the benefits "because we were facing issues of competitiveness," said Chris Kjeldsen, vp of human resources at the company's headquarters in New Brunswick, N.J. "We have to compete for employees on the basis of our image."

Johnson & Johnson set up a task force in 1987 to develop a wide-ranging approach to work and family issues and launched most of its programs in 1989. The company offers employees two on-site child care centers, one in New Brunswick and the other in Raritan, N.J. Each center can accommodate 200 children. It also plans to open two more child care centers, one in Washington's Crossing, N.J., and one in Fort Washington, Pa.

Johnson & Johnson subsidizes on

a sliding scale the cost of child care at the centers for families with annual gross income of less than \$65,000.

Johnson & Johnson offers other work and family benefits, like child and elder care resource and referral, adoption assistance, flexible work schedules, paid holidays and vacation for part-time workers, dependent care spending accounts, family management seminars, and parental and family leave.

"Instinctively, one knows that these programs are a tremendous benefit," Mr. Kjeldsen said. The company views work/family benefits as "a holistic approach to supporting employees so they can be as productive and efficient as possible here at work and also be a good parent."

Northbrook, Ill.-based Allstate Insurance Co. also offers a host

of work and family benefits.

"We're doing it because it helps with recruitment and retention," said Michael Snipes, director of compensation and benefits. "We want to be seen as an employer of choice."

Allstate began offering most of its programs in 1989, and now offers a dependent care spending account, child care resource and referral, flexible work schedules, parental and family leave, an EAP and slots reserved in a child care center in Charlotte, N.C.

"We have not made a concerted effort in trying to measure the relationship between what we spent on some of these issues and productivity," Mr. Snipes said. "We are doing what we need to do in order to be competitive."

"Even if one person can come to work (who otherwise might not be able to), who knows what that

might save the company," said Karol Rose, manager of work and family programs and training for Time Warner Inc. in New York.

Time Inc., a Time Warner predecessor, began offering work and family benefits in the mid-1980s. Now, Time Warner offers child and elder care resource and referral services, emergency child care for sick children, lunchtime seminars and discussion groups, an EAP, a dependent care assistance plan, adoption assistance, parental and family leave, flexible work schedules and several other benefits.

These kinds of benefits are catching on in corporate America.

According to a 1991 Hewitt survey of 1,006 large companies, 66% offer some kind of child care assistance. Of those, 91% offered dependent care spending accounts, 39% offered resource and referral services and 9% offered an employer-sponsored child care center.

By comparison, Hewitt found in 1990 that 56% of 259 major employers offered some kind of child care assistance to their employees.

Hewitt also found in 1991 that 36% of the companies surveyed offered elder care assistance programs, with 87% of those offering a dependent care spending account. Twenty-eight percent of the companies that offered an elder care benefit offered an elder care resource and referral program.

In Hewitt's 1990 study, 31% of surveyed employers offered an elder care program.

Fifty-three percent of the firms offered flexible scheduling arrangements in the 1991 survey. The most popular alternatives were flextime, offered by 74%, and part-time work, offered by 65%.

Parental leave programs were provided by 51% of employers, with 6% offering paid parental leave. And, 43% provided family medical leave to care for sick family members.

Adoption assistance was offered by 12% of employers, with the average reimbursement being \$2,000 per adoption, Hewitt found.

Seventy-five percent of those surveyed offered an EAP.

In another 1991 survey, The Olsten Corp., a Westbury, N.Y., temporary personnel agency, found that 84% of 427 firms of all sizes employed part-time workers (defined as working less than 35 hours per week), 40% offered flextime, 23% offered a compressed work week, 18% offered job sharing and 13% offered work-at-home arrangements.

Similarly, the Families and Work Institute found last year that 88% of 188 surveyed Fortune 500 companies offered part-time schedules, 77% offered flexible working hours, 55% offered child care resource and referral services, about 50% provided some form of dependent care assistance, and 35% allowed employees to work at home (BI, Nov. 25, 1991).

These benefits are not limited to the Fortune 500, though. Small and medium-sized companies increasingly are offering them.

For example, S&C Electric Co., a Chicago-based electrical manufacturer with 1,500 employees, last fall began offering employees a child and elder care referral program, a family leave policy and a more liberal funeral leave policy.

"Companies are getting more and more involved" in family situations, said Diane Taylor, manager of benefit services.

Before offering the benefits, Ms. Taylor said she personally had helped a retiree with Parkinson's disease find a nursing home. Another time, several employees

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Opinions

Neither fish nor fowl

REP. JOHN D. Dingell's 234-page Federal Insurance Solvency Act of 1992 shows great initiative and a great deal of hard work. Unfortunately, the proposal also shows that trying to please too many people pleases no one.

Groups like the American Insurance Assn., the Risk & Insurance Management Society Inc. and the Insurance Solvency Coalition seek a straight federal preemption of state solvency regulation for various classes of insurers. Others, including insurer groups and the National Assn. of Insurance Commissioners, favor no federal role at all.

Rep. Dingell, D-Mich., takes neither approach. Instead, his bill cobbles together federal and state systems in ways that would increase regulatory burdens while frustrating the purpose of a federal regulatory role: more streamlined, focused solvency oversight (*BI*, April 20; April 13).

For example, the bill would exempt highly capitalized insurers writing large commercial risks from state solvency, rate and form regulation, but would do nothing to pre-empt state licensing requirements. Thus, insurers with the broadest exemption from state authority would still have to maintain state insurance licenses.

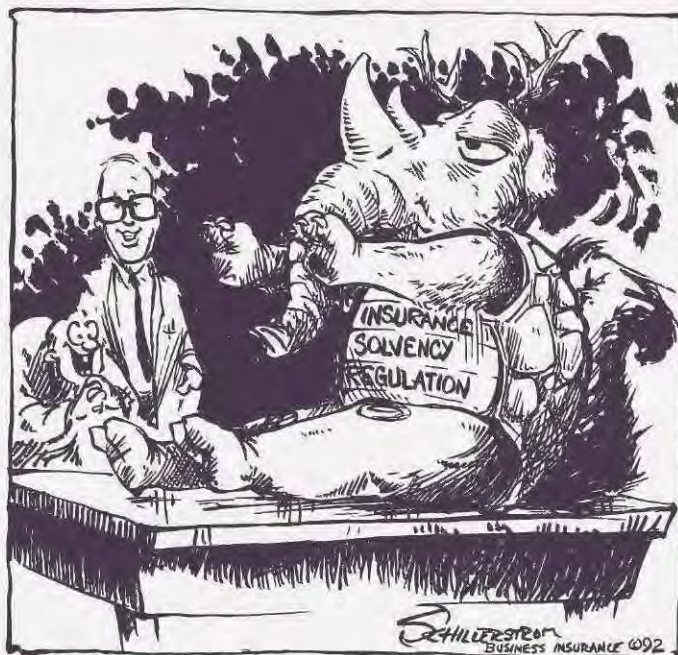
While the bill prohibits states from discriminating against federally certified insurers, supporters of federal regulation are rightly concerned that states will exert influence through the licensing process, regardless of anti-discrimination rules.

For federally certified insurers that don't qualify as "highly capitalized," or for commercial risks that don't qualify as "large," the bill would maintain state oversight of rates and forms, effectively dividing solvency oversight from rate regulation.

Rep. Dingell may understandably be leery about entering the rate regulation business, and for some lines of coverage, separating solvency and rate regulation may make little difference. However, for lines like workers compensation and auto, where highly politicized ratemaking has produced inadequate rates in some states, that separation could be disastrous.

Insurers rightly argue that some regulators show too little concern for solvency when setting these rates. Absolving states from solvency—but not rate—regulation could make the problem worse.

Meanwhile, another provision of the bill creates dual regulation of certain insurance holding company transactions. If a holding company includes both federally certified and state-regulated insurance units, both federal and state regulators would have to approve acquisitions, mergers and other transactions. If either regulator dissented, the transaction could not go forward.



"YOU'VE DONE IT, DR. DINGELLSTEIN...WHAT IS IT?"

Critics of the bill raise a number of other objections, including the possibility that state guaranty funds would be damaged by the National Insurance Protection Corp., a national guaranty fund in which federally certified insurers would participate instead of continuing in the state system.

The bill's opponents also complain about the potential cost of the Federal Insurance Solvency Commission, the federal regulatory agency they say could cost insurers more than twice the \$500 million spent on state regulation in 1990.

The strength of these arguments is debatable.

While the NIPC certainly would draw large insurers out of state guaranty funds, it also would draw out the largest insolvency risks. As for the cost of the FISC, state regulators have complained for years that they lack the funds to do a proper job. The extra money could improve regulation.

While these and other issues are discussed, the key problem remains the bill's attempt to hybridize federal and state regulation.

Rep. Dingell's staff—which began last year by proposing federal solvency standards but little direct regulation—now appears to be offering enough regulation to satisfy those who favor a federal role, but not enough to antagonize the states.

The result is a beast that one Washington lawyer describes as "neither fish nor fowl."

Luckily, the bill is only a first draft and will be much debated before it is finished, probably next year. That gives Rep. Dingell and his staff time to decide which type of creature they want.

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Should companies be able to penalize employees for smoking or other non-healthy habits?



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Houston, Texas



Kathy Herold
Benefits Manager
Daubert Industries Inc.
Westchester, Ill.



Mary B. Nieuirk
Employee Benefit Manager
Construction Equipment Federal Credit Union
Peoria, Ill.

Many companies have instituted wellness penalties or bonuses and can document savings by requiring employees and their families to choose healthier lifestyles. But, can employers enforce arbitrarily decided-upon standards without regard to the individuals involved? How are they monitored? Big Brother in the 1990s?

We are considering implementing different incentives and insurance premium breaks for non-smokers, rather than punishing smokers. In accordance with state regulations, we have a corporate smoking policy that limits where employees can smoke in the building. We are also looking into establishing a completely smoke-free environment.

Employees are not penalized with higher deductibles or premiums. We provide health presentations, first-aid classes and blood pressure and cholesterol screening. Recently, we banned smoking on company property. This was announced well in advance, and our EAP and wellness programs were coordinated to help employees stop smoking.

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Work/family benefits need not be costly to succeed

Some, like lunch discussion groups, are free; others are more expensive, like company-owned daycare centers

By DEBORAH SHALOWITZ

Employer-sponsored programs designed to help employees balance their job and family responsibilities can be narrow or broad, inexpensive or costly.

They can range from a benefit that will be tapped by few—adoption cost subsidies—to something of interest to nearly everyone, like brown-bag lunch discussions on family issues. They can be almost free, like a work/family library on health, safety and daycare topics, or very costly, like an on-site child care center.

Still, "relative to a lot of other benefits, work and family benefits are extremely inexpensive," said Karol Rose, manager of work and family programs and training for Time Warner Inc. in New York.

"Most programs relating to work and family do not cost a lot of money," agreed Ellen Bankert, director of the work and family roundtable at the Center on Work and Family at Boston University.

Starting with some of the least expensive options, here are some work and family benefits and their estimated costs:

- **Flexible work arrangements.** Flexible work schedules and alternative work-site arrangements can be one of the least expensive and most appreciated of all work and family benefits, several experts say. The broad range of possible alternatives includes flextime, compressed work weeks and job-sharing (see box, page 11).

- **Family resource libraries on health and nutrition, the aging process, safety and how to select child care facilities.**

"You can have a library of all brochures that are free," suggested Linda Foster, a consultant with Hewitt Associates in Lincolnshire, Ill.

Free brochures are available from groups like the American Pediatric Assn., the Councils on Aging and the American Assn. of Retired Persons.

Many government agencies also distribute free literature.

Another source of free information is diaper services, Ms. Foster noted.

- **Lunchtime discussion groups.** Even without a speaker, lunchtime employee gatherings to discuss family matters can be effective.

"It means a lot for parents in this boat to compare notes," said Iris Goldfein, a partner in the Chicago office of Coopers & Lybrand's Actuarial, Benefits and Compensation Consulting Group.

- **Lunchtime speakers and workshops on family-related topics.** Speakers charge from \$50 to \$400, experts estimated. The company provides the room, and the speaker and employees generally bring their own lunch.

This year, Time Warner is offering a total of 39 seminars covering subjects like family finances and communication between spouses, Ms. Rose pointed out.

- **Beepers for expectant fathers** if they are out of the office

breast milk in comfort and privacy.

- A flexible benefits plan that includes work and family options.

When an employer that already offers a flex plan adds some work and family benefits, there is no additional cost. Employers are "still not spending any more in total than what they would have," pointed out Marie Dufresne, senior vp in the Chicago office of Hay/Huggins Co.

- A dependent care spending account that allows employees to pay for dependent care with pre-tax income.

A dependent care spending account is "almost a no-cost solution," Ms. Foster said. The aver-

'Most programs relating to work and family do not cost a lot of money,' says Ellen Bankert.

age per capita annual administration cost of a stand-alone spending account is \$4 for system setup and \$4 for ongoing administration, reports a 1991 Hewitt survey of 444 companies with flexible compensation programs.

- **Adoption assistance.** Most companies that offer

adoption assistance give an employee between \$2,000 and \$2,500 to help defray the costs of legal adoptions, according to Ms. Bankert.

- **Sick child care subsidies or arrangements.** Employers individually or as a group could contract with local hospitals with extra capacity to care for sick children, several experts suggested.

Time Warner offers employees help in finding emergency day care for ill children, Ms. Rose said.

The company pays an administrative fee to an agency to handle requests and is charged \$13 per hour to have a care giver go to an

Continued on next page



It's hard to get through to some group LTD claims handlers.

Continued from previous page
employee's home, Ms. Rose said.

That service is used about 1,500 hours annually, for a total cost to the company of about \$19,500, she estimated.

- Child care subsidies.
- Child care and elder care resource and referral services.

Ms. Goldfein estimated that the cost for one year of child care resource and referral services for a company with approximately 800 employees at one location would be less than \$10,000.

Child care resource and referral services cost Chicago-based electrical manufacturer S&C Electric Co. \$250 each time an employee uses the service, said Diane Taylor, manager of benefits services.

Elder care resource and refer-

ral services cost the company \$3,000 annually plus \$150 for each employee inquiry, she explained.

The Day Care Action Council of Illinois, a Chicago provider of resource and referral programs, charges employers a flat annual rate of approximately \$10 for each employee younger than 50 years old, even if some of those employees are childless, said Cass Wolfe, director of resource and referral programs.

The cost of child care resources and referrals at Work/Family Directions Inc., a Boston-based provider of a range of family management services, would average \$10 annually per employee, estimated Fran Sussner Rodgers, president.

And, for \$20 to \$25 per employee annually, employers could obtain resource and referral ser-

After discovering through a survey of employees that child care resources in Charlotte, N.C., were limited, Allstate Insurance Co. decided to build a child care center with several other companies, says Michael Snipes.

vices for dependents of all ages, she said.

The Partnership Group Inc., a Philadelphia-based provider of a range of family management services, offers a similar package from only \$12 to \$24 per employee annually, said President Tyler Phillips.

- An employee assistance plan.
- A consortium child care center.

After discovering through a

survey of employees that child care resources in Charlotte, N.C., were limited, Allstate Insurance Co. decided to build a child care center with several other companies, said Michael Snipes, director of compensation and benefits for Allstate.

The center, which cost a total of \$1.6 million, can accommodate approximately 200 children, he said. Allstate's portion of the cost—\$200,000—entitles it to 20 reserved spots for the children of

employees.

The child care center is managed by an independent operator, because "we decided we did not want to be in the child care business," Mr. Snipes said. Allstate does not subsidize the annual cost of the child care center.

- An on-site child care center.

Although on-site centers generate lots of wonderful publicity, building them is costly.

Ms. Sussner Rodgers estimated the initial costs of at least \$300,000.

A center at Johnson & Johnson in New Brunswick, N.J., cost \$5 million to build, according to Chris Kjeldsen, vp of human resources. The center accommodates 200 children from 6 weeks old to 6 years old and has a full-time registered nurse to care for mildly sick children (BI, Nov. 25, 1991).

Options help make flexible scheduling a workable idea

Flexible scheduling can be used in numerous ways to help employees handle family responsibilities.

According to New Ways to Work, a non-profit organization in San Francisco that specializes in flexible scheduling arrangements, these can take the form of:

- **Flextime.** Employees are allowed to start work at certain set times other than the standard workday.

- **Compressed work week.** Forty hours of work are completed in fewer than five days.

- **Flexplace or telecommuting.** Employees work off-site while linked to the office electronically, using phones, computers and fax machines.

- **Regular part-time.** Some employees on a company's regular payroll work less than full-time.

- **Job-sharing.** Regular part-time work in which two people voluntarily share the responsibilities of one full-time position with salary and benefits prorated.

- **Voluntary reduced work time,** sometimes called v-time. Programs that allow employees to reduce work hours with a corresponding reduction in pay.

- **Phased or partial retirement.** Options for older workers to reduce their hours before retirement.

- **Leaves of absence and sabbaticals.** Authorized periods of time away from work that may be paid or unpaid.

- **Flexible staffing.** Allowing staff to be employed as independent contractors, temporary workers employed by a temporary agency, hourly part-time employees who do not receive benefits or as part of an internal pool of temporary employees who are on call to work as the company needs them.

The two options that seem to be growing the fastest are job-sharing and telecommuting, noted Barney Olmstead, co-director of New Ways to Work.

In addition, "in the future, as organizations recognize the real business needs for this, these (options) will become more popular," she predicted.

—By Deborah Shalowitz



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Managers named for work-family issues

New position sends family-friendly message to workers

By DEBORAH SHALOWITZ

Although some benefit managers have a defined role in helping employees balance work and family responsibilities, employers increasingly are hiring or appointing special work and family managers to handle these issues, according to a new report.

During the past two years, several hundred U.S. firms have im-

plemented the position of work and family manager, according to "The Emerging Role of the Work-Family Manager," a report recently released by The Conference Board. The Conference Board is a business forum based in New York.

And, "in the next few years, the number of work and family managers will continue to increase," predicted Arlene John-

son, director of workforce research for The Conference Board and a co-author of the report.

Nonetheless, benefit managers are in a good position to assess a company's work and family benefit needs, such as parental and family leave and dependent care plans, then team up with the work and family manager to develop programs, she said.

"Many very good programs

started with the benefits area," she said.

"The benefits manager is in a good position to identify needs," Ms. Johnson continued. "Also, the kind of basic programs that one starts out with, such as a dependent care assistance plan, could already be included in benefits planning."

Still, there are advantages to having a work and family manager. Giving someone that designation "helps keep the focus on

work/family" and "makes a statement" about the company, Ms. Johnson said.

"It's a clear message when you put a position in place," agreed Linda Foster, a consultant with Hewitt Associates in Lincolnshire, Ill.

But having a special work and family manager "could reinforce an erroneous concept that work and family is just a matter of implementing programs," cautioned Ms. Johnson.

"If you put one person in charge, others may feel less responsible," she explained.

Based on responses by 68 work and family managers and discussions with other work and family managers and executives, the Conference Board report concluded companies that have implemented a work and family manager position have done so primarily for two reasons: to create a focus for communication and company policy and to emphasize commitment to work and family concerns.

Also, employers said that designating someone to take responsibility for work and family issues is necessary to accommodate the increasing number of employee requests for information and help.

Naming a work/family manager usually is not the first step a company takes. "Rather, it is an outgrowth of previous needs assessments and program development, often conducted by a task force, employee committee or a work-family champion who effectively defines the issues and recommends programs," the report stated.

The position of work and family manager primarily involves program and policy development and implementation, according to the report.

"Change management and organization development are also important, since work and family managers are expected to build support for the new programs they develop," the report noted.

"These people really (are) change agents within their organizations," noted Karol Rose, manager of work and family programs and training for Time Warner Inc. in New York and a co-author of the report.

In the future, the report notes, several trends will emerge, including:

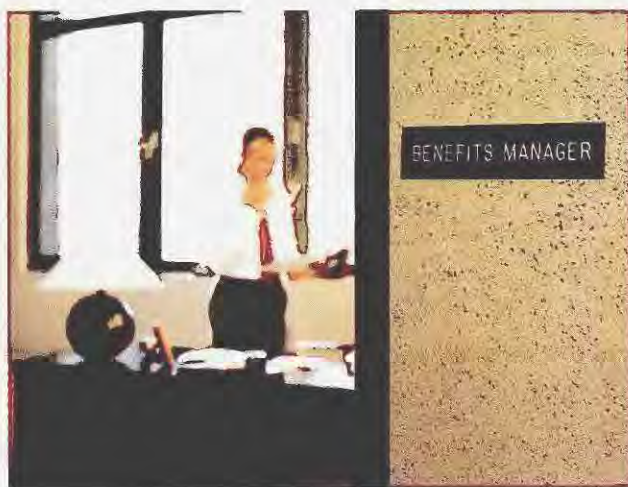
- The number of companies designating work and family managers will continue to increase because of the continuing demographic and competitive factors that led to the establishment of the current positions.

- The education, change management and organization development aspects of the job will become increasingly important. Work and family managers will move from implementing new programs and managing existing ones to promoting overall changes in corporate culture.

- Responsibility for work and family programs will be dispersed through a network of human resource representatives, and the work and family manager will serve as a resource person for human resource representatives and management.

- Work and family managers increasingly will be expected to work with the staff of employee benefit departments, wellness programs, community relations programs, quality initiatives and workforce diversity programs as work and family issues become an accepted part of corporate culture.

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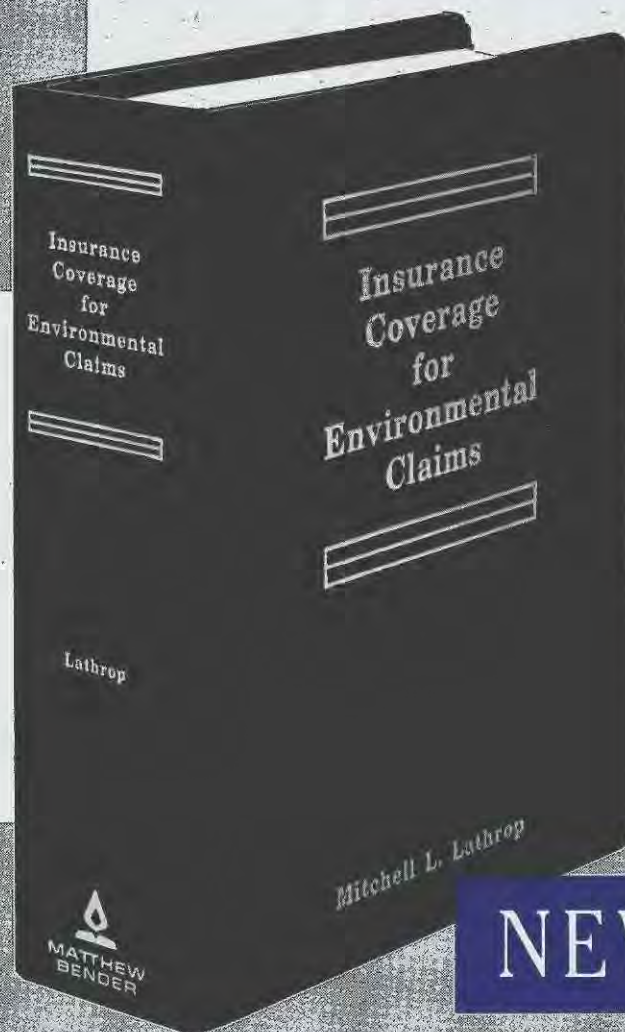
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Multistate companies must find way in maze of state leave laws

No federal law is likely this year

By LAURA MAZZUCA

Employers that must comply with family leave laws in more than one state face a hodgepodge of rules and requirements that are changing constantly.

Although family leaves are commonly offered by employers, the disparity among state laws makes it difficult for multistate firms to track compliance.

And small employers are par-

ticularly hard hit by the need to comply with family leave mandates, even within a single state.

Although a federal family leave law would supersede the patchwork quilt formed by state laws, passage of such a measure is improbable, observers say.

"It's a maze out there and getting worse every day," said Carolyn Bronson, an associate with A. Foster Higgins & Co. Inc. in New York.

However, federal family leave legislation is not likely to be enacted because of the "wobbly" economy and the upcoming presidential election, among other things, Ms. Benson said.

As a result, the "steady, progressive trend" among states to adopt mandated family leave laws is expected to continue, she said.

According to a Foster Higgins study, 26 states now require some form of guaranteed parental or family leave (see chart, page 16). Of those, seven states—California, Florida, Hawaii, Maine, Minnesota, Montana, and Oregon—enacted or amended leave laws in the past year.

Another 10 states—Alaska, Delaware, Georgia, Kansas, Nebraska, New York, North Carolina, New Hampshire, Tennessee and Vermont—will reconsider measures that failed to gain legislative approval last year, Foster Higgins reports.

Family leave laws vary widely from state to state, with the only common thread being that the mandated leave is unpaid, said Marie Lipari, a consultant in the research group of Hewitt Associates in Lincolnshire, Ill.

Of the 26 states with family leave laws, Foster Higgins found that 14 states require both private and public employers to offer employees some form of leave. The other 12 states require only public employers to offer the benefit.

The triggers for leave vary as well, Foster Higgins reports. Some states allow leave only for the birth of a child; others for birth, adoption or family illness, including the employee's own illness; and many other states require leave to be available for all three scenarios.

The duration of leave can range from six weeks to two years, depending on the state.

To make matters even more confusing for employers, most states also require employees to first meet certain requirements before becoming eligible for family leave. These typically include length of service or number of hours worked, although they differ from state to state.

State guidelines for extending benefits to employees on leave also vary, Foster Higgins found.

Most state laws stipulate that employees on leave can continue group health and other benefits at their own expense, while some states also specify which benefits must be extended and at what cost to the employee.

However, some self-insured employers are questioning whether provisions which require that group health care benefits be continued during family leave violate the Employee Retirement Income

Continued on page 16



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GRAPHIC BY JOHN HALL

Survey respondents said they granted about 90% of the leaves
Continued on page 18

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Family leave laws

Continued from page 16
requested, in spite of "one size fits all" legislation, Mr. Stephenson said.

Mandated family leave, in general, "lowers the quality of work life in small businesses," ultimately raising the cost of products to consumers, Mr. Stephenson said.

It also reduces employment opportunities for women and lower-paid workers, who may be perceived by employers as more likely to request family leave time, he said.

Worst of all, "it's an example of the government telling (NFIB members) what to do, which they simply don't like," he added.

The U.S. Chamber of Commerce in Washington, D.C., also is opposed to family leave laws. A Chamber position paper cites lim-

ited employee choice and disruption of work flow for small and medium-sized employers that comply with state or federal mandates.

Instead, like the NFIB, the Chamber encourages employers to "accommodate the diverse and evolving needs of employees who may be balancing both family and work responsibilities" through negotiated benefits, rather than legislation. Such negotiated benefits might be more liberal than those mandated by states, according to the Chamber.

However, organized labor contends that leaving the issue of family leave to be individually negotiated is ineffective.

For example, the AFL-CIO, which has traditionally supported leave benefits through collective bargaining, says that only 36% of such collective bargaining agreements currently provide for extended maternity leave. As a result, the AFL-CIO now strongly supports family leave legislation on both the state and federal level, according to an AFL-CIO position paper.

But other proponents of family leave legislation, like the National Organization of Women, are concerned that the issue is not properly addressed through state-mandated policies.

The biggest problem with such fragmented legislation is that "women's rights change drastically when you cross state lines," according to Kim Gandy, executive vp of NOW in Washington, D.C. NOW favors federal family leave legislation.

Allowing the family leave issue to be settled state by state is "like freeing the slaves plantation by plantation. . . Some will do it, others will do it well, some will do it badly and some won't do it at all," she said.

Meanwhile, the outlook for enactment of federal family leave legislation is bleak, at least for 1992, observers say.

President Bush last year vetoed a family leave bill in the House, H.R. 2, that would have required large employers to grant workers 12 weeks of unpaid leave for birth, adoption or family medical emergencies with continued health benefits. A Senate version of the bill, S.B. 2, had earlier garnered enough votes to override a veto (BI, Nov. 18, 1991; Sept. 23, 1991).

The bills are currently stalled in committee and are being overshadowed by budget problems and a still-sickly economy that makes such regulations seem unduly burdensome for small businesses, Ms. Bronson of Foster Higgins said.

In addition, even if Congress would approve another family leave bill this year, it must find the votes to override another presidential veto, said Ms. Lipari of Hewitt.

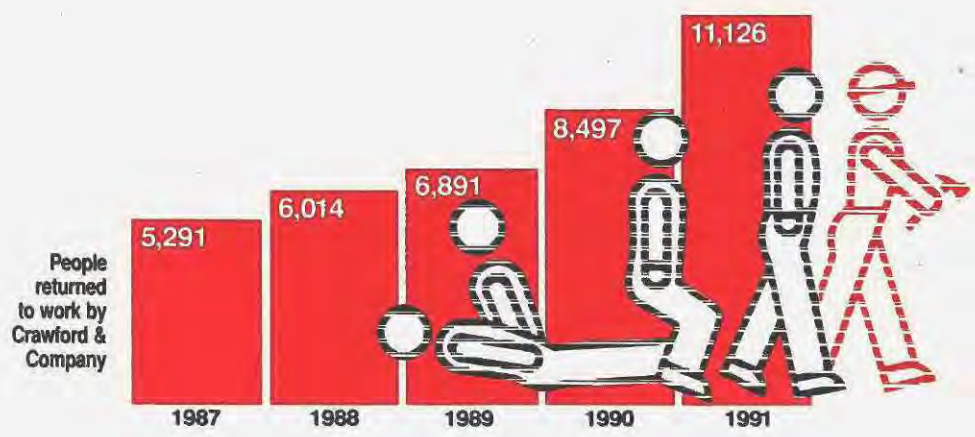
Meanwhile, however, even in states where no legislation exists, consultants say it is in employers' best interest to offer family leave.

"The driving force behind parental (and other) leave is retention. . . If you lose somebody, you have to train somebody else," Hewitt's Ms. Lipari said. Surveys indicate that "retaining rather than retraining" is considerably less costly for employers, she added.

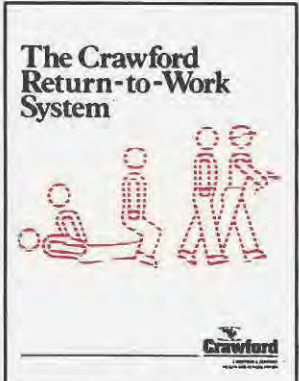
And while unpaid family leave—often with continuation of benefits—may seem unduly burdensome for businesses, the United States lags far behind other industrialized countries in its family leave policies, said Ms. Bronson.

"We're still backward, but bit by bit, we're slogging along," she added.

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Recession tactics

Continued from page 3

liability. And I'm not talking just about FAS 106. I'm talking about pay-as-you-go liability," pointed out Alexander's Mr. Abbott.

For example, medical claims for retirees not yet eligible for Medicare run 18% to 24% higher on average than those for active employees, he said.

Yet most employers—including those scaling down their workforces because of the recession—charge retirees the same or lower health insurance premiums as they charge active employees, Mr. Abbott said.

Employers cutting their workforces also should be aware that administration costs for continued health insurance under the Consolidated Omnibus Budget Reconciliation Act of 1989 will far exceed what employers are permitted to charge. COBRA premiums are capped at 102% of the group rate.

A. Foster Higgins & Co. Inc. last year found the average COBRA loss ratio—paid claims plus reserve increases divided by premiums—is

rising (BI, June 24, 1991).

In 1990, Foster Higgins found an average COBRA loss ratio of 117%; in 1991, it was 121%. And the average loss ratio was 150% or higher for 39% of the employers responding to the 1991 survey.

As benefit managers are being pressured to make cuts in their own staffs, "what you see is an elimination of layers," according to Dallas Salisbury, president of the Washington, D.C.-based Employee Benefits Research Institute.

"While there haven't been many staff reductions per se, many companies are not filling openings from attrition," he said.

Versatile benefit staff members—those with expertise in more than one area—are most likely to survive.

"A lot of benefit administrators, especially those who know only claims processing, are losing their jobs," observed Lori A. Morris, vp of Witt/Kieffer, Ford, Hadelman & Lloyd of Oak Brook, Ill., one of the largest executive search firms in the health care industry.

Employers are more likely to retain staffers who have expertise in

cost containment, plan design and direct contracting with health care providers, she said.

Many companies realize that the salary of one cost containment administrator—averaging \$90,000 a year—will more than pay for itself, Ms. Morris explained.

To survive cuts, benefit managers "need to understand how health care is delivered, which is something most benefit managers never learned in college," she added.

They also must compete with health care practitioners, like nurses, who are beginning to consider benefit positions, according to Ms. Morris.

"More people with health care experience are moving into the employee benefit field," she noted.

Benefit staffs are not the only cost-cutting targets. To hold down costs, companies are turning an increasingly jaundiced eye toward benefit consulting budgets.

"We have never seen more attention to consulting budgets," said Mr. Abbott.

"All of the consulting firms are under extreme performance pressure," agreed EBRI's Mr. Salisbury.

"The consulting industry did less work in 1990-91 than in any year in the 1980s," said John Kerney, a principal with Foster Higgins in Princeton, N.J.

As competition among benefit consultants increases, employers are less likely to put them on long-term retainers and are more apt to put individual projects out to bid, according to Mr. Abbott.

"There are so many firms fighting for the business that the clients found they can beat the fees down

tremendously," he said.

In fact, Mr. Abbott said he knows of at least one pension valuation project for a large "household name" employer that was bid at \$78,000 after costing \$200,000 the year before.

On the other hand, many vendors that charge a capitated fee for services like claims administration are reluctant to reduce their charges as workforces shrink, said Bill Danish, health and welfare practice leader for Alexander Consulting in Lyndhurst, N.J. "There's a threshold where the business won't be profitable."

Therefore, benefit managers need to make sure their vendor contract wordings will permit the anticipated windfall from dropping 2,000 workers off the payroll.

"Many contracts reserve the right to renegotiate if there are major workforce reductions," Mr. Danish said.

New technology is taking up some of the slack created when benefit departments are downsized.

"Companies are still investing in computer systems and voice response systems for open enrollment," said Foster Higgins' Mr. Kerney. "These systems eliminate a lot of jobs while increasing accuracy."

Indeed, they are "98% accurate compared with an up to 30% to 40% error rate for manual operations," said Alexander Consulting's Mr. Abbott, who added that a phone-based system often pays for itself in 18 to 36 months.

Barnett Banks Inc. in Jacksonville, Fla., reduced its benefit department's "customer-service" staff to eight from 11 by setting up

toll-free employee "hot lines," explained Cathy Wooster, benefits planning manager.

"The recession is forcing us to work smarter and more efficiently," she said. "Before we had people in the field, now we have access by phone."

For example, a toll-free "Best-line" allows employees to find out their 401(k) plan account values, and employees can enroll in the company's flex plan via "Teleflex."

The customized software used to operate the systems was developed by TALX, a St. Louis-based software support service firm, Ms. Wooster said.

Some employers are taking advantage of existing technology and doing more tasks in-house. Some specialty vendors, though, like those that provide benefit communication and telephone enrollment, are seeing a surge in business as streamlined benefit departments farm out the more specialized or labor-intensive work.

Some employers lay off everyone in a benefit department except the benefit manager, forcing that individual to rely on outside firms, said Roy Gonella, a principal in the Los Angeles office of William M. Mercer Inc.

Also, companies that have always been lean are not adding staffers even as benefits grow more complex, he said.

This emerging trend toward "outsourcing" is creating a new industry designed to provide support services to slimmed-down employee benefit departments, some observers believe.

American Telephone & Telegraph Co. formed a subsidiary in

Continued on next page

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Recession spurs need to communicate benefits

With the recession prompting cuts in employee benefits programs, effective communications can make employees realize just how valuable their remaining benefits are.

"We're seeing an increased emphasis on the value of the benefit program," said Janet Raubach, principal and communications practice leader for Alexander Consulting Group Inc. in Baltimore.

Many employers, for instance, are developing individualized benefit statements that spell out employer contributions for each benefit, she said. "They want it all spelled out in dollars and cents and put out front in big type."

Good communications also can help reassure survivors of layoffs, who often feel insecure, put-upon and suspicious, according to Rick Knapp, national communication practice leader for A. Foster Higgins & Co. Inc. in Princeton, N.J.

Foster Higgins is hosting a series of roundtable discussions nationwide dubbed "Bad Times, Good Communication," aimed at teaching employers how to communicate effectively when times are tough and money is tight.

"In bad times, the need for effective communication is at its

peak," Mr. Knapp stresses. Yet that is "precisely when resources—time and money—are taxed the most and the messages are ones no one likes to convey."

Among the advice Mr. Knapp offers:

- Increase—don't decrease—your communication effort.
- Explain why the cuts are necessary.
- Be painfully honest to protect management credibility.
- Provide channels for employ-

ees to raise questions and concerns, and listen to employee responses.

- Emphasize face-to-face communication.

- Tone down "glitzy" publications and audiovisual materials.

- Provide a consistent message to shareholders, the media and employees.

Like the small businessman who has two sets of books—one for the bank and one for the IRS—many employers deliver contradictory messages to shareholders and em-

ployees, explained John Kerney, a principal at Foster Higgins in Princeton, N.J.

As an example, he told of the benefits department at a large Northeastern company that was planning to introduce a flexible benefits program by boasting how the plan would save money. At the same time, though, the CEO was preparing to announce record earnings for the year.

Companies that have not told employees how business has been faring will have trouble delivering benefit cost containment messages, according to Mr. Kerney.

On the other hand, if the company has been announcing both internally and externally that it is suffering, "the employee will be expecting some cuts," he said.

Tough times often lead to cuts in benefit communications budgets, a move that could make delivering bad news even harder, consultants say.

"There are a lot of employers in a holding pattern," said Alexander's Ms. Raubach. "They're doing as much as they can to just get by—and that includes communications."

—By Joanne Wojcik

Recession tactics

Continued from previous page

1986 specifically to provide support services to employee benefit departments, according to Brad Benton, executive director of employee services for Jacksonville, Fla.-based American Transtech.

Operating somewhat like a "rent-a-benefit department," American Transtech contracts with employers to provide employees with telephone-based services like plan enrollment and defined contribution plan investment selection.

American Transtech also acts as job broker, matching qualified applicants with companies needing benefit staff members.

During the recession, "more companies began contracting out plan administration to outplacement service providers, especially if they have flex plans, which are more complex," Mr. Benton said. "We can answer a lot of questions from employees."

So far American Transtech has established 25 telephone-based service centers for 25 large employers with 2 million employees nationwide.

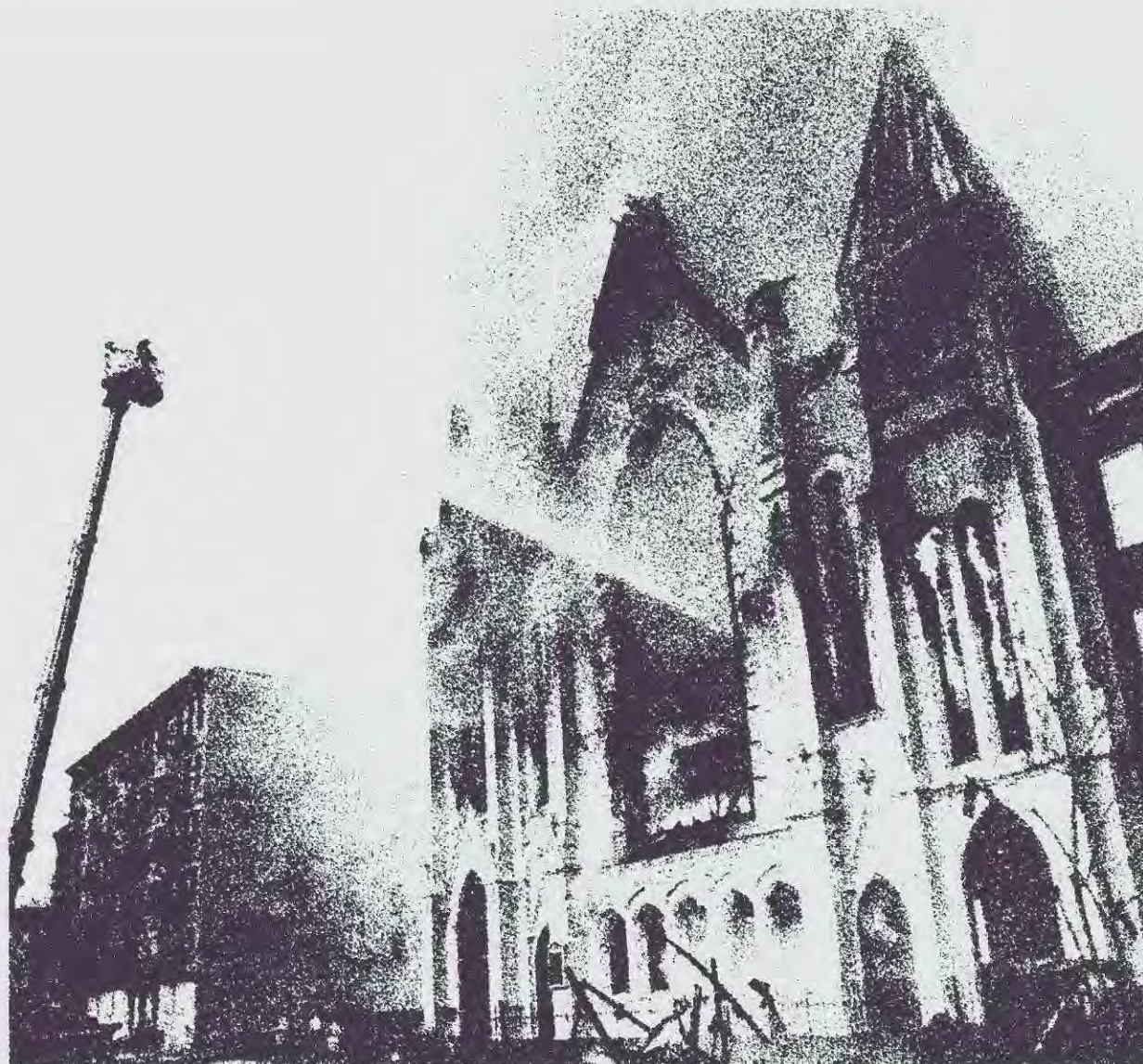
The firm also has two consultant clients: The Wyatt Co. and Actuarial Sciences Associates Inc., a Piscataway, N.J.-based firm that was spun off from AT&T's pension actuarial division (*BI*, April 1, 1991).

Vince Tomo, president of VJT Associates Inc. in Brooklyn, N.Y., is another entrepreneur taking advantage of the emerging outsourcing trend.

Mr. Tomo works as a "rent-a-benefit manager" for employers that can't afford someone full-time.

Leasing his consulting services on either a retainer or project basis, Mr. Tomo can help small companies—those with fewer than 1,000 employees—weather the peaks and valleys in the benefit marketplace.

"You can't hire someone off the street and expect them to survive," he said. "I bring 30-some-odd years of experience to the job and know the more creative, successfully implemented approaches that a novice wouldn't."



AP/WIDE WORLD PHOTOS

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Employers turn to software for health cost savings

New programs scrutinize claims by 'bundling' or 'unbundling' bills

By SARA J. HARTY

Cost containment is still the ultimate goal of employers using information systems to administer benefits in-house, say benefit information system vendors.

Making sure claims are not overpaid—particularly when the cause is overbilling by providers—is more important to these employers than ensuring that they are paid in an efficient and timely manner, vendors say.

Software that can "unbundle" a claim into its many components or, on the other hand, that can "bun-

dle" a group of components into a single procedure continue to gain in popularity.

In addition, vendors report that self-insured employers are anxious for software that would enable them to reimburse providers using the same method of valuing services as the new Medicare fee schedule (*BI*, June 10, 1991).

Other EBIS advancements are more technology-driven. For example, imaging technology—in which forms, X-rays and other images can be stored electronically—is becoming more widely used, though it still not cost-effective for

most employers, vendors say. Another technological advance called optical character recognition—in which documents like claims forms are distinguished from other documents by the computer—is still priced beyond the reach of most employers, they add.

Using software to unbundle and bundle claims is much more accessible.

Finding out that complex procedures may have been incorrectly unbundled by providers may cut costs 30% to 50%, explained Robert S. Graham Jr., president of FACTS Services Inc. in Coral Gables, Fla.

For instance, a particular surgery may consist of procedures A, B and C. But when performed together, employers want to ensure

these procedures are bundled into treatment X, which may cost less than the individual procedures combined.

These errors are "usually not a malicious act" but can throw off a company's claims system, pointed out Amanda Parker, senior consultant with Magnus Software Corp. in Marietta, Ga.

The person filling out the form simply "selected the wrong code or was unaware" that there was a code encompassing several separate procedures, she explained.

However, buying software that bundles or unbundles medical claims may only be "cost-effective for a large self-insured employer" that administers claims in-house, Mr. Graham said.

Many of these systems are targeted to third-party administrators and are priced beyond the average employer's reach.

Beyond checking billing codes, systems that check billed procedures against claims history data can create additional cost savings, said Thomas H. Heimsoth, chairman of Resource Information Management Systems Inc. in Naperville, Ill.

"Once some procedures have been performed, they should not have to be performed again," he said. But without "heavily experienced" claims personnel, claims like these will be paid.

Instead of trusting claims personnel to discover these errors, employers should make use of "logic placed in the system to hover over" and catch these types of claims, Mr. Heimsoth said.

Overall, "we're finding that medical logic in a claim system can reduce physician fees by 10% to 12%," he said.

After a claim has gone through Erisco's ClinicaLogic medical editing system, it reaches the adjuster with problem areas flagged for further attention or automatically corrected, said Harry Chororos, senior director of marketing for Erisco in New York.

Medical editing software identifies charges that are not usual and customary or procedures that are out of line with normal practice.

Companies can determine for themselves how strictly claims errors will be enforced, Mr. Chororos said.

For instance, one of Erisco's clients is a pharmaceutical company that does not want to take a hard-line approach with providers who are potential customers, he said.

Nevertheless, the company wants to know how many incorrect bills it receives. It uses the ClinicaLogic software to keep tabs on billing errors, even though the billed amounts are almost always paid in full, he said.

As an extension of using medical editing systems, some clients are starting to ask about software that features the payment structure of the new Medicare fee schedule, said Ms. Parker of Magnus Software.

Medicare will be implementing its new Resource Based Relative Value System payment structure over the next few years. The RBRVS structure will assign weighted values to various medical procedures based on the time required to perform the procedure, the overhead involved and malpractice insurance costs, Ms. Parker explained.

Claims payers are interested in adopting the same payment structure to ensure that they are not overcharged for those same procedures, Ms. Parker said.

Most EBIS vendors will provide users with software that allows the user to reimburse providers within RBRVS parameters over the next few years, she predicted.

Vendors and claims administrators have been looking ahead for some time to the day when claims administration will be completely automated.

"Image processing" is developing quickly and will go a long way toward automating the claims process, Mr. Heimsoth said.

An image of a claims form can be entered into the data system within minutes and can then be stored in the system on magnetic disks. Even X-rays can be stored in

Continued on page 24

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System Vendor	Number sold directly to employers	Year first installed at employer	Types of claims administered
Tesseract's Benefit/Flexible Benefit Plan Administrator Tesseract Corp.	136	1982	Health, dental, vision, drug
QicClaim Health Claims Administration System Resource Information Management Systems Inc.	65	1981	Health, dental, vision, drug, LTD, STD
ClaimFacts Erisco	64	1980	Health, dental, vision, drug, LTD, STD
FACTS FACTS Services Inc.	28	1981	Health, dental, vision, drug, LTD, STD
CAS-II Claims Administration System Policy Management Systems Corp.	27	1982	Health, dental, vision, drug, LTD, STD
ThisClaim Telos Computing Inc.	26	1980	Health, dental, vision, drug, LTD, STD
FASTRAK Magnus Software Corp.	22	1981	Health, dental, vision, drug, LTD, STD, Life

Source: BI survey of vendors

GRAPHIC BY KIMBERLY MART

EBIS advancements

Continued from page 22

an electronic format, he said.

A claims reviewer can then pull a claims file's contents up on screen, rather than having to also sift through paper files. "It saves storage space and, more importantly, time," he said.

While Resource Information Management Systems does have clients using imaging technology, all of them are TPAs.

Magnus' MaxCare system is integrated now with International Business Machines Corp.'s Image Plus system, Ms. Parker said. Clients are interested in the product

but are still holding back because of the cost, she said.

A division within Telos Computing Inc. is devoted to developing imaging technology and applications, said William Whitmore, director of marketing for the company in Goleta, Calif. Telos was formerly S.W. Systems Inc.

Imaging technology is now priced out of the market for most employers, he said. But continued interest will help drive prices down and improve quality.

High costs, said Mr. Graham, are tempering interest in another new technology—optical character recognition. OCR allows documents like claims forms to be read by the

computer and translated into the appropriate format, rather than scanning the image or typing in the information by hand.

However, Ms. Parker said, "the industry must standardize hospital claim forms and doctor bills before" OCR will effectively work in claims administration.

"Handwriting can be scanned now, but with a high error rate," she said.

Another problem is that the technology is still changing so rapidly that by the time an employer selects a vendor, entirely new OCR products will be on the market and the product originally chosen is obsolete, Mr. Graham said. ■

Ironically, data overload hinders benefit managers' efforts to cut health costs

Evaluating raw figures proves costly

By MICHAEL SCHACHNER

Self-insured employers can obtain reams of raw cost and utilization data from health care plan administrators but usually lack the staff and expertise to evaluate it themselves, employee benefit managers say.

Even though data from health maintenance organizations and preferred provider networks is slow in coming, benefit managers

say indemnity plan administrators provide them with more than enough general data.

However, because most of the data is too voluminous or indecipherable for corporate benefits departments to analyze, consultants and other vendors with special software are being asked to do in-depth analysis for employers.

But these outside specialists

Continued on next page

Seldane®

(terfenadine) 60 mg Tablets

BRIEF SUMMARY

CAUTION: Federal law prohibits dispensing without prescription.

DESCRIPTION

Seldane (terfenadine) is available as tablets for oral administration. Each tablet contains 60 mg terfenadine. Tablets also contain, as inactive ingredients: corn starch, gelatin, lactose, magnesium stearate, and sodium bicarbonate.

INDICATIONS AND USAGE

Seldane is indicated for the relief of symptoms associated with seasonal allergic rhinitis such as sneezing, rhinorrhea, pruritus, and lacrimation.

CONTRAINDICATIONS

Seldane is contraindicated in patients with a known hypersensitivity to terfenadine or any of its ingredients.

PRECAUTIONS

General: Terfenadine undergoes extensive metabolism in the liver. Patients with impaired hepatic function (alcoholic cirrhosis, hepatitis), or on ketoconazole or troleandomycin therapy, or having conditions leading to QT prolongation (e.g. hypokalemia, congenital QT syndrome) may experience QT prolongation and/or ventricular tachycardia at the recommended dose. The effect of terfenadine in patients who are receiving agents which alter the QT interval is not known. These events have also occurred in patients on macrolide antibiotics, including erythromycin, but causality is unclear. The events may be related to altered metabolism of the drug, to electrolyte imbalance, or both.

Information for patients: Patients taking Seldane should receive the following information and instructions. Antihistamines are prescribed to reduce allergic symptoms. Patients should be questioned about pregnancy or lactation before starting Seldane therapy, since the drug should be used in pregnancy or lactation only if the potential benefit justifies the potential risk to fetus or baby. Patients should be instructed to take Seldane only as needed and not to exceed the prescribed dose. Patients should also be instructed to store this medication in a tightly closed container in a cool, dry place, away from heat or direct sunlight, and away from children.

Drug Interactions: Preliminary evidence exists that concurrent ketoconazole or macrolide administration significantly alters the metabolism of terfenadine. Concurrent use of Seldane with ketoconazole or troleandomycin is not recommended. Concurrent use of other macrolides should be approached with caution.

Carcinogenesis, mutagenesis, impairment of fertility: Oral doses of terfenadine, corresponding to 63 times the recommended human daily dose, in mice for 18 months or in rats for 24 months, revealed no evidence of tumorigenicity. Microbial and micronucleus test assays with terfenadine have revealed no evidence of mutagenesis.

Reproduction and fertility studies: Studies showed no effects on male or female fertility at oral doses of up to 21 times the human daily dose. At 63 times the human daily dose there was a small but significant reduction in implants and at 125 times the human daily dose reduced implants and increased post-implantation losses were observed, which were judged to be secondary to maternal toxicity.

Pregnancy Category C: There was no evidence of animal teratogenicity. Reproduction studies have been performed in rats at doses 63 times and 125 times the human daily dose and have revealed decreased pup weight gain and survival when terfenadine was administered throughout pregnancy and lactation. There are no adequate and well-controlled studies in pregnant women. Seldane should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

Nonteratogenic effects: Seldane is not recommended for nursing women. The drug has caused decreased pup weight gain and survival in rats given doses 63 times and 125 times the human daily dose throughout pregnancy and lactation. Effects on pups exposed to Seldane only during lactation are not known, and there are no adequate and well-controlled studies in women during lactation.

Pediatric use: Safety and effectiveness of Seldane in children below the age of 12 years have not been established.

ADVERSE REACTIONS

Experience from clinical studies, including both controlled and uncontrolled studies involving more than 2,400 patients who received Seldane, provides information on adverse experience incidence for periods of a few days up to six months. The usual dose in these studies was 60 mg twice daily, but in a small number of patients, the dose was as low as 20 mg twice a day, or as high as 600 mg daily.

In controlled clinical studies using the recommended dose of 60 mg b.i.d., the incidence of reported adverse effects in patients receiving Seldane was similar to that reported in patients receiving placebo. (See Table below.)

Rare reports of severe cardiovascular adverse effects have been received which include arrhythmias (ventricular tachyarrhythmia, torsades de pointes, ventricular fibrillation), hypotension, palpitations, and syncope. In controlled clinical trials in otherwise normal patients with rhinitis, at doses of 60 mg b.i.d. small increases in QTc interval were observed. Changes of this magnitude in a normal population are of doubtful clinical significance. However, in another study (N=20 patients) at 300 mg b.i.d. a mean increase in QTc of 10% (range -4% to +30%) (mean increase of 46 msec) was observed without clinical signs or symptoms.

In addition to the more frequent side effects reported in clinical trials (See Table), adverse effects have been reported at a lower incidence in clinical trials and/or spontaneously during marketing of Seldane that warrant listing as possibly associated with drug administration. These include: alopecia (hair loss or thinning), anaphylaxis, angioedema, bronchospasm, confusion, depression, galactorrhea, insomnia, menstrual disorders (including dysmenorrhea), musculoskeletal symptoms, nightmares, paresthesia, photosensitivity, seizures, sinus tachycardia, sweating, tremor, urinary frequency, and visual disturbance.

In clinical trials, several instances of mild, or in one case, moderate transaminase elevations were seen in patients receiving Seldane. Mild elevations were also seen in placebo treated patients. Marketing experiences include isolated reports of jaundice, cholestatic hepatitis, and hepatitis. In most cases available information is incomplete.

OVERDOSAGE

Information concerning possible overdosage and its treatment appears in Full Prescribing Information.

DOSAGE AND ADMINISTRATION

One tablet (60 mg) twice daily for adults and children 12 years and older.

Product Information as of July, 1990

MARION MERRELL DOW INC.

Prescription Products Division

Kansas City, MO 64114

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Continued from previous page
can prove quite costly. Data evaluation projects can cost \$1,000 to \$10,000 per project, depending on the depth and scope of the analysis, and often take many months to complete.

Yet most benefit managers still say that health care data collection and in-depth evaluation—if conducted in proper intervals—is worth the investment, especially if a project leads to cost-effective plan design changes.

At this point, benefit managers say they have had little success in obtaining workable data from HMOs and PPOs. Managed care firms, they say, are just now getting their benefit information systems up to speed on providing sophisticated reports.

For instance, the only information employers can get on PPO performance is data for all em-

ployers belonging to a network, consultants say.

But for indemnity plans, "canned," individualized data is plentiful—maybe too plentiful for some benefit managers.

"There's tons of data available, but not enough time or staff to examine it all," said Keith Coakley, director-benefits with Northeast Utilities in Berlin, Conn. The company has about 3,000 employees enrolled in a self-insured indemnity plan administered by Metropolitan Life Insurance Co.

Instead, Mr. Coakley said, the utility periodically arranges for Corporate Health Strategies—a MetLife managed care consulting and data evaluation unit in Westport, Conn.—to "crunch data and provide us with a final analysis of where we stand."

GATX Corp. of Chicago finds

'Almost any kind of data' is available, says James Conniff. 'The problem is what to do with it.'

itself in a similar position.

"Almost any kind of data I want" is available, said James Conniff, assistant director of employee benefits. "The problem is what to do with it."

The diversified manufacturer contracts with MetLife to administer a self-insured indemnity program available to about 4,000 employees of five different subsidiaries. Standard reports from the insurer are "voluminous, but not very clear for any-

one not intimately involved with benefits," said Mr. Conniff.

Specific utilization data is available from Corporate Health Strategies, "but it's too expensive to request regularly," said Mr. Conniff. "We sometimes ask them to do an ad hoc analysis of a certain diagnosis or something, or ask for specific cost runs by location, but that's about it."

Other companies involve themselves in collecting and breaking down specific data.

One company with a sharp eye for detail is Barnett Banks Inc.

"If you're managing millions of dollars during a time of inflation, I think you have to know that you're at least getting the most for your money," said Cathy Wooster, benefits planning manager for the Jacksonville, Fla.-based holding company. "Evaluation is the key to

plan design change and basic pricing."

Barnett Banks provides health care benefits to 13,000 of its 18,000 employees through a self-insured indemnity plan administered by Provident Life & Accident Insurance Co.

Provident periodically provides the bank with general cost and utilization summaries. Provident also provides year-end data packages that include gross charges, the number of claims that were denied, money saved through coordination of benefits and gross costs to the company.

"Beyond that, we can request to have the information broken down further," explained Ms. Wooster. "We can see specifically where our charges are taking place. We can see what our top diagnosis is and get a breakdown of large-loss claims."

A self-insured indemnity plan at B.F. Goodrich Co. of Akron, Ohio, is administered by Aetna Life & Casualty Co. The insurer provides basic claims data on the 18,000 active employees and retirees covered under the plan.

But Goodrich wants more detailed data, said Robert Rischitelli, manager-benefit operations. So it contracts with MEDSTAT Systems Inc. of Ann Arbor, Mich., to further break down its data and produce quarterly reports on the company's costs compared with costs at similar companies in the chemical and aerospace industries, he explained.

"We can look closely at our high-cost and low-cost areas and examine costs within Goodrich divisions. They accommodate us nicely and can run hypothetical case studies for us so that we can see what impact a potential plan design change would have," said Mr. Rischitelli.

While Goodrich is satisfied with MEDSTAT's service, the data collecting and evaluating firm could complete reports more quickly and provide more targeted information, Mr. Rischitelli suggested.

"We'd like to pull information faster and more specifically. Now the data they're looking at is too bulky and, with quarterly reports, there's a tendency to get too excited or depressed about one report," he said.

Like Goodrich, The Gillette Co. wants more detailed information than its health plan administrator can provide.

So it contracts with William M. Mercer Inc. to break down information from a Gillette self-insured indemnity plan administered by Blue Cross & Blue Shield Assn. of Massachusetts.

"We get a lot of data from our administrator, but it isn't detailed enough to help us make plan modifications," said Christopher Watson, employee benefits administrator for Boston-based Gillette. "Mercer breaks down our data thoroughly—right down to the number of gauze pads we pay for."

Mercer's CHAMP system, a data collection and evaluation EBIS system, allows Gillette to scan this type of detailed information, said Mr. Watson.

"Without it, we'd just be guessing," he insisted.

Like Goodrich, Gillette uses Mercer's system to help it model potential plan design changes.

"We can test models and measure (the potential impacts of various changes). We have actually made changes in the past year based on this type of modeling," Mr. Watson explained. ■

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Employee benefit information system vendors

A

Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
708-577-6000; fax: 708-577-6038

Founded: 1982.
Software products:
■ 401(k) Projection Estimators: Unbundled hardware and software; personal computer; first installation, 1991. Calculates future defined contribution plan balances; communicates benefit programs to employees.
■ Pension Calculators: Unbundled hardware and software; personal computer; first installation, 1987. Calculates defined benefit plan amounts; communicates benefit programs to employees.

User support: Telephone assistance available eight hours per day.
Staff: 76, 61 professionals.
Principal officers: David Goldenberg, vp.

AIMS Inc.

485 Underhill Blvd., Syosset, N.Y.
11791; 516-496-7700;
fax: 516-496-7069

Founded: 1977.
Software products:
■ AIMS Labor Union Processing: unbundled hardware and software; personal computer; first installation, 1977; 12 total installations, four in employee benefit departments.
■ AIMS 'CPROC' Health Claims Processing: unbundled hardware and software; personal computer; first installation, 1977; 12 total installations. Communicates benefit programs to employees; is designed to administer claims under COBRA.

■ AIMS Pension, Retirement Fund System: unbundled hardware and software; personal computer; first installation, 1978; four total installations.
User support: Telephone assistance available nine hours per day, on-site training, electronic remote communications, continuous enhancement program.

Staff: 40, all professionals.
Clients: 12 total. Sold systems to three clients in 1991. Corporate employee benefit clients include 100% with gross revenues less than \$200 million.

Principal officers: Morris Moliver, president.
Contact: Ann Elbirt, marketing administration manager.

APEX Data Systems

6464 E. Grant Road, Tucson, Ariz.
85715; 602-298-1991;
fax: 602-296-7948

Founded: 1977.
Software products:
■ Cognac*Plus: \$20,000 to \$35,000; unbundled hardware and software; personal computer or LAN; first installation, 1988; 26 total installations, four in employee benefit departments. Provides on-line, interactive administration and claims processing with consolidated tracking and reporting capabilities for self-insured groups and includes automatic generation of user-defined letters; communicates benefit programs to employees; is designed to administer claims under COBRA.
■ CHIPS: \$10,000 to \$25,000; unbundled hardware and software; personal computer or LAN; first installation, 1988; 18 total installations, eight in employee benefit departments. Provides complete claims processing for self-insured groups, automatic letter generation and follow-ups, free-form comment screens, claims history, bank reconciliations; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available nine hours per day, on-site training, enhancement releases, personalized modifications, modem hook-ups, on-line tutorial, user manuals.
Staff: 16, nine professionals.
Principal officers: D.W. Babcock, president.
Contact: Cynthia Stewart, director.

B

BTA Economic Research Institute

901 Dove St., Suite 158, Newport Beach, Calif. 92660; 800-627-3697; fax: 714-833-0460

Founded: 1987.
Parent company: Baker, Thomsen Associates.

Software products:
■ Group Benefit Assessor: \$89; unbundled hardware and software; personal computer; first installation, 1989; 1,600 total installations, all in employee

benefit departments. Functions include 125 testing, Form 5500 and prototype plan output, cost and competitive modeling, 79, 105(H) and 129 testing.

User support: Telephone assistance available 12 hours per day.

Staff: 19, 12 professionals.

Clients: 1,600 total. Corporate employee benefit clients include 80% with gross revenues less than \$200 million, 15% with \$200 million to \$499 million, 5% with \$500 million to \$999 million.

Branch offices: San Diego.

1991 gross revenues: \$2.2 million total; all from employee benefit information systems, including 32% from software sales, 68% from software services.

Principal officers: David J. Thomsen, director.

Benefit Concepts Systems

396 Wampanoag Trail, East Providence, R.I. 02915;
800-969-2009; fax: 401-438-5420

Founded: 1986.

Software products:

■ Benefit Continuation Management System: \$1,595; unbundled hardware and software; personal computer; first installation, 1985. Communicates benefit programs to employees; is designed to administer claims under COBRA.

■ Reimbursement Account Management System: \$2,495; unbundled hardware and software; personal computer; first installation, 1986. Functions as a FSA administration system; communicates benefit programs to employees.

■ Flexible Benefit Management Sys-

tem: \$7,495; unbundled hardware and software; personal computer; first installation, 1985. Functions as a cafeteria plan administration system, communicates benefit programs to employees.

User support: Telephone assistance available eight hours per day, on-site training, modem support.

Principal officers: John W. Hoder, vp; F. Jay Hoder III.

Contact: John W. Hoder.

Benefit Plan Systems Corp.

16 Technology, Suite 161, Irvine, Calif. 92718; 714-753-0180 or 800-523-8047; fax: 714-753-0845

Founded: 1977.

Continued on next page



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What all this means to you, at long last, is an opportunity to look

Continued from previous page

Software products:

■ **COBRA EAS Administrator:** \$9,995; unbundled hardware and software; personal computer; first installation, 1987. Functions include full network third-party administration; is designed to administer claims under COBRA.

■ **COBRA EAS Employer:** \$1,995; unbundled hardware and software; personal computer; first installation, 1987. Functions include full single employer COBRA processing; is designed to administer claims under COBRA.

■ **Retiree Billing:** \$2,495; unbundled hardware and software; personal computer; first installation, 1987. Functions include complete billing, eligibility for retirees and non-COBRA coverage.

User support: Telephone assistance available nine hours per day, on-site training.

Staff: 17, 12 professionals.

1991 gross revenues: 85% from soft-

ware sales, 15% from software services.

Principal officers: L.B. Wierzba, president; C. Jarl, vp; G. Rampley, treasurer.

Contact: L.B. Wierzba.

Benefit Resource Management Inc.

530 Howell Road, Suite 107,
Greenville, S.C. 29615-2000;
803-268-4955; fax: 803-268-5018

Founded: 1990.

Software products:

■ **DOCS-LTD:** unbundled hardware and software; personal computer; first installation, 1991; one total installation, in an employee benefit department. Functions include coverage, claims benefits and communication modules, automatic calculations, reserve and report capability.

■ **DOCS STD:** unbundled hardware and software; personal computer; first

installation, 1991; one total installation, which is in an employee benefit department. Functions include duration guidelines, ad hoc query and instant report capability.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training, maintenance via modem.

Staff: Four, three professionals.

Clients: One total. Sold systems to one client in 1991, with gross revenues less than \$200 million.

Principal officers: Theodore W. Mahler, president; Charles Basuino, treasurer.

Contact: Theodore W. Mahler.

Benefit Software Inc.

212 Cottage Grove Ave., Suite A,
Santa Barbara, Calif. 93101;
800-533-1388; fax: 805-568-0239

Founded: 1979.

Software products:

■ **Fringe Facts:** \$495 to \$2,495; unbundled hardware and software; personal computer; first installation, 1982; 2,850 total installations, 500 in employee benefit departments. Functions include production of personalized employee benefit statements, summary of benefits and costs, "what if" analysis; communicates benefit programs to employees.

User support: Telephone assistance available eight hours per day, regional training seminars.

Staff: 14, 12 professionals.

Clients: 1,500 total.

1991 gross revenues: \$800,000 total; all from employee benefit information systems, including 63% from software sales, 37% from software services.

Principal officers: Larry Du Bois, president.

Contact: David William, Keith Sluba, Jerry McGinnis, Tom Hutchison.

Benefit Systems & Services Inc.

760 Pasquini Drive, Suite 320,
Westmont, Ill. 60559; 708-990-2082;
fax: 708-789-2093

Founded: 1986.

Software products:

■ **DATA-Plus Benefit Administration Systems:** unbundled hardware and software; minicomputer; first installation, 1986; five total installations, one in an employee benefit department. Functions include on-screen processing of multiple plan designs including multi-level PPO, on-line correspondence; communicates benefit programs to employees.

■ **DATA-Plus Premium Administration System:** unbundled hardware and software; minicomputer; first installation, 1988; three total installations, none in employee benefit departments. Functions include interface with health/den-

Continued on next page

Guide to using EBIS directory

The directory of employee benefit information systems lists companies that produce and supply proprietary software products to employee benefit personnel in response to their information system needs.

Companies that produce and supply software products used to communicate benefit programs to employees are also included.

Each listing begins with the company's year **founded** and **parent company**, if any.

Information on **software products** follows. Included are the average completely installed price, whether the software and hardware are bundled or unbundled, the type of hardware needed, the year of its first installation, the number of installations to date and the number of installations to date in corporate employee benefit departments. The product's functions, including whether it can be used to communicate benefit programs to employees and whether it is capable of administering claims under the Consolidated Omnibus Budget Reconciliation Act of 1985, are listed here also.

Information on continued **user support** available and **staff** follows. Under **client**, total number of employee benefit information system clients in 1991 (both sales and service), total systems sold in 1991 and total corporate employee benefit clients in 1991 are listed. Locations of **branch offices** and **1991 gross revenues** are next. Names and titles of **principal officers** and a **contact** person complete the listings.

The directory is published as an editorial service; there is no charge for companies to be included. However, to be listed companies were required to complete a questionnaire provided by *Business Insurance*.

Although every effort is made to publish complete and accurate information, *Business Insurance* is unable to verify all data supplied by vendors.

If you would like to be listed in the 1993 directory of employee benefit information systems, please write Karen Armaganian, Assistant Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.

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Continued from previous page
tal, COBRA and cafeteria systems, extensive system reporting capabilities.

■ **DATA-Plus Section 125/Cafeteria Plan Administration:** unbundled hardware and software; minicomputer; first installation, 1986; two total installations, none in employee benefit departments. Functions include automatic update of elections and reimbursement account balances, windows for on-line reference; communicates benefit programs to employees.

User support: Telephone assistance available 10 hours per day, on-site training.

Staff: 45, 32 professionals.

Clients: Seven total. Sold systems to two clients in 1991. Corporate employee benefit clients include 60% with gross revenues less than \$200 million, 40% with \$200 million to \$499 million.

1991 gross revenues: \$2.8 million total; \$1.9 million from employee benefit information systems sales and services, including 40% from hardware sales, 10% from software sales, 50% from software services.

Principal officers: David H. Lloyd, president; Carmen J. Morreale, executive vp; Roy Wapiennik, vp-operations; Jacqueline Wenzel and Pamela Pratt, assistant vps.

Contact: Carmen J. Morreale.

BeneSoft Inc.

P.O. Box 3530, Bethany, Conn.
06525; 203-393-0320;
fax: 203-393-0325

Founded: 1982.

Software products:

■ **BeneSoft's Flexible Software:** \$10,000/year and up; bundled hardware and software; personal computer; first installation, 1987; 70 total installations, 60 in employee benefit departments. Functions include complete flex administration, enrollment, eligibility, reporting, premium calculations, payroll interface; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 24 hours per day, on-site training, extensive classroom training and implementation support.

Staff: 14, 12 professionals.

Clients: 60 total. Sold systems to 20 clients in 1991. 60 corporate employee benefit clients, including 30% with gross revenues less than \$200 million, 50% with \$200 million to \$499 million, 20% with \$500 million to \$999 million.

Branch offices: Portland, Ore.

Principal officers: F.A. Saleh, president; Steve Y. Froebel, vp-systems development.

Contact: F.A. Saleh.

BeneSys Inc.

5716 Corsa Ave., Suite 100,
Westlake Village, Calif. 91362-4001;
818-879-0044; fax: 818-879-0062

Founded: 1980.

Software products:

■ **BeneSys Claims Management System:** \$110,000; unbundled hardware and software; minicomputer; first installation, 1990; three total installations, all in employee benefit departments. Functions include automated health claims administration for self-insureds and self-administration funds, TPAs and insurance companies.

■ **PENSION+:** \$120,000; unbundled hardware and software; minicomputer; first installation, 1980; 12 total installations, all in employee benefit departments. Functions include pension benefit administration for single/multiple employer trusts and public entities; communicates benefit programs to employees.

User support: Telephone assistance available 10 hours per day, on-site training.

Staff: 12, 10 professionals.

Clients: 12 total. Sold systems to two clients in 1991.

1991 gross revenues: \$1 million total; all from employee benefit information systems, including 100% from software sales.

Principal officers: Edward F. O'Gara, Thomas L. Wedel, partners.

Contact: Thomas L. Wedel.

Biven Software Inc.

2531 Briarcliff Road N.E., Suite 200,
Atlanta, Ga. 30329; 404-634-2298;
fax: 404-634-6697

Founded: 1990.

Parent company: Biven Inc.

Software products:

■ **BivenHEALTH:** unbundled hardware and software; personal computer, minicomputer or mainframe; first installation, 1991. Functions include enrollment and eligibility, claims processing, employee history, accounting, unlimited plan definitions; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 12 hours per day, on-site training, electronic customer support tools.

Principal officers: Paul Harrison, president/chief executive officer; Gene Harrison, senior vp-research and development; Ed Meyer, vp-research and development; Kayc Bond, vp-marketing.

Contact: Kayc Bond.

Buck Consultants Inc.

2 Pennsylvania Plaza, New York,
N.Y. 10121; 212-330-1000;
fax: 212-695-4184

Founded: 1916.

Software products:

■ **Buck Social Security:** \$500; unbundled hardware and software; personal computer; first installation, 1988; 20 total installations, 18 in employee benefit departments. Calculates old age, death and disability Social Security benefits; communicates benefit programs to employees.

■ **Buck Bencal PC:** unbundled hardware and software; personal computer; first installation, 1988; 37 total installations, 30 in employee benefit departments. Calculates retirement benefits for defined benefit plans; communicates benefit programs to employees.

■ **Buck Recordkeeping Plus:** unbundled hardware and software; mainframe; first installation, 1987; 24 total installations, 19 in employee benefit departments. Functions include on-line defined contribution plan and loan administration; communicates benefit programs to employees.

■ **Buck Actual:** unbundled hardware and software; mainframe; first installation, 1970; four total installations, four in employee benefit departments. Functions include actuarial valuation of de-

finer benefit plans.

■ **Buck IDP:** unbundled hardware and software; mainframe; first installation, 1984; nine total installations, all in employee benefit departments. Functions include manipulation and editing of benefits data.

■ **Buck Tax Exclusion:** \$1,200; unbundled hardware and software; personal computer; first installation, 1988; 11 total installations, all in employee benefit departments. Determines taxable and non-taxable portions of pension payments; communicates benefit programs to employees.

■ **Buck Inquiry & Transaction System:** unbundled hardware and software; personal computer; first installation, 1991; 12 total installations, all in employee benefit departments. Displays defined contribution plan data and processes plan transactions; communicates benefit programs to employees.

■ **Universal Flex System:** unbundled hardware and software; minicomputer; first installation, 1988; 15 total installations, all in employee benefit departments. Processes, retains and communicates benefit payroll, HRIS, eligibility

and claim payment information; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available during business hours, project and implementation support.

Staff: 1,380, 1,076 professionals.

Clients: 2,000 corporate employee benefit clients.

Branch offices: Atlanta; Boston; Chicago; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Seacucus, N.J.; Stamford, Conn.; Washington, D.C.; Antwerp and Brussels, Belgium; Calgary, Alberta; Dublin, Ireland; Edinburgh, Scotland; Hong Kong; Leeds and London, England; Madrid, Spain; Melbourne and Sydney, Australia; Mexico City; Montreal; Paris; Rotterdam, Netherlands; St. Albans, England; Toronto.

1991 gross revenues: \$163 million total.

Principal officers: William E. Giegerich Jr., president/chief executive officer; Joseph A. LoCicero, secretary of the board.

Continued on next page

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Continued from previous page

Business Administration Services Inc.

22 Knight St., Norwalk, Conn. 06851; 203-853-6584; fax: 203-852-1574

Founded: 1984.**Software products:**

■ The BASI Administrator: \$4,500 to \$10,000; unbundled hardware and software; personal computer; first installation, 1984; 112 total installations, 92 in employee benefit departments. Functions include participant record-keeping for defined contribution plans; communicates benefit programs to employees.

User support: Telephone assistance available eight hours per day, on-site training, upgrades, enhancements.

Staff: Seven, four professionals.

Clients: 75 total. Sold systems to five clients in 1991.

1991 gross revenues: \$225,000 total; all from employee benefit information systems, including 25% from software sales, 75% from software services.

Principal officers: Gary Oberst, president.

Contact: Nancy Oberst, director-

client support.

William Byrne & Associates

1030 Woodcrest Terrace Drive, Suite 135, St. Louis, Mo. 63141; 314-275-2600; fax: 314-275-7149

Founded: 1985.**Software products:**

■ Health Claims System: unbundled hardware and software; personal computer; first installation, 1985; 12 total installations, six in employee benefit departments. Administers health, dental and vision claims.

User support: Telephone assistance available 12 hours per day, on-site training.

Staff: 30, 25 professionals.

Clients: 10 total. Sold systems to three clients in 1991. Three corporate employee benefit clients, all with gross revenues less than \$200 million.

1991 gross revenues: \$1.5 million total; \$500,000 from employee benefit information systems, including 25% from hardware sales, 25% from software sales, 50% from software services.

Principal officers: Bill Byrne, president; Mark Cutler and Bob Cook, vps.

Contact: Mark Cutler.

C

California Interactive Computing Inc.

8550 Balboa Blvd., Suite 180, Northridge, Calif. 91325; 818-895-5500; fax: 818-891-8913

Founded: 1977.**Software products:**

■ GenMed: unbundled hardware and software; personal computer, minicomputer, mainframe; first installation, 1979; 15 total installations, 13 in employee benefit departments. Adjudicates and administers medical, dental, vision and prescription drug claims; designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training.

Staff: 40, 25 professionals.

Clients: 15 total. Sold systems to two clients in 1991.

Branch offices: Cocoa Beach, Fla.

1991 gross revenues: \$4 million total; \$1 million from employee benefit information systems, including 33% from hardware sales, 33% from software sales, 33% from software services.

Principal officers: Jerry C. Buckley, president; Ralph M. Flygare, vp.

Cantor & Co.

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 310-859-7277; fax: 310-859-7415

Founded: 1982.**Software products:**

■ PCMS: \$9,875; unbundled hardware and software; first installation, 1985; 250 total installations. Tracks disability benefits and patient care, offers two-dimensional graphics.

■ PCMS Plus: \$12,500 single user, \$22,000 multi-user.

■ Riskmap Risk Financing: \$1,950; unbundled hardware and software; personal computer; first installation, 1983; 100 total installations. Determines benefit funding mechanisms, budgeting.

■ Riskmap Loss Forecasting: \$1,500; unbundled hardware and software; personal computer; first installation, 1984;

more than 50 total installations. Forecasts frequency, severity and total cost of benefit programs.

■ HMO Membership/Claims Management System: bundled or unbundled hardware and software. Manages membership and claims of HMOs.

Staff: Six, five professionals.

Clients: 450 corporate employee benefit clients, including 25% with gross revenues less than \$200 million, 60% with \$200 million to \$499 million, 10% with \$500 million to \$999 million, 4% with \$1 billion to \$3.5 billion, 1% exceeding \$3.5 billion.

Principal officers: Alan B. Cantor, president.

Cascade Technologies Inc.

1430 Broadway, New York, N.Y. 10018; 212-768-7380

Founded: 1985.**Software products:**

■ Professional Capital Accumulation System: unbundled hardware and software; personal computer; first installation, 1986; 200 total installations, 40 in employee benefit departments. Handles defined contribution recordkeeping, administration, communication; communicates benefit programs to employees.

■ CAS Voice: bundled hardware and software; personal computer; first installation, 1989; 50 total installations, 20 in employee benefit departments. Handles interactive voice response and communication; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available nine hours per day, file transfer service, bulletin board, enhancements, training curriculum.

Staff: 17, 15 professionals.

Clients: 38 total. Sold systems to 30 clients in 1991.

Principal officers: Vigdis Austad, president; William E. Colgan, vp-applications; Frank J. Joicy, vp-technology.

Contact: Michael F. George, marketing manager.

Compensation Systems Corp.

407 Sarasota Quay, Sarasota, Fla. 34236; 813-957-1053; fax: 813-955-2148

Founded: 1992.**Software products:**

■ TPA 2000: \$5 per month per employee; bundled hardware and software; personal computer.

User support: Telephone assistance available 12 hours per day, audio/visual guides.

Staff: 10, five professionals.

Branch offices: Ithaca, N.Y.; Philadelphia.

Principal officers: James C. Foley, president; Albert J. Bacher and William Pierce, executive vps.

Contact: James C. Foley.**Computer Associates International Inc.**

1 Computer Associates Plaza, Islandia, N.Y. 11788; 516-342-5224 or 800-225-5224; fax: 516-342-5329

Founded: 1976.**Software products:**

■ CA-BeneState: mainframe; first installation, 1971. Produces a comprehensive statement of benefits coverage, user-customizable through external tables, variable for different groups, displays specified benefit information including employee and employer costs.

■ CA-HRDB (Human Resource Database System): mainframe; first installation, 1979. Provides integrated, on-line, real-time personnel and payroll processing.

■ CA-Pension: mainframe; first installation, 1976. Handles pension administration applications; communicates benefit programs to employees.

■ CA-Personality: personal computer; first installation, 1986. Human resource management; communicates benefit programs to employees; administers claims under COBRA.

■ Ca-SAAvi: mainframe; first installation, 1988. Handles payroll, personnel, flex compensation, benefits, pension; communicates benefit programs to employees; administers claims under COBRA.

■ CA-Classic/Open: Personnel/Benefits System: UNIX-based; first installation, 1978. Functions include government compliance reporting for EEOC, OSHA, AAP, applicant tracking with recruitment cost tracking, skills inventory, wage and salary administration and benefit administration, includes

Continued on next page

invoices continuously reflect current acceptable billing practices, and that maximum savings are achieved.

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AS-400, PCs, HP, and UNISYS.

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HEALTH
PAYMENT
REVIEW INC.

Continued from previous page
 COBRA processing and history.

■ CA-Classic/Open:Payroll: UNIX based; first installation, 1978. Functions include feature-rich UNIX-based payroll solution which supports payroll calculation, reporting and taxing requirements in the United States and Canada.

■ CA-Classic/Open FlexComp: UNIX based; first installation, 1980. Helps employers cap the cost of employee benefits packages, while enabling employees to tailor their benefits and reduce taxes.

■ CA-HRS: Personnel: mainframe; first installation, 1985. Handles payroll processing for salaried and hourly employees, time processing, full gross to net processing for earnings, taxes and deductions.

■ CA-HRS: Payroll: mainframe; first installation, 1985. Handles payroll processing for salaried and hourly employees, time processing, full gross to net processing for earnings, taxes and deductions.

■ CA-HRS: PC Extend: personal computer; first installation, 1989. Provides PC capabilities to CA-HRS mainframe; includes COBRA letter generation, applicant letter generation, activity dockets and standard information downloads for analysis and customer reporting.

User support: User groups/meeting, telephone assistance available 24 hours per day, on-site installation assistance and training available.

Staff: 7,500.

Branch offices: More than 40 U.S. and 50 international sales offices.

1991 gross revenues: \$1.4 billion total.

Principal officers: Charles B. Wang, chairman/chief executive officer; Anthony W. Wang, president/chief operating officer; Russell M. Artzt, executive vp-research & development; Arnold S. Mazur, executive vp-North American Group; Peter A. Schwartz, senior vp/chief financial officer; Sanjay Kumar, senior vp-planning; Belden A. Frease, senior vp/secretary; Charles P. McWade, senior vp/treasurer.

Computer Workware Inc.

5409 Eglinton Ave. W., Suite 108,
 Toronto, Ontario M9C 5K6;
 416-620-1704; fax: 416-620-5692

Founded: 1984.

Software products:

■ FAST: \$25,000; unbundled hardware and software; personal computer; first installation, 1984; 400 total installations, all in employee benefit departments. Administers flexible and traditional employee benefit programs; communicates benefit programs to employees.

User support: Telephone assistance available eight hours per day, on-site training.

Staff: Nine, three professionals.

Clients: 400 total. Sold systems to 150 clients in 1991. Corporate employee benefit clients include 65% with gross revenues less than \$200 million, 35% with \$200 million to \$499 million.

1991 gross revenues: \$1.1 million total; \$995,000 from employee benefit information systems, including 95% from software sales, 5% from software services.

Principal officers: Edward G. Robinson, president; Keith Formosa-Blundell, vp.

Contact: Keith Formosa-Blundell.

Computing Management Inc.

2346 S. Lynhurst Drive, Suite C101,
 Indianapolis, Ind. 46241;
 317-247-4485; fax: 317-247-0153

Founded: 1983.

Software products:

■ HRIC-Human Resource Information Center: \$7,500; unbundled hardware and software; personal computer or LAN; first installation, 1983; 300 total installations. Functions include benefit calculations, benefit statements and reporting.

■ Flex-Trac: unbundled hardware and software; personal computer or LAN; first installation, 1984; 150 total installations. Functions include retiree extended benefits, complete billing system, calculates premiums, tracks dates, generates all communications.

■ COBRA-Trac: \$3,000; unbundled hardware and software; personal computer or LAN; first installation, 1989; 50 total installations. Functions include full Flex including spending accounts, enrollment forms, confirmation statements and reporting; designed to administer claims under COBRA.

User support: User groups/meeting, telephone assistance available nine hours per day, on-site training, modem support.

Staff: 15, all professionals.

Clients: 300 total. Sold systems to 100 clients in 1991.

Coopers & Lybrand-Actuarial, Benefits & Compensation Group

1251 Ave. of the Americas, New York, N.Y. 10020; 800-232-2717; fax: 212-536-2163

Founded: 1961

Software products:

■ Benefits Information Line: unbundled hardware and software; personal computer; first installation, 1988. Provides generalized and personalized information on benefit plans via touch-tone telephone; can be used to communicate benefit programs to employees.

employees.

■ Benefactor: unbundled hardware and software; personal computer; first installation, 1989. Functions as a data base to support defined benefit, defined contribution, health and welfare plans; can be used to communicate benefit programs to employees.

■ CompSTRATEGIST: unbundled hardware and software; personal computer; first installation, 1990. Functions as a compensation and human resources planning and recordkeeping system.

■ COBRATRACKS: unbundled hardware and software; personal computer; first installation, 1986. Administers claims under COBRA; can be used to communicate benefit programs to employees.

■ Flexport: unbundled hardware and

software; personal computer; first installation, 1989. Functions as an administrative software system that helps automate and control flexible benefits program administration; can be used to communicate benefit programs to employees.

■ FlexChoice: unbundled hardware and software; personal computer; first installation, 1991. Functions as a multimedia expert system for flexible benefit plans, allows employees to review and understand the financial impact of their choices.

■ FlexCalc: unbundled hardware and software; personal computer; first installation, 1991. Uses a set of integrated worksheets to help manage the plan design and pricing of benefit options and credit allocations.

■ Retirement Counselor: First installation, 1991. Uses a combination of multimedia and expert system technologies to conduct a personal pre-retirement counseling session.

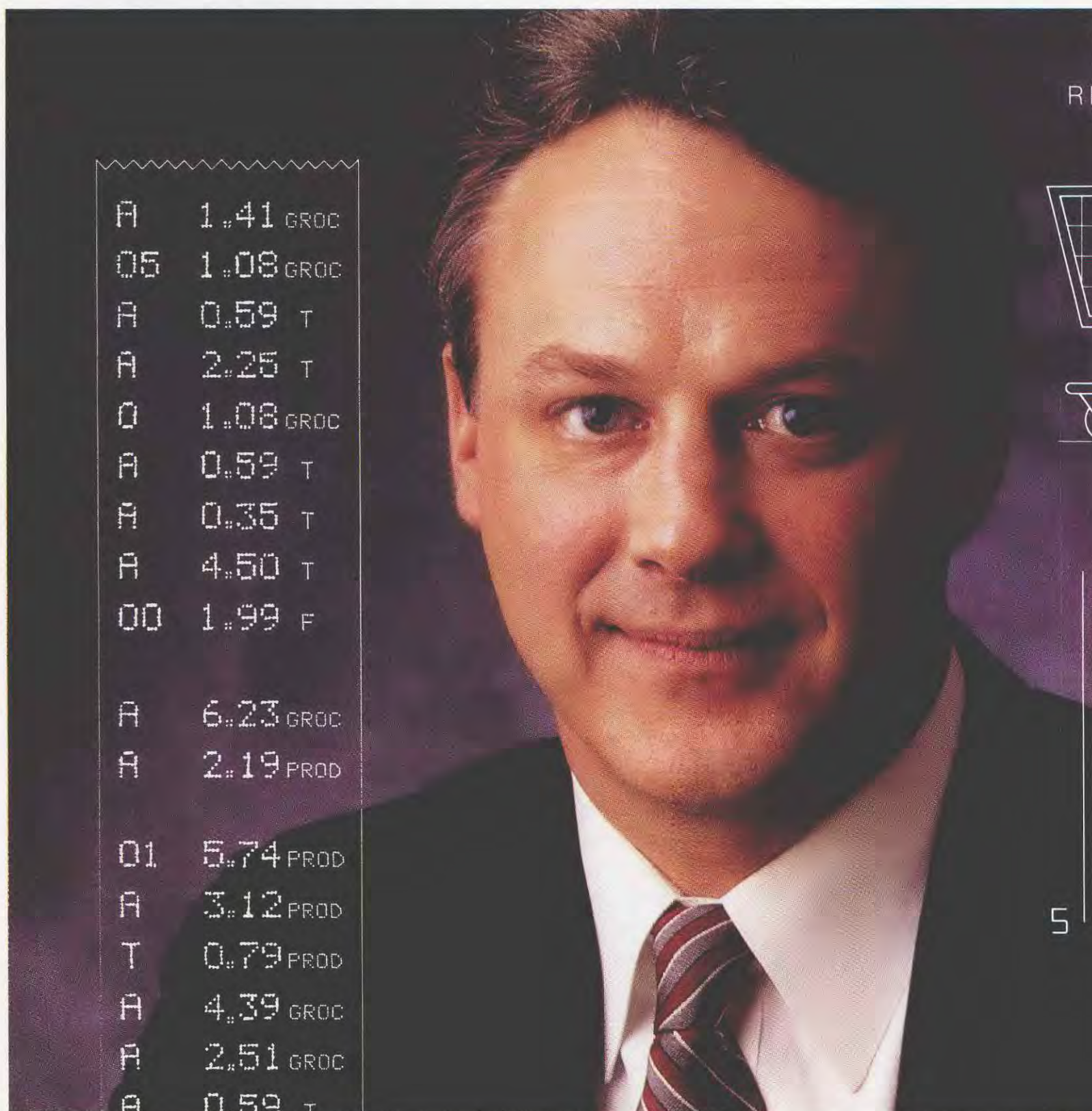
■ BILvision: unbundled hardware and software; personal computer; first installation, 1992. Functions as an interactive video phone system adjunct to BIL to provide integrated voice-video applications for benefits/human resources information and transactions.

User support: User groups/meetings, telephone assistance available eight hours per day.

Staff: 1,263, 1,033 professionals.

Branch offices: Atlanta; Boston; Chicago; Cleveland, Columbus, Ohio; Dallas; Detroit; Houston; Los Angeles; *Continued on next page*

THE H O M



OLD PROS ON

Continued from previous page
Louisville, Ky.; Minneapolis; New York; Parsippany, N.J.; Philadelphia; San Francisco; Stamford, Conn.; Syracuse, N.Y.; Tampa, Fla.

Principal officers: Reed A. Keller, vice chairman-actuarial benefits and compensation group/managing partner-New York metro; Neil A. Burger, national director-combined technologies; Harold M. Dankner, national director-ABC technical services; Frederick O. Kist, regional partner-casualty actuarial services; Frank J. Raiti, managing partner-Atlanta; Jack C. Forstadt, managing partner-Northeast; John B. Phillips, managing partner-West; Harry D. Spring, managing partner-Southwest; David P. Sunderhaft, managing partner-Midwest.

Contact: Doris Brown.

Corporate Health Strategies

2 Whitney Ave., New Haven, Conn.
06510; 203-781-5100;
fax: 203-624-7935

Founded: 1981.

Parent company: Metropolitan Life Insurance Co.

Software products:

■ Pro-Act: \$30,000; unbundled hardware and software; personal computer; first installation, 1988; 48 total installations, all in employee benefit departments. Functions include timely access to monthly benefit plan cost and utilization experience.

■ Chap 2: \$150,000; unbundled hard-

ware and software; personal computer; first installation, 1985; 64 total installations, all in employee benefit departments. Functions include on-line access to a customized claims data base allowing identification and evaluation of trends in cost and utilization.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training and ongoing account maintenance.

Staff: 70, 62 professionals.

Clients: 80 employee benefit information system clients. Sold systems to 22 clients in 1991.

Branch offices: Branford, Conn.

Principal officers: Laurent Schor, president; Dennis Dang, chairman; Daniel Hoemke, vp-sales/marketing.

Contact: Daniel Hoemke.

Corporate Systems Ltd.

P.O. Box 31780, 1212 Ross St.,
Amarillo, Texas 79120;
800-858-4364; fax: 806-376-4077

Founded: 1967.

Software products:

■ DCMS-Disability Claims Management System: personal computer; first installation, 1991; 10 total installations, all in employee benefit departments. Administers non-occupational claims for income replacement including STD, LTD and sick leave; may be interfaced to check duplicate claim filings.

User support: User groups/meeting, telephone assistance, on-site training, client seminars, independent client advisory council.

Staff: 370, 200 professionals.

Clients: 10 total. Sold systems to 10 clients in 1991.

Branch offices: Lisle, Ill.

1991 gross revenues: \$28 million total.

Principal officers: Guyon Saunders, chairman; Don R. Riggs, president/chief executive officer; Don St. Jacques, vp.

Contact: Steven Webb, national sales director.

D

Data Management Ventures Inc.

603 Parkway 575, Woodstock, Ga.
30188; 404-924-7621;
fax: 404-924-7708

Founded: 1985.

Software products:

■ FEE FACTS-Prevailing Fees for Rehabilitative Medicine: unbundled hardware and software; personal computer or mainframe; first installation, 1986; 300 total installations, 15 in employee benefit departments. Functions as a health, personal injury, workers compensation cost containment claim reference source.

User support: Telephone assistance available eight hours per day.

Staff: Five, three professionals.

Principal officers: Dr. Richard E. Olson, president.

Data Research Systems Inc.

10218 Castle Hill Court, Ellicott City,
Md. 21042; 410-465-8732;
fax: 410-465-8737

Founded: 1986.

Software products:

■ BeneFAST: unbundled hardware and software; personal computer, mini-computer or mainframe; first installation, 1990; four total installations, one in an employee benefits department. Tracks benefits financial administration; communicates benefit programs to employees.

User support: User groups/meeting, telephone assistance available nine hours per day, on-site training, modem communications.

Staff: Six, two professionals.

Clients: Four total. Sold systems to three clients in 1991. Four corporate employee benefit clients with gross revenues less than \$200 million.

Principal officers: Ron Shockley, president.

DATAIR Employee Benefit Systems Inc.

415 E. Plaza Drive, Westmont, Ill.
60559; 708-325-2600;
fax: 708-325-2660

Founded: 1967.

Software products:

■ DATAIR's Defined Contribution/401(k) Plan Administration System: \$3,500; unbundled hardware and software; personal computer; first installation, 1984; 462 total installations, 20 in employee benefit departments. Functions include complete plan administration and participant record-keeping for profit sharing, 401(k), 403(b), 457, ESOP, money purchase and target benefit; communicates benefit programs to employees.

■ DATAIR's Defined Benefit Pension Plan Administration System: \$3,500; unbundled hardware and software; personal computer; first installation, 1984; 296 total installations, three in employee benefit departments. Functions include defined benefit pension plan valuation and administration for TPAs, employers and employees; communicates benefit programs to employees.

■ DATAIR's Pension Reporter: \$695; unbundled hardware and software; personal computer; first installation, 1987; 339 total installations, 10 in employee benefit departments. Generates annual government forms, schedules and reports; communicates benefit programs to employees.

■ DATAIR's FlexPlus Cafeteria Section 125 Flexible Benefits Plan Administration System: \$1,750; unbundled hardware and software; personal computer; first installation, 1987; 141 total installations, 11 in employee benefit departments. Functions include comprehensive administration for enrollment through checkwriting for cafeteria and flexible benefit plans; communicates benefit programs to employees.

■ DATAIR's Plan Accountant: \$1,295; unbundled hardware and software; personal computer; first installation, 1988; 126 total installations, four

Continued on page 36

E T O D A Y

E AISLE 4 JUICES, CEREALS AISLE 9 SOUP AISLE 3



From soup to nuts, by George!

As a boy, George Abernathy worked weekends in his Mom and Dad's hardware store in McKenzie, Tennessee.

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"When somebody comes in with a problem, you learn to deal with it," he explains.

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The kind that take experienced, knowledgeable people to deal with.

In fact, people like George.

Home Insurance



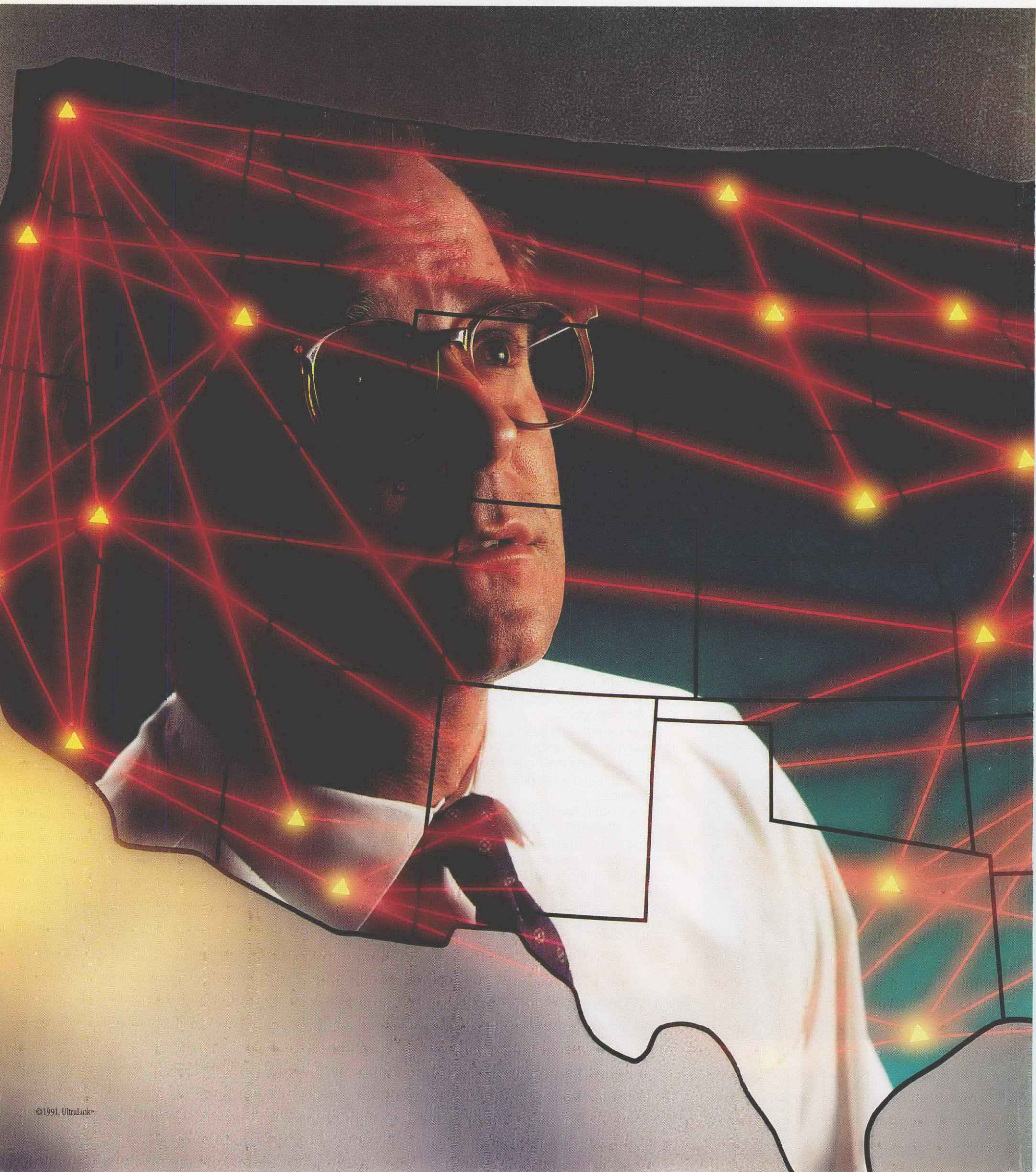
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A N E W T E A M

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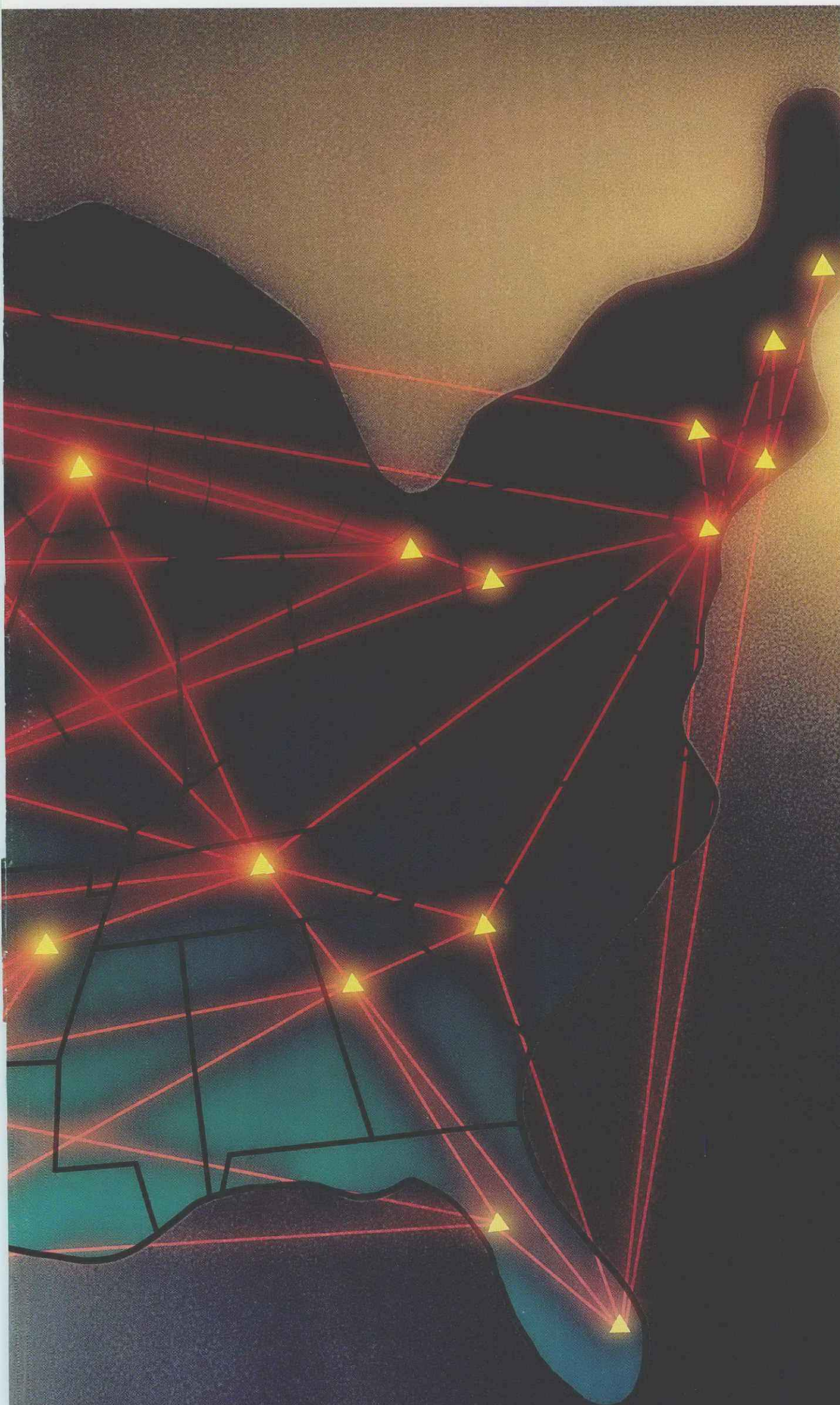
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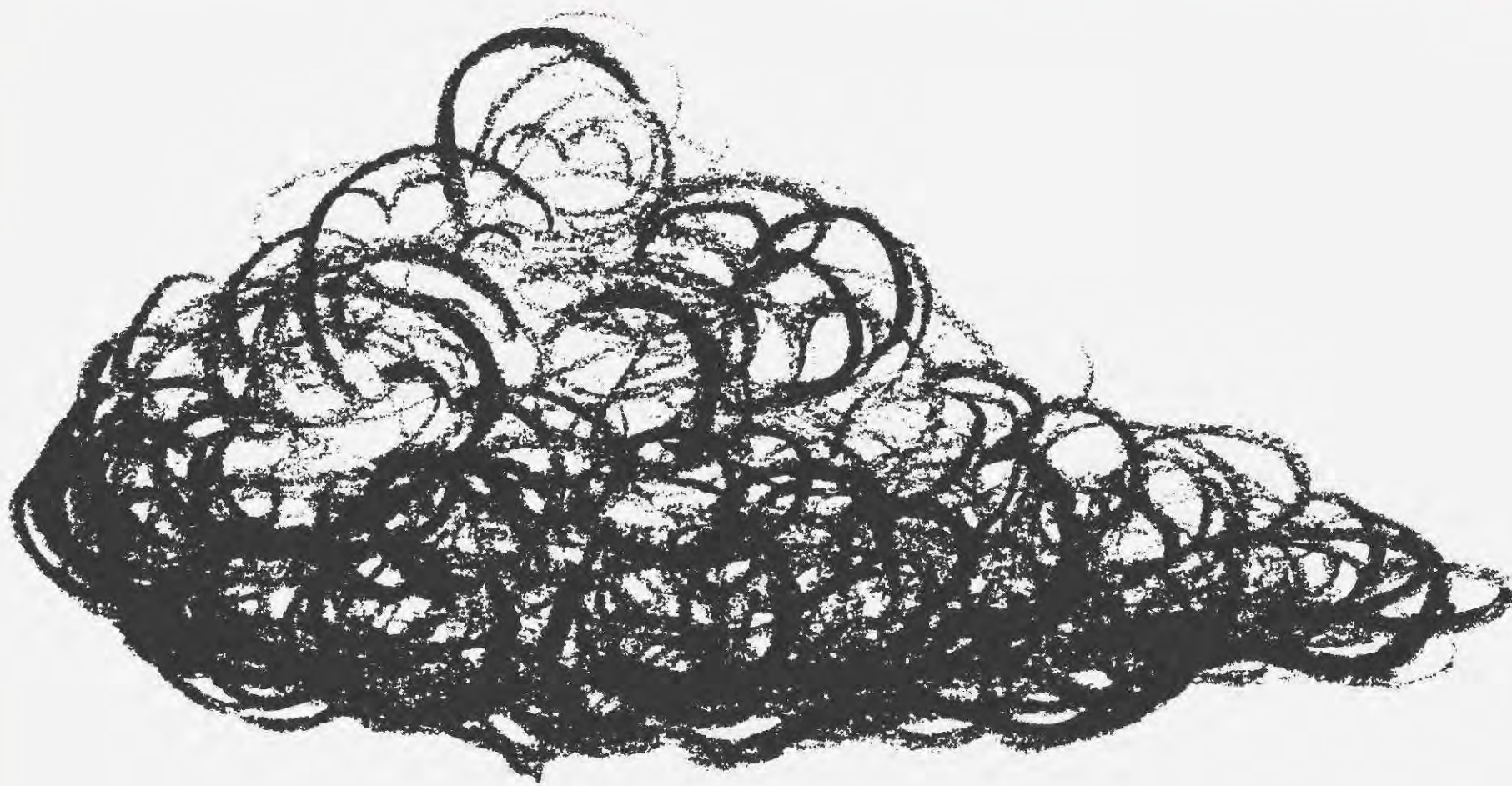
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Manufacturer's liability

Defective paint thinner may cause injury to workers, buyers

By the Insurance Institute of America

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the types of questions asked on, and possible answers to, the three examinations for the A.R.M. designation.

This month's material, taken from a recent national examination in ARM 54—Essentials of Risk Management, contrasts the liability of a manufacturer of a defective product—here, paint thinner—to its employees on the one hand and, on the other, the users of the defective product.

Q: A manufacturer of household paint thinners produced a batch of one of its products that, for an unknown reason, injured the respiratory systems of some of the manufacturer's employees and of some users of this paint thinner.

What rights, if any, other than compensation for medical expenses, would the manufacturer's injured employees have under:

- The applicable state workers compensation act?
- The common law of negligence?

A.R.M. exercises

What rights, if any, would injured users of this paint thinner have under:

- The federal Consumer Product Safety Act?
- The common law of negligence?

Without repeating any answers, describe how, if at all, this manufacturer might have dealt with its liability loss exposures to these injured employees and users of the paint thinner through each of the following techniques:

- Loss prevention.
- Loss reduction.

A: In all jurisdictions, employees may collect the statutory workers compensation benefits. In some jurisdictions, injured employees may also have some rights under common law.

Other than medical benefits, state workers compensation laws uniformly provide wage or salary benefits, death benefits, rehabilitation benefits and lump-sum payments for permanent injuries.

In most jurisdictions, injured employees will have no right to compensation for work-related injuries under the common law of negligence unless they have previously elected out of the state workers

compensation program. If they have so elected, they have the right to sue for their wage losses, any other economic losses, general damages such as for pain and suffering and punitive damages.

In some jurisdictions that no longer hold that statutory workers compensation benefits are an injured employee's exclusive remedy, an employee who has already received statutory benefits may also have common law rights to sue for these same losses.

Injured users of this paint thinner would have no special rights to sue under the Federal Consumer Product Safety Act, although evidence of the manufacturer's violation of this statute would be strong evidence of a product defect in any civil suit. This federal statute does, however, give injured users of the product the right to file a complaint with the Federal Product Safety Commission regarding a product defect.

Under the common law of negligence, injured consumers would have the right to sue for economic losses, for general damages and for punitive damages for any harm that they may have suffered.

The paint manufacturer may consider numerous actions that would either reduce the likelihood that defective paint thinner would harm its

employees or customers (loss prevention) or would reduce the extent of the manufacturer's liability for any harm either group may suffer (loss reduction).

To prevent these injuries, the manufacturer could improve its quality control, change the formula for the paint thinner, issue warnings to those who may be particularly susceptible to injury (including medical screening and periodic physical examinations of employees, along with others).

To reduce the extent of the manufacturer's potential liability for the harm done to those persons who may be injured by a defective batch, the manufacturer can produce the thinner in smaller batches, practice effective claims management, and—for injuries to product users but not to the manufacturer's employees—issue advance payments for valid claims or negotiate structured settlements rather than lump-sum payments. ■

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Cutting work comp costs

"How to Cut Workers' Comp Costs: 115 Proven Ways"

By William E. Rogers

Published by Country Road Publications, P.O. Box 250, Summerhill, Pa., 15958
\$130 (includes shipping)

By Kevin M. Quinley

AS A SOLUTION to on-the-job injuries, America's current workers compensation system has many employers and insurers crying "Ouch!"

Surging workers comp costs are crushing some firms and causing others to relocate to escape certain states that qualify as "workers comp hell."

In the face of the crisis, though, some small and mid-sized firms have managed to reduce their workers comp costs. What is their secret?

Risk managers can find solutions to this problem in William Rogers' book, "How To Cut Workers Compensation Costs: 115 Proven Ways." Mr. Rogers, a member of *Business Insurance's* Risk Management Honor Roll in 1986, currently works for an insurance broker. As a consultant to small and midsized businesses, he claims to have used the advice in this book to help firms trim their workers comp costs.

The book is not a textbook, since it eschews theory. Mr. Rogers wrote the book to help business owners, managers and financial professionals help solve their workers comp problems. "How to Cut" is mercifully user-friendly. Each of its 20 chapters covers a topic quickly yet completely. Busy risk and insurance professionals can read each chapter in

There are 115 ways to manage costs in how-to book

Books & ideas

just one sitting.

The book's cover has the arresting image of a vampire in a circle, with a diagonal red slash. The message is that, left unmanaged, soaring workers comp costs can suck the lifeblood from a healthy business faster than you can say "Transylvania." What garlic is to vampires, the book is workers comp woes: a powerful antidote.

The author argues that there are essentially only three things that can be done to trim workers compensation costs:

- Reduce the number of employees hurt on the job.
- Aggressively manage claims.
- Optimize the company's insurance program.

"How to Cut" is divided into three sections matching this trinity of themes. In the first section, Mr. Rogers shows how to establish cost-effective loss prevention and safety programs to reduce injuries.

In part two, he tells how to slash costs by managing workers comp claims. One of his themes is

that businesses cannot depend on their insurance companies to manage claims for them. Generally, he finds claim adjusters to be undertrained and overworked, not as interested in each claim file as they should be.

In the final section, Mr. Rogers demystifies the jargon of workers comp insurance. He explains how underwriters calculate experience modification factors and describes ways to reduce a company's factor. He also explains retrospective and dividend plans in plain English. Mr. Rogers even passes along some tricks that insurance salespeople use to make buyers think they are buying a Cadillac program when they are not.

All of these how-to's are supplemented with action checklists that summarize 115 ways to slash workers comp costs. And, the book provides 17 practical forms readers can photocopy and use. These forms help risk managers pinpoint safety problems, manage claims, compare insurance quotes and measure success in cutting costs.

Buyers may balk at paying \$130 for a book in a three-ring binder. The author insists, however, that just one of his tips could save thousands of dollars on just one claim. If this is true, the book is a worthy investment for any risk manager who has fewer or grayer hairs because of the workers comp mess. ■

Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Risk Retention Group Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

Spotlight report

Continued from page 31

in employee benefit departments. Functions include retirement plan trust accounting for assets/liabilities, trial balance, general liability, balance sheet; communicates benefit programs to employees.

■ **DATAIR's Participant Termination Calculation System:** \$595; unbundled hardware and software; personal computer; first installation, 1984; 147 total installations, four in employee benefit departments. Illustrates plan payout options for terminating/retiring employees or simple plan terminations; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available nine hours per day, facsimiles, electronic bulletin board, software updates, user manual updates, training, educational seminars.

Staff: 26, 16 professionals.

Clients: 528 total. Sold systems to 213 clients in 1991. 47 corporate employee benefit clients, including 95% with gross revenues less than \$200 million, 5% with \$200 million to \$499 million.

1991 gross revenues: \$2.1 million total; all from employee benefit information systems, including 100% from software sales.

Principal officers: Aaron Venouziou, president; Andrew Hoskins, vp.

Contact: Bill Lillquist, director-marketing.

E

EBG & Associates Inc.

68 E. Wacker Place, Suite 900,
Chicago, Ill. 60601; 312-580-2250;
fax: 312-580-2252

Founded: 1978.

Software products:

■ **PensionMaker DC-100:** unbundled hardware and software; personal computer; first installation, 1984; 430 total installations, 55 in employee benefit departments. Functions include profit sharing, 401(k), ESOP administration and reporting, multiple contributions/investments, loan maintenance, share accounting, compliance testing, deposit maintenance, automatic downloading from payroll.

■ **PensionMaker DC:** unbundled hardware and software; personal computer; first installation, 1979; 250 total installations, two in employee benefit departments. Functions include proposal and administration for money purchase, profit sharing, thrift and target benefit plans, handles all major contribution formulas, offers best salary feature, compliance testing, annual valuations, time-weighted contributions, reports and statements.

■ **PensionMaker DB-Xtra:** unbundled hardware and software; personal computer; first installation, 1986; 30 total installations. Functions as a multi-decrement valuation system for larger defined benefits plans, calculates costs of ancillary benefits, handles multiple benefits formulas, provides compliance testing, satisfies FAS 87, generates many reports, worksheets, statements.

■ **PensionMaker DB:** unbundled hardware and software; personal computer; first installation, 1979; 190 total installations. Functions as a proposal and valuation system for defined benefit plans, handles major benefit formulas and actuarial cost methods, offers best salary routine, implicit assumptions, compliance testing, satisfies FAS 87 and generates reports and statements.

■ **DocuMaker:** unbundled hardware and software; personal computer; first installation, 1989; 70 total installations. Functions include IRS-approved defined benefit, defined contribution and 401(k) documents. Produces 12 adoption agreements, SPDs, Form 5300 series, management reports and required notifications.

■ **TrAcc:** unbundled hardware and software; personal computer; first installation, 1991; 20 total installations, all in employee benefit departments. System for pension plan asset record-keeping and reporting, offers portfolio accounting and general ledger functions with counter-balancing accounts and global securities pricing. Generates Form 5500, 5500c financials and the SAR.

■ **BenCalc:** unbundled hardware and software; personal computer; first installation, 1991; one installation in employee benefit departments. Defined benefit system for in-house administration, calculates pension payout figures, vesting, annual accrued benefits, lump sum amounts, monthly benefits, per-

forms "what if" scenario calculations, imports data, generates benefits statements and reports; communicates benefit programs to employees.

■ **PensionMaker AWPS:** \$995; unbundled hardware and software; personal computer; first installation, 1992; 160 total installations. Proposal system for age-weighted profit sharing, produces reports on age-weighted profit sharing vs. traditional profit sharing, additional reports, worksheets, optional top heavy and 401(a)(4) testing, mouse compatibility.

■ **PensionMaker Administrator:** unbundled hardware and software; personal computer; first installation, 1986; 35 total installations. Database management system for the valuation process, including client management, task tracking, client billing and form letter modules.

■ **PensionTax:** \$695; unbundled hardware and software; personal computer; first installation, 1987; 190 total installations, 10 in employee benefit departments. Functions include generating entire Form 5500 series, PBGC Form 1 and Schedule A, the SAR, Form 5558, Form 5330.

■ **HERBIE:** \$1,500; unbundled hardware and software; personal computer; first installation, 1988; 10 total installations, five in employee benefit departments. Functions include promoting employee participation in 401(k)s and other employer-sponsored retirement plans by estimating individual retirement benefits; communicates benefit programs to employees.

■ **PensionMaker 1099-R:** \$395; unbundled hardware and software; personal computer; first installation, 1984; 380 total installations, 60 in employee benefit departments. Functions include simplifying production of 1099-R and 1096, offering data rollover from year to year and calculations required for plan distributions and reporting of PS58 costs.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, remote assistance support, newsletter, complete documentation.

Staff: 30.

Clients: 350 total. 70 corporate employee benefit clients.

Branch offices: Falls Church, Va.

Principal officers: Emmanuel B. Garcia Jr., president; Dee L. Holt, executive vp; Mary Jo Arthur, vp/actuary.

Eastern Benefit Software Inc.

200 Freeway Drive E., East Orange,
N.J. 07018; 201-676-3333;
fax: 201-676-6794

Founded: 1983.

Software products:

■ **ClaimNet:** \$110,000; unbundled hardware and software; personal computer; first installation, 1986; eight total installations, two in employee benefit departments. Automated, self-adjudicating claims processing system.

■ **FlexNet:** \$35,000; unbundled hardware and software; personal computer; first installation, 1987; four total installations, two in employee benefit departments. Fully-automated system for the administration of flexible spending accounts.

User support: Telephone assistance available eight hours per day, on-site training, remote access.

Staff: Five, all professionals.

Clients: Seven total. One corporate employee benefit client.

1991 gross revenues: \$90,000 total.

Principal officers: William E. Vogel, chief executive officer; Antonio T. Lim, president.

Contact: Antonio T. Lim.

Eldorado Computing Inc.

2880 E. Northern Ave., Suite 4,
Phoenix, Ariz. 85028; 602-493-0288;
fax: 602-867-7920

Founded: 1981.

Software products:

■ **HEALTHpac:** \$25,000 to \$200,000; unbundled hardware and software; micro/DOS/networks, minicomputers; first installation, 1985; 55 total installations, 17 in employee benefit departments. Manages health care claims; communicates benefit programs to employees.

■ **ADMINpac:** Controls billing, accounting, administration; generates monthly statements for health care premiums, reinsurance, commissions.

■ **FLEXpac:** Integrates all plan design, employee communications, enrollment and administrative requirements for flexible spending cafeteria plans.

■ **COBRAPac:** Produces notification and termination letters; leads user through COBRA notification and report generation; designed to administer

claims under COBRA.

■ **PPOpac:** Adjudicates claims, multiple policies and unlimited fee schedules.

■ **IQpac:** Generates custom reports.

■ **URpac:** Provides data to review, analyze, limit and report on covered services and costs.

■ **PEERpac:** Allows review of treatment, coding and pricing of claims.

■ **HOURLANKpac:** Administers and processes Taft Hartley and other time-related eligibility requirements.

■ **Workers Comp:** A single database that identifies double-dipping by combining a workers comp program with a health care benefit claims management system.

User support: User groups/meetings, telephone assistance available, on-site training, in-house seminars.

Staff: 24.

Principal officers: Zane Bell, president; Win Brayer, vp.

Contact: Win Brayer.

Emperion

7300 Corporate Center Drive, Miami,
Fla. 33126; 305-470-3800;
fax: 305-470-3083 or 214-506-4925

Founded: 1992.

Software products:

■ **Emperion System:** bundled hardware and software; mainframe. Functions as an integrated claims and administration system for health, dental, vision and ancillary programs; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 24 hours per day, on-site training, on-site account staff.

Branch offices: Dallas, Minneapolis.

Principal officers: William S. Wilkins, chief executive officer; Forrest Everhart, president; Terry Sudderth, vp/chief financial officer; Mark Uherek, vp-marketing/sales; Vicki Anderson, vp-sales; Dane Gregor, vp-operations; Cliff Douglass, vp-information systems; Dennis Balsam, vp-managed care.

Contact: Anita Seelig, marketing manager.

Erisco

1700 Broadway, New York, N.Y.
10019; 212-765-8500;
fax: 212-582-8030

Founded: 1968.

Parent company: The Dun & Bradstreet Corp.

Software products:

■ **ClaimFacts:** unbundled hardware and software; mainframe, minicomputer; first installation, 1980; 164 total installations, 64 in employee benefit departments. Functions as a health claims management system.

■ **CertiFacts:** unbundled hardware and software; mainframe, minicomputer; first installation, 1986; 27 total installations, three in employee benefit departments. Functions as a utilization management system.

■ **Implefacts:** unbundled hardware and software; mainframe; first installation, 1972; 205 total installations, 194 in employee benefit departments. Functions as a defined contribution record-keeping system; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 15 hours per day, consulting, training, documentation, systems and customer support, computer-based training.

Staff: 250, 209 professionals.

Clients: 96 total. Sold systems to 15 clients in 1991.

Branch offices: Union, N.J.; Tampa and Melbourne, Fla.; Kirkland, Wash.

Principal officers: Cliff Bateman, chairman; Jeremy Davis, president; Anthony Bellomo, senior vp-products; Richard Kerian, vp-health management services; Joseph Posluszny, chief financial officer.

Contact: Stephanie Dick, research assistant.

F

FLX Corp.

220 Willowbrook Lane, West Chester,
Pa. 19382; 215-696-6600;
fax: 215-692-2205

Founded: 1985.

Software products:

■ **FLX Recordkeeper:** unbundled hardware and software; personal computer; first installation, 1985; 100 total installations, all in employee benefit departments. Functions include enroll-

ment, reporting, management reports, ad hoc capabilities, interfaces with payroll and human resources systems, employee history and flexible spending account administration; communicates benefit programs to employees.

■ **FLX Enroller:** unbundled hardware and software; personal computer; first installation, 1990; 45 total installations, all in employee benefit departments. Functions include enrolling employee elections; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 8.5 hours per day, on-site training, on-line modem support.

Staff: 25.

Clients: 100 total. Sold systems to 25 clients in 1991.

1991 gross revenues: 80% from software sales, 20% from software services.

Principal officers: Richard F. Gordon, director-marketing; Edward J. Hughes, president.

Contact: Richard F. Gordon.

FACTS Services Inc.

1575 San Ignacio Ave., Suite 406,
Coral Gables, Fla. 33146;
305-284-7400; fax: 305-665-0598

Founded: 1981.

■ **FACTS:** \$50,000 to \$175,000; unbundled hardware and software; personal, mini, mainframe or personal computer network; first installation, 1981; 120 total installations, 28 in employee benefit departments. Functions include automated claims adjudication for medical, vision, drug and disability claims; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **FACTS 125:** \$10,000; unbundled hardware and software; person, mini, mainframe or personal computer network. Functions include full flexible benefits, from spending accounts to a full cafeteria plan; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **FACTS Comp:** \$27,500; unbundled hardware and software; mini, mainframe or personal computer network. Functions include workers compensation claims administration, integration of claims processing routines for medical, indemnity, rehabilitation, legal and miscellaneous expenses.

User support: User groups/meetings, telephone assistance available nine hours per day, 24-hour modem support, quarterly releases, electronic documentation.

Staff: 33, all professionals.

Clients: 80 employee benefit information system clients. Sold systems to six clients in 1991. 14 corporate employee benefit clients, including 60% with gross revenues less than \$200 million, 30% between \$200 million to \$499 million, 10% with between \$1 billion to \$3.5 billion.

1991 gross revenues: \$2 million total; all from employee benefit information systems, including 30% from hardware sales, 20% from software sales, 50% from software services.

Principal officers: Robert S. Graham Jr., president; David L. Graham, vp.

Contact: Jose A. Lopez, sales manager.

Financial Data Planning Corp.

2140 S. Dixie Highway, Miami, Fla.
33133; 305-858-8200;
fax: 305-854-6305

Founded: 1968.

Parent company: FDP Corp.

Software products:

■ **Easy Forms 1099-R:** \$295; unbundled hardware and software; personal computer; first installation, 1990; 100 total installations, 10 in employee benefit departments. Automates preparation of 1099-R and related forms for dot matrix and laser printers; communicates benefit programs to employees.

■ **Easy Laser 5500/SAR Forms:** \$595 to \$845; unbundled hardware and software; personal computer; first installation, 1985; 450 total installations, 100 in employee benefit departments. Automatic calculations, data merge ability and year-to-year data mapping are used to generate completed laser printed form 5500 and summary annual reports.

■ **Easy Laser/5300 Forms:** \$795; unbundled hardware and software; personal computer; first installation, 1987; 200 total installations. Automatic calculations and data merge ability are used to generate completed laser-printed form 5300.

■ **FDP/125 (Cafeteria Plan Enrollment & Administration System):** \$995 to \$7,500; unbundled hardware and

software; personal computer; first installation, 1987; 40 total installations. Functions include proposal, enrollment and feasibility illustrations, administration of cafeteria plans, automated discrimination testing, employer savings report, duplicate claim checking, on-site enrollment; communicates benefit programs to employees.

■ **FDP/ESOP:** unbundled hardware and software; personal computer; first installation, 1992; seven total installations. Functions as an add-on package to FDP/PEN and handles leveraged and non-leveraged ESOPs and KSOP plans.

■ **FDP/Multiple Account Allocation System:** unbundled hardware and software; HP 3000; first installation, 1983; six total installations. Automates a company's group pension administration, whether full service and/or investment service only, incorporates the major functions of pension plan management in a single, integrated, menu-driven software program.

■ **FDP/Minimum Distribution:** \$495 and up; unbundled hardware and software; personal computer and HP 3000; first installation, 1988; 50 total installations. Illustrates effects of excise taxes payable on excess distributions and excess accumulations.

■ **FCP/Pension Accounting Record-keeping and Investment System:** unbundled hardware and software; mainframe; first installation, 1989; two total installations. Automates a company's full service and/or investment services pension business; incorporates all the functions of pension plan management in a single, integrated menu-driven software solution for the mainframe.

■ **FDP/PEN:** unbundled hardware and software; personal computer; first installation, 1984; 400 total installations, 15 in employee benefit departments. Functions include complete proposal/administration for all types of plans; includes loan tracking and amortizations and actuarial assumptions.

■ **FDP/Pension Trust Accounting System:** \$2,500; unbundled hardware and software; personal computer; first installation, 1988; 50 total installations. Automates the trust asset reconciliation and reporting process associated with a pension plan, stores client and plan data and mutual fund and stock price-per-share values.

■ **Plan Document Quickly:** unbundled hardware and software; personal computer; first installation, 1989; 200 total installations. Functions as an automated pension document generation system for defined benefit, defined contribution and 401(k) plans, provides electronic data management.

■ **Pension Manager Office Automation System:** \$3,750; unbundled hardware and software; personal computer; first installation, 1987; 75 total installations. Functions as a complete database system for automated pension administration office; offers client/plan tracking, form letters, customized reports and extensive checklists.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training.

Staff: 200, 159 professionals.

Clients: 1,000 total. Sold systems to 200 clients in 1991.

Branch offices: Wellesley Hills, Mass.

1991 gross revenues: \$16.3 million total; \$9.6 million from employee benefit information systems, including 14% from hardware sales, 48% from software sales, 38% from software services.

Principal officers: Michael C. Goldberg, president/chief executive officer; Cindy Goldberg, secretary/treasurer; Ernest H. Brown, senior vp; Chris Stroud and Richard B. Fleischman, vps; Douglas Kennedy, executive vp; Kathy Muro, Ed Pick and Beverly Price, corporate vps.

Contact: Chris Stroud.

Flex-Comp Inc.

999 Peachtree St. N.E., Suite 1960,
Atlanta, Ga. 30309; 404-875-8987;
fax: 404-875-8905

Founded: 1984.

Software products:

■ **Flex-Comp Administration System:** unbundled hardware and software; personal computer; first installation, 1984; 50 total installations, all in employee benefit departments. Functions as a full-feature flexible administration system, billing, contribution accounting; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **Plus+Comp Administration System:** unbundled hardware and software; personal computer; first installation, 1986; eight total installations. Functions as a full-feature flexible spending ac-

Continued next page

Continued from previous page
count system; communicates benefit programs to employees.

■ **Workbench COBRA System:** unbundled hardware and software; personal computer; first installation, 1989; three total installations. Functions include notices and billing; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, custom programming and offsite training and development services.

Staff: Three, all professionals.

Clients: 12 total. Sold systems to three clients in 1991.

1991 gross revenues: 40% from consulting, 60% from software services.

Principal officers: Donald H. Baggett, president; Lynne A. Reed, vp; Larry L. Steele, systems analyst.

Contact: Donald H. Baggett.

G

Genelco Inc.

1600 S. Brentwood Blvd., Suite 500,
St. Louis, Mo. 63144-1330;
314-962-2040; fax: 314-968-9589

Founded: 1973.

Parent company: General American Life Insurance Co.

Software products:

■ **Health Claims Plus:** unbundled and bundled hardware and software; minicomputer; first installation, 1985; 45 total installations, six in employee benefit departments. Adjudicates and administers medical, dental, disability, vision, indemnity, prescription drug plans; provides reporting for managed care analysis and processes claims; communicates benefit programs to employees.

■ **Benefit Administration Plus:** unbundled and bundled hardware and software; minicomputer; first installation, 1987; 28 total installations. Administers billing and collection functions, provides eligibility information for health claim administration and processing of commissions.

User support: User groups/meetings, telephone assistance available 9.5 hours per day, on-site training, modem hook-up, documentation, maintenance agreement available.

Staff: 205, 72 professionals.

Clients: 93 total. Sold systems to 17 clients in 1991. 64 corporate employee benefit clients.

Branch offices: Atlanta; Chicago; Dallas.

1991 gross revenues: \$17 million total; \$16.8 million from employee benefit information systems, including 10% from hardware sales, 31% from software sales, 59% from software services.

Principal officers: David B. Johnson, president; Russell E. Korte, executive vp; Larry M. Amundsen, vp-sales/marketing; Mike Molinar, product vp; David Garver, vp-ASO.

Contact: Larry M. Amundsen.

GENESYS Software Systems Inc.

5 Branch St., Methuen, Mass. 01844;
508-685-5400; fax: 508-683-7665

Founded: 1981.

Software products:

■ **Defined Contribution:** unbundled hardware and software; mainframe and personal computer; first installation, 1987; 125 total installations, all in employee benefit departments. Supports recordkeeping, calculations and reporting for 401(k), 403(b), profit sharing, money purchase, savings and other investment plans; communicates benefit programs to employees.

■ **Defined Benefits:** unbundled hardware and software; mainframe and personal computer; first installation, 1987; 60 total installations, all in employee benefit departments. Supports recordkeeping; calculations; participant reports; spousal, dependent and beneficiary data; historical data; pre-retirement counseling; benefits statements; and benefit payments and taxation; communicates benefit programs to employees.

■ **Flexible Benefits:** unbundled hardware and software; mainframe and personal computer; first installation, 1988; 60 total installations, all in employee benefit departments. Offers eligibility and enrollment processing; confirmation statements; medical/dental/vision plans; default benefits; employee/employer contributions; death benefits; life insurance; AD&D; dependent, life and long-term disability; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 24 hours per day, on-site training, annual user conference.

Staff: 100, 75 professionals.

Branch offices: Dallas; Chicago; New York.

Principal officers: Lawrence J. Munini, president; Robert Pomerleau, senior vp-finance; Ruth Ladner, senior vp-sales/support; Frank Girardi, vp-professional services.

Contact: Cindy Silver, 508-685-5400 ext. 3054.

H

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa.
19103; 215-875-2472;
fax: 215-875-2833

Founded: 1911.

Parent company: Hay Group.

Continued on next page

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42 Aero Camino, Suite 102 • Goleta, CA 93117

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a company of
The CNA & Bancorp Corporation

*The President's State of the Union Address, January 28, 1992. By the end of the decade, the figure is expected to exceed \$1.6 trillion.

Continued from previous page

Software products:

■ **Pension Valuation Language:** \$25,000; unbundled hardware and software; time sharing; first installation, 1985; 24 total installations, all in employee benefit departments. Functions include defined benefit plan actuarial valuations, gain and loss analysis, SAS 106.

■ **Capital Accumulation Language:** \$10,000; unbundled hardware and software; time sharing; first installation, 1986; 30 total installations, all in employee benefit departments. Administers defined contribution plans; communicates benefit programs to employees.

■ **MediCalc:** \$5,000; unbundled hardware and software; personal computer; first installation, 1987; 10 total installations, all in employee benefit departments. Functions include valuation and projection of post-retirement medical benefits.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training.

Staff: 130, 70 professionals.

Clients: 50 total. Sold systems to 10 clients in 1991. 900 corporate employee benefit clients.

Branch offices: Atlanta; Boston; Chicago; Los Angeles and Walnut Creek, Calif; New York; Washington D.C.

1991 gross revenues: \$20 million total; \$4 million from employee benefit information systems, including 5% from software sales, 95% from software services.

Principal officers: Kenneth Shipiro, president; Kurt H. Fichthorn and Donald Samples, executive vps.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346;
404-395-9880; fax: 404-512-6230

Founded: 1971.

Software products:

■ **H&A IRC Section 415 Limit Testing System:** \$8,500; unbundled hardware and software; personal computer; first installation, 1985. Functions include checking IRC 415 individual or

combined limits; designed for use by non-technical personnel; tailored reports, error checking and diagnostic routines.

■ **H&A COBRA and Other Beneficiary Data Maintenance System:** \$3,000; unbundled hardware and software; personal computer. Provides election notices, premium invoices/coupons for qualified beneficiaries, standard COBRA reports, maintains beneficiary data on tax-qualified and health/welfare plans; is designed to administer claims under COBRA.

■ **H&A Tailored Pension Calculation/Administration System:** \$30,000 and up; unbundled hardware and software; personal computer. Enables a plan sponsor to calculate pension benefits for an individual or group; includes lump sum calculations, summary and detail reports, optional benefit calculations.

■ **Social Security Calculation System:** \$395; unbundled hardware and software; personal computer. Calculates individual Social Security benefits, covered earnings projections and estimates of PIA, actual benefits payable and maximum family benefits from

retirement, disability or death.

User support: Telephone assistance available 10 hours per day, brochures, demo diskettes, on-site demos, sample reports, user documentation, hands-on training.

Staff: 160, 130 professionals.

Clients: 30 employee benefit information system clients. Sold systems to 16 clients in 1991. 200 corporate employee benefit clients, including 10% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million, 20% with \$500 million to \$999 million, 20% with \$1 billion to \$3.5 billion, 10% exceeding \$3.5 billion.

Branch offices: Bothell, Wash.

Principal officers: James G. Pope, president; R. David Parsons, chairman; T. Ray McKinney and David M. Gladstone, executive vps.

Contact: David M. Gladstone.

Health Management Technologies Inc.

1042 Country Club Drive, Suite C, Moraga, Calif. 94556; 510-631-6750; fax: 510-631-6789

Founded: 1986.

Software products:

■ **Return:** \$10,000; unbundled hardware and software; personal computer; first installation, 1987; 100 total installations. Functions include workers compensation and disability insurance case management.

■ **Return Plus:** \$12,000; unbundled hardware and software; personal computer; first installation, 1988; 150 total installations. Functions include occupational health and safety (includes return).

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, modem.

Staff: 12, five professionals.

Clients: 175 total. Sold systems to 100 clients in 1991. Corporate employee benefit clients include 10% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million, 40% with \$500 million to \$999 million, 10% with \$1 billion to \$3.5 billion, 20% exceeding \$3.5 billion.

1991 gross revenues: 66% from software sales, 33% from software services.

Principal officers: K.J. Wolfe, president; Jim W. Wolfe, senior vp-market-

ing.
Contact: Jim Wolfe.

Health Risk Management Inc.

8000 W. 78th St., Minneapolis, Minn. 55439; 612-829-3500; fax: 612-829-3578

Founded: 1977.

Software products:

■ **HRM Benecal:** unbundled hardware and software; personal computer; first installation, 1989. Functions as a reporting and analysis system to identify medical cost and pricing problem areas, to develop intervention strategies and to monitor existing health care cost management programs.

■ **HRM Benefit Plan Modeling:** unbundled hardware and software; personal computer; first installation, 1989. Models the financial impact of medical plan design changes using client health care claims data.

User support: Telephone assistance available eight hours per day, on-site training, analytical and benefit consulting.

Staff: 615, 150 professionals.

Branch offices: Atlanta; Chicago; Philadelphia; Shrewsbury, N.J.; Woodland Hills, Calif.

1991 gross revenues: \$32 million total.

Principal officers: Dr. Gary McIlroy, chief executive officer; Marlene Travis, president/chief accounting officer; Dr. John Blank, chief operating officer; Tom Clark, chief financial officer; Steve Milston, chief information officer.

Contact: Liz Leahy, vp.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Founded: 1940.

Software products:

■ **FlexSystem:** unbundled hardware and software; personal computer or mainframe; first installation, 1983; 235 total installations, all in employee benefit departments. Administers flexible benefit programs including enrollment, reimbursement accounts, reporting and maintaining an employee data base; communicates benefit programs to employees.

■ **Pension Administrator:** unbundled hardware and software; personal computer or mainframe; first installation, 1985; 120 total installations, all in employee benefit departments. Administers pension plans, including calculating benefits, producing reports and maintaining an employee data base; communicates benefit programs to employees.

■ **Defined Contribution Plan Administration:** unbundled hardware and software; mainframe; first installation, 1974; 262 total installations, all in employee benefit departments. Functions include recordkeeping for defined contribution plans, including 401(k), savings, profit sharing and ESOPs; communicates benefit programs to employees.

■ **415 Calc:** unbundled hardware and software; personal computer or mainframe; first installation, 1988; 100 total installations, all in employee benefit departments. Calculates IRC Section 415 benefit limits, maintains an employee data base and produces reports.

■ **Social Security Calculator:** unbundled hardware and software; personal computer or mainframe; first installation, 1979; 200 total installations, all in

Continued on next page



To us, dental plans are second nature.
To others, they're second to everything else.

All too often, the convenience of opting for a bundled benefits package is offset by the weakness of the dental program component. □ That's why it's to your company's advantage for you to choose the expertise and quality assurance offered by Delta Dental. □ Since 1954, Delta Dental has been the only national organization committed exclusively to dental benefits. Our comprehensive cost management program makes Delta Dental a greater value in the long run and limits employees' out-of-pocket costs. And our extensive network of participating dentists allows us to deliver managed care features at a level unmatched by companies for whom dental plans are merely a sideline. □ That's why Delta Dental has a 98% customer retention rate, covers more than 22 million people in more than 28,000 groups and pays more than \$2 billion a year for dental care. □ To learn more about how your group can share in the advantages of choosing the nation's largest specialist in dental health plans, call 1-800-441-3434 today.

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America's Leader in Dental Health Plans

Continued from previous page
employee benefit departments. Calculates employee social security benefits.

■ **FutureSaver:** unbundled hardware and software; personal computer; first installation, 1989; 20 total installations, all in employee benefit departments. Functions as interactive software that allows employees to project retirement income from all sources; communicates benefit programs to employees.

■ **PC Benefit Statement System:** unbundled hardware and software; personal computer; first installation, 1987; 20 total installations, all in employee benefit departments. Produces high-quality benefit statements; communicates benefit programs to employees.

■ **SmartSaver:** unbundled hardware and software; personal computer; first installation, 1989; nine total installations, all in employee benefit departments. Functions as interactive software designed to help employees make decisions about contributions to health care and dependent care spending accounts; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available more than eight hours per day, on-site training.

Staff: 2,800, 1,900 professionals.

Branch offices: Atlanta; Bedminster, N.J.; Boston; Charlotte, N.C.; Chicago; Cleveland and Dayton, Ohio; Dallas; Denver; Detroit; Houston and The Woodlands, Texas; Los Angeles; Milwaukee; Minneapolis; New York; Newport Beach, San Francisco and Walnut Creek, Calif.; Philadelphia; Phoenix; Pittsburgh; Richmond, Va.; Rowayton, Conn.; St. Louis; Seattle; Tampa; Washington D.C.

1991 gross revenues: \$306 million total.

Principal officers: Peter E. Friedes, chief executive.

Contact: Barb Van Lieshout.

I

Insurance Software Packages Inc.

3625 Queen Palm Drive, Tampa, Fla. 33619; 813-621-6069; fax: 813-621-0652

Founded: 1985.

Parent company: PMSI.

Software products:

■ **CompStar:** \$25,000; unbundled hardware and software; personal computer; first installation, 1985; 100 total installations, 76 in employee benefit departments. Functions include state forms, medical fee schedule, loss analysis, PPO integration check or voucher, 1099 creation.

■ **Health Star:** \$34,000; unbundled hardware and software; personal computer; first installation, 1986; 38 total installations, 18 in employee benefit departments. Functions include UCR reimbursement, loss analysis reports, check or voucher, health, STD, life, dental, vision, 1099 creation; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, on-line support via modem, network (LAN) and hardware, consultative training.

Staff: 70, 50 professionals.

Clients: 150 total. Sold systems to 20 clients in 1991. 10 corporate employee benefit clients.

1991 gross revenues: \$3 million total; \$2.2 million from employee benefit information systems, including 5% from hardware sales, 90% from software sales, 5% from software services.

Principal officers: A. Allan Machesney, president; George H. Cannon, vp.

Contact: Kimberly Allen, marketing manager.

K

Kwasha Lipton

2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300; fax: 201-592-9075

Founded: 1944.

Software products:

■ **INTACT:** \$25,000 and up; unbundled hardware and software; personal computer; first installation, 1985; one total installation in an employee benefit department. Functions include benefits modeling for benefits enrollment and retirement benefits modeling; communicates benefit programs to employees.

■ **Flexible Benefits Administration**

System: \$60,000 and up; unbundled hardware and software; personal computer; first installation, 1989; three total installations, all in employee benefit departments. Functions as a data base for administering all group benefit plans and flexible benefit enrollments and Section 125 accounts; communicates benefit programs to employees.

■ **Defined Contribution Administration System:** \$15,000 and up; unbundled hardware and software; personal computer; first installation, 1987; 20 total installations, all in employee benefit departments. Allows employer to organize, edit and transmit data to record-keepers.

■ **Defined Benefit Certification System:** \$30,000 and up; unbundled hardware and software; personal computer; first installation, 1984; 40 total installations, all in employee benefit departments. Computes employees' actual retirement benefits; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, updates and manuals.

per day, on-site support on request.

Staff: 360, 30 professionals.

Clients: 10% with gross revenues less than \$200 million, 15% with \$200 million to \$499 million, 40% with \$500 million to \$999 million, 35% with \$1 billion to \$3.5 billion.

1991 gross revenues: 60% from software sales, 40% from software services.

Principal officers: David A. Skovron, chief executive officer; Robert S. Byrne, chief operating partner; R.T. Whitman, partner in charge of marketing.

Contact: R.T. Whitman.

M

Magnus Software Corp.

2500 Windy Ridge Parkway, Marietta, Ga. 30067; 404-952-7854; fax: 404-952-7857

Founded: 1976.

Software products:

■ **MaxCare:** Unbundled hardware and software; mid-range computer; first

installation, 1990. Functions include adjudication of benefits incorporating negotiated schedules and discounts, tracking of pre-certification of medical services, calculation and invoicing of premiums and fees; can be used to administer claims under COBRA.

■ **FASTRAK:** Unbundled hardware and software; mainframe; first installation, 1981, 22 installations in employee benefit departments. Functions as a health claims processing system for medical, dental, short-term and long-term disability benefit plans; automates all phases of claims processing from mail registration to automatic adjudication, check and explanation of benefits production; can be used to administer claims under COBRA.

■ **FLEXTRAK:** Unbundled hardware and software; mainframe; first installation, 1986. Functions include real-time flexible benefits administration, including discrimination testing, flexible spending accounts, personalized enrollment forms; interfaces directly to certain payroll/personnel systems.

User support: User groups/meetings, telephone assistance available 12 hours

Staff: 90, 75 professionals.

Clients: 112 employee benefit information system clients.

1991 gross revenues: \$12 million total.

Principal officers: Duke Croxton, president/chief executive officer; Phyllis Gray, vp; Michael Jenkins, vp-finance; Richard McCrary, vp-sales/marketing.

Mayer Hoffman McCann

420 Nichols Road, Kansas City, Mo. 64112; 800-433-2292; fax: 816-531-7695

Founded: 1954.

Software products:

■ **Cafeteria Plan Management System:** \$2,450 to \$3,950; unbundled hardware and software; personal computer; first installation, 1985; 590 total installations, 250 in employee benefit departments. Functions as an accounting system for Section 125, flexible spending accounts; communicates benefit programs to employees.

■ **Cafeteria Plan Proposal System:** \$495; unbundled hardware and software.

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Before you choose a dental plan that promises managed care, make sure it's managed well.

While many companies' managed dental care programs promise cost containment features, all too often they consist of nothing more than discounting and shifting costs to employees. □ But Delta Dental is different. Since 1954, we have offered managed care as part of a total process that delivers real value to our subscribers. □ Our contracts with thousands of participating dentists nationwide form the basis of a system of ongoing quality assurance that includes pre-treatment and post-treatment reviews. This ensures care that meets the dental profession's standards while limiting out-of-pocket expenses for employees and providing true cost management for companies. □ That's why Delta Dental has a 98% customer retention rate, covers more than 22 million people in more than 28,000 groups and pays more than \$2 billion a year for dental care. □ To learn more about how your group can benefit from the specialists who pioneered and perfected the managed care concept in dental plans, call 1-800-441-3434 today.

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Continued from previous page
 ware; personal computer; first installation, 1987; 675 total installations, 140 in employee benefit departments. Functions include employee enrollment in Section 125 plans; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training.

Staff: 145, 100 professionals.
Clients: 225 total. Sold systems to 50 clients in 1991. 100% with gross revenues less than \$200 million.

1991 gross revenues: 100% from software services.

Principal officers: Miles Ross and Steven Baker, partners.

Contact: Scott Davidson, 800-433-2292.

MEDSTAT Systems Inc.

777 E. Eisenhower Parkway, Ann Arbor, Mich. 48108; 313-996-1180; fax: 313-996-3740

Founded: 1981.

Software products:

■ **System2:** unbundled hardware and software; personal computer; first installation, 1983; 92 total installations, 85 in employee benefit departments. Functions as on-line interactive software for use with MEDSTAT-developed client databases; offers standard and custom reporting, benefit modeling and comparison to normative benchmarks.

User support: User groups/meetings, telephone assistance available, on-site training, annual client conference.

Staff: 194.

Clients: 75 total. Sold systems to 13 clients in 1991. 69 corporate employee benefit clients, including 10% with gross revenues between \$1 billion and \$3.5 billion, 90% exceeding \$3.5 billion.

Branch offices: Cambridge, Mass.; San Francisco.

1991 gross revenues: \$17.9 million total.

Principal officers: Ernest G. Ludy, chairman/chief executive; Laurence J. Hagerty, president/chief operating officer; Jennifer S. Ponski, vp/chief financial officer; Donna L. Bacon, vp/general counsel.

Contact: Paula Parker, vp-sales.

William M. Mercer Inc.-Office of Information Technology

1417 Lake Cook Road, Deerfield, Ill. 60015; 708-317-7513; fax: 708-317-7416

Founded: 1975.

Parent company: Marsh & McLennan Cos. Inc.

Software products:

■ **Pension Express:** unbundled hardware and software; personal computer; first installation, 1986; 100 total installations, 50 in employee benefit departments. Calculates defined benefit pensions; communicates benefit programs to employees.

■ **FlexKey:** unbundled hardware and software; personal computer or mainframe; first installation, 1984; 83 total installations, 46 in employee benefit departments. Functions include flexible benefit program enrollment, administration and reimbursement account processing; communicates benefit programs to employees.

■ **Social Security Calculation System:** unbundled hardware and software; personal computer or mainframe; first installation, 1979; 100 to 120 total installations, all in employee benefit departments. Calculates OASDI benefits under Social Security law in effect at any time since 1975.

■ **MasterKey:** unbundled hardware and software; mainframe; first installation, 1984. Functions as a comprehensive participant accounting system for all aspects of defined contribution plan administration; communicates benefit programs to employees.

■ **Allocation Express:** unbundled hardware and software; personal computer; first installation, 1989; 50 total installations. Functions as a comprehensive participant accounting system for all aspects of defined contribution plan administration; communicates benefit programs to employees.

■ **LoanKey:** unbundled hardware and software; personal computer; first installation, 1986; 100 total installations, 85 in employee benefit departments. Administers loan provisions of any defined contribution plan; communicates benefit programs to employees.

■ **DataKey:** unbundled hardware and software; personal computer; first installation, 1987; 35 total installations, 15 in employee benefit departments. Collects and manages the flow of information in defined contribution plans and streamlines the data gathering and

plan administration processes.

■ **TestKey:** unbundled hardware and software; personal computer; first installation, 1987; 41 total installations, five in employee benefit departments. Performs discrimination tests in accordance with the Tax Reform Act of 1986.

■ **415 Express:** unbundled hardware and software; personal computer; first installation, 1988; more than 50 total installations, five to 10 in employee benefit departments. Tests for compliance with Section 415 combined limits.

■ **Mercer's TouchSource:** unbundled hardware and software; personal computer, video disk player, infowindow monitor; first installation, 1989. Functions as an interactive video disk system for flex enrollment, 401(k) modeling, company orientation and employee attitude surveys; communicates benefit programs to employees.

■ **Data Reconciliation System (DRS):** unbundled hardware and software; personal computer; first installation, 1988; 50 total installations, 25 in employee benefit departments. Functions include reconciliation of yearly census data, plus incrementing of service fields.

■ **BenEase:** unbundled hardware and software; personal computer; first installation, 1987; 13 total installations, five in employee benefit departments. Functions as an integrated benefits administration system that builds and maintains a participant data base, calculates pension benefits and reports benefit information for multiple plans; communicates benefit programs to employees.

■ **The Pension Expert (TPE):** unbundled hardware and software; mainframe; first installation, 1987; 50 total installations, all in employee benefit departments. Functions as a pension administration system that builds and maintains a pension data base, calculates pension benefits and reports benefit information; communicates benefit programs to employees.

■ **CHAMP:** unbundled hardware and software; personal computer; first installation, 1991; six total installations, all in employee benefit departments. Functions include health care program cost management and financial analysis.

■ **Total Retirement System (TRS):**

unbundled hardware and software; personal computer or mainframe; first installation, 1989; 52 total installations, five in employee benefit departments. Values and reports on retirement plans including pension valuation, retiree medical valuation and asset/liability modeling/projection, along with associated reporting.

■ **InfoExpress DC:** bundled hardware and software; first installation, 1991; three total installations. Functions include 401(k) inquiry by telephone voice response for DC plans administered by Mercer; communicates benefit programs to employees.

■ **InfoExpress Flex:** bundled hardware and software; first installation, 1992; two total installations. Functions include enrollment by telephone voice response for flexible benefit plans administered by Mercer; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance, on-site training.

Staff: 3,553 total.

Clients: More than 9,000 total.

Branch offices: 42 locations nationwide plus San Juan, Puerto Rico.

1991 gross revenues: \$720 million total.

Principal officers: Robert A. Brochu, president; Edward G. Pringle, office of information technology.

Contact: Edward R. Angel, principal.

N

NRM Computer Systems Inc.

4309 Hacienda Drive, Suite 483, Pleasanton, Calif. 94588; 510-734-9400; fax: 510-734-8631

Founded: 1977.

Software products:

■ **Workers Compensation:** micro computer, \$15,000 plus \$1,500/user; mini computer, \$20,000 plus \$1,500/user; mainframe, unbundled hardware and software; first installation, 1980; 72 total installations. Features include re-

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mind, claim/file note diary, automated benefit letters and disability payments, ad hoc and standard reports; may be integrated with other NRM systems.

■ **Liability/Auto/Property:** micro computer, \$15,000 plus \$1,500/user; mini computer, \$20,000 plus \$1,500/user; mainframe; unbundled hardware and software; first installation, 1983; 44 total installations. Features include special sections for driver, passenger, owner, witness, police, policy, real property, personal property and sub-types.

■ **Group Health:** micro computer, \$30,000 plus \$1,500/user; mini computer, \$40,000 plus \$1,500/user; mainframe; unbundled hardware and software; first installation, 1986; eight total installations. Features include unlimited plans, coverages, automated eligibility checking, employee verification; designed to administer claims under COBRA.

■ **Risk Management Information and Financial Analysis:** micro computer, \$15,000 plus \$1,500/user; mini computer, \$20,000 plus \$1,500/user; main-

frame; unbundled hardware and software; first installation, 1988; 16 total installations. Features include four different forecasting models, loss forecasting, loss simulation, financial analysis, risk retention analysis, present value.

■ **Optical Character Recognition:** micro computer, \$15,000 plus \$1,500/user; mini computer, \$25,000 plus \$1,500/user; mainframe; bundled hardware and software; first installation, 1991; three total installations. Scans almost any form directly into the data base with almost no manual claim input.

■ **Paperless Storage System:** micro computer, \$30,000 plus \$10,000/user; mini computer, mainframe; bundled hardware and software; first installation, 1991; four total installations. Functions include storage, display and printing of most paper documents; allows immediate access.

User support: User groups/meeting, telephone assistance available 10 hours per day, on-site training, technical software support via modem.

Staff: 12, all professionals.
Principal officers: Frank E. Ama-

telli, president/chief executive officer.

P

P&W Software Inc.

5655 Lindero Canyon Road, Suite 403, Westlake Village, Calif. 91362; 818-707-7690; fax: 818-707-9097

Founded: 1984.

Software products:

■ **Powerplus:** \$15,000; unbundled hardware and software; personal computer; first installation, 1987; 85 total installations, 50 in employee benefit departments. Functions include complete flexible benefits administration; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meeting, telephone assistance available 12 hours per day, on-site training, newsletters, modem-based support.

Staff: Five, all professionals.

Clients: 82 total. Sold systems to 40 clients in 1991. 35 corporate employee benefit clients, including 10% with gross

revenues less than \$200 million, 20% with \$200 million to \$499 million, 60% with \$500 million to \$999 million, 10% with \$1 billion to \$3.5 billion.

Branch offices: Columbia, Md.

Principal officers: Thomas E. Philp, president/treasurer; Michael C. Wilson, vp/secretary.

Contact: John Tefft.

Parsons, McKee, Sommers & Co.

1991 Crocker Road, Suite 350, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Founded: 1976.

Software products:

■ **Benefit Computation System:** \$40,000; unbundled hardware and software; personal computer; first installation, 1980; eight total installations, all in employee benefit departments. Functions include computation of retirement benefits; communicates benefit programs to employees.

■ **Inquiry Interactive Communication Center:** \$20,000; bundled hardware and software; personal computer; first installation, 1990; six total installations,

all in employee benefit departments. Functions as an employee communications system for educational, planning and enrollment purposes; communicates benefit programs to employees.

User support: Telephone assistance available 10 hours per day, on-site training, user manuals.

Staff: 18, 15 professionals.

Clients: 12 total. Sold systems to four clients in 1991.

1991 gross revenues: \$1.5 million total; \$250,000 from employee benefit information systems.

Principal officers: John R. Parsons, president; Mark S. Sommers, vp/managing principal.

Contact: John R. Parsons or Jeffrey T. Graves.

Pentabs

520 E. Montecito St., Santa Barbara, Calif. 93103; 805-963-8881; fax: 805-962-3106

Founded: 1977.

Parent company: Corbel & Co.

Software products:

■ **Defined Contribution/401(k) with Defined Benefit Option:** Unbundled hardware and software; personal computer; first installation, 1979; 700 total installations. Automates retirement plan proposals and administration for all types of plans; communicates benefit programs to employees.

■ **Government Forms System:** unbundled hardware and software; personal computer; first installation, 1986; 250 total installations. Produces fully formatted government forms.

■ **Professional Proposal System:** Unbundled hardware and software; personal computer; first installation, 1989; 200 total installations. Generates unlimited retirement plan studies and proposals with minimal data; communicates benefit programs to employees.

User support: User groups/meeting, telephone assistance available 12 hours per day, on-site training, basic training, advanced regional trainings, bulletin board system.

Staff: 55, 45 professionals.

Clients: 800 total. Sold systems to 155 clients in 1991. 15 corporate employee benefit clients.

Branch offices: Jacksonville, Fla.; Flushing, Mich.; Wheaton, Ill.; Marietta, Ga.

1991 gross revenues: \$4.2 million total; \$3.5 million from employee benefit information systems, including 1% from hardware sales, 47% from software sales, 52% from software services.

Principal officers: Larry Richter, chief executive officer; Don Mackanos, sales manager; Duncan McPherson, president; Jim Thompson, general manager; Bob Christiansen, vp.

Contact: Marlene Stein, sales representative.

Persistence of Vision Inc.

53 W. Jackson Blvd., Suite 841, Chicago, Ill. 60604; 312-922-1150; fax: 312-939-7212

Founded: 1991.

Software products:

■ **Smart Money Machine I:** \$10,000; unbundled hardware and software; personal computer. Functions as an interactive multi-media 401(k) employee communications program, designed for use as a kiosk that presents information on plan and plan investments, and provides financial planning tools for retirement planning, risk tolerance evaluation, asset allocation, projections of savings accumulations; communicates benefit programs to employees.

■ **Smart Money Machine II:** \$1,000; unbundled hardware and software; personal computer. Functions include same as above, but is a lesser version for use by employees at home; communicates benefit programs to employees.

User support: Telephone assistance, quarterly update.

Staff: One professional.

Principal officers: Stephen Silverman, president.

Policy Management Systems Corp.

P.O. Box 10, Columbia, S.C. 29209; 803-735-4608; fax: 803-735-6106

Founded: 1974.

Software products:

■ **CAS II Claims Administration System:** Unbundled hardware and software; mainframe; first installation, 1982; 34 total installations, 27 in employee benefit departments. Functions include health claims administration, multiple claims edits, benefit payment calculation, dental claims processing, generates correspondence; is designed

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Mechanicsburg Rehab System-

a more cost-effective level of care, a more aggressive approach to outcomes.

A patient with Guillian-Barre Syndrome, completely ventilator-dependent, almost totally paralyzed, unable to perform even the most basic activities.

What happens to a case like this after it lands on your desk? Does it drag on endlessly, with no answers, no commitments, and ultimately cost hundreds of thousands of dollars in acute care costs?

In this instance, the answer is no. We know because the patient

went home from the sub acute care facility of Mechanicsburg Rehab System, ventilator-free and with considerable self-sufficiency.

An outcome like this becomes possible because of a specialized,

dedicated team of physicians, case managers, nurses and therapists working with ventilator patients in a sub acute care environment. Where patients, with the aid of portable ventilators, are encouraged to receive therapy in a rehab gym, not just at bedside—a proactive system focused on results, quality care and individual needs.

And where there is special attention paid to your needs too—for ongoing communication and reasonable costs.

For more information about why it pays to make us

your next step, call our 24 Hour Information and Referral Line at 1-800-933-3831.

Cost Savings	
Sub Acute Rehab vs. Acute Care	
Daily	\$ 800
Quarterly	\$ 72,800
Yearly	\$ 291,000

It pays to know us.
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to administer claims under COBRA.

■ CAPS Claims Administration and Payment System: Unbundled hardware and software; mainframe; first installation, 1978; 41 total installations, one in an employee benefit department. Administers and adjudicates claims covered under medical, dental, vision and other plans, administers cost containment programs including precertification, second surgical opinion, concurrent review and PPO programs.

■ CAPSule Health Claims Reporting System: Unbundled hardware and software; mainframe; first installation, 1983; 18 total installations, one in an employee benefit department. Functions include group health claims reporting, including client, cost containment and management reports.

User support: User groups/meeting, telephone assistance, client advisory board, client magazine, customer information conference.

Branch offices: Bloomington, Ill.

Principal officers: G. Larry Wilson, chief executive officer/president; Bernard C. Mazon, executive vp.

Pro*Systems Inc.

26361 Curtiss Wright Parkway, Suite 2F, Richmond Heights, Ohio 44143; 216-289-7272; fax: 216-289-1564

Software products:

■ Pro*Claims Complete Processing System: \$39,500; unbundled hardware and software; micro and mid-range computers; first installation, 1987; 35 total installations, seven in employee benefit departments. Functions include adjudicated medical, dental, disability, 125 flexible spending administration processing, duplicate claims checking, utilization reports, laser checks, business graphics; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ Pro*Image: \$36,500; bundled hardware and software; micro and mid-range computers; first installation, 1991; one total installation. Functions as a processing system using document imaging technology; communicates benefit programs to employees; is designed to administer claims under COBRA.

User support: User groups/meeting, telephone assistance, on-site training, on-site technical support.

Staff: 35, 29 professionals.

Clients: 35 total. Sold systems to 18 clients in 1991. Seven corporate employee benefit clients.

1991 gross revenues: \$1.6 million total; \$800,000 from employee benefit information systems, including 15% from hardware sales, 70% from software sales, 15% from software services.

Principal officers: Vincent A. Loparo, president/chief executive officer; Harold E. Musick, vp.

Contact: Linda Sebastian.

Professional Computer Services

1 Civic Plaza, Suite 350, Carson, Calif. 90745; 310-830-1072; fax: 310-830-4235

Founded: 1964.

Software products:

■ Medical Claims Adjudication: \$50,000; unbundled hardware and software; personal computer; first installation, 1964; 40 to 60 total installations, 15 in employee benefit departments. Functions as a fully automated, table driven, claims system.

■ Enrollment/Employee and Dependent: \$10,000; unbundled hardware and software; personal computer; first installation, 1964; 40 to 60 total installations, all in employee benefit departments. Functions include on-line entry, viewing and update of employee census.

■ Payroll Interfaced Eligibility: \$20,000; unbundled hardware and software; personal computer; first installation, 1964; 40 to 60 total installations, all in employee benefit departments. Functions as a payroll interfaced system to establish monthly eligibility; is designed to administer claims under COBRA.

■ Multi-employer Remittance: \$5,000; unbundled hardware and software; mainframe, mini or personal computer; first installation, 1964; six total installations.

■ Benefit History: \$30,000; unbundled hardware and software; mainframe, mini or personal computer; first installation, 1964; six total installations. Functions include defined benefit credits, vesting and retirement calculation, defined contribution storage, income/loss allocation and percentage vesting; communicates benefit programs to employees.

■ Annual/Periodic Benefit Notices: \$10,000; unbundled hardware and software; mainframe, mini or personal computer; first installation, 1964; six total installations. Functions include current status/estimated benefits notification to participant; communicates benefit programs to employees.

■ Withdrawal Liability Calculation: \$10,000; unbundled hardware and software; mainframe, mini or personal computer; first installation, 1980; two total installations. Functions include withdrawal cost calculation for the unfunded vested liability, providing notification forms and amortization schedules.

■ Pension Payment: \$15,000; unbundled hardware and software; mainframe, mini or personal computer; first installation, 1964; six total installations. Functions include monthly pension distribution, FWI, SWI calculation judgments, liens and miscellaneous deductions; communicates benefit programs to employees.

■ Investment Tracking: \$5,000; un-

Continued on next page

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Continued from previous page
bundled hardware and software; mainframe, mini or personal computer; first installation, 1979; two total installations. Functions include investment tracking by account manager with detailed comparison of relative performance.

User support: User groups/meeting, telephone assistance available 12 hours per day, on-site training.

Staff: Seven, five professionals.

Clients: 47 total. Sold systems to two clients in 1991.

1991 gross revenues: \$700,000 total; all from employee benefit information systems, including 20% from software sales, 80% from software services.

Principal officers: J. Patrick Bro-man, president; Edna Buttery, vp-marketing.

Contact: Edna Buttery.

R

RDD (Reilly Dike Doshier Corp.)

3825 Academy Parkway South, N.E.,
Albuquerque, N.M. 87109;
505-345-6212; fax: 505-344-4221

Founded: 1989.

Software products:

■ MPower: unbundled hardware and software; mainframe. Functions as an integrated, managed care information system that horizontally integrates several product offerings while vertically integrating multiple, overlapping provider networks, multiple benefit plans and contracts; is designed to administer claims under COBRA.

User support: User groups/meeting, telephone assistance available eight hours per day, on-site training, documentation, training manuals, pre-installation and post-installation workshops, designated customer service representatives.

Staff: 40, 35 professionals.

Clients: Eight total. Sold systems to two clients in 1991. All corporate employee benefit clients have gross revenues less than \$200 million.

1991 gross revenues: \$2.75 million total; all from employee benefit information systems, including 18% from software sales, 82% from software services.

Principal officers: William F. Reilly, president; Lawrence S. Dike and Robert A. Doshier, executive vps; Bomi Parakh, vp-marketing; John W. Charles, vp-customer service; Bradley Stamets, vp-finance.

Contact: Bomi Parakh.

Resource Information Management Systems Inc.

P.O. Box 3094, Naperville, Ill.
60566-7094; 708-369-5300;
fax: 708-369-5168

Founded: 1981.

Software products:

■ QicClaim/2 Health Claims Administration System: unbundled hardware and software; mini computer or personal computer; first installation, 1989; 96 total installations, 35 in employee benefit departments. Functions include comprehensive tracking, reporting and adjudication capabilities for any benefits plan; also eligibility verification, duplicate claim editing, comparison of current charges to accumulated history.

■ QicClaim Health Claims Administration System: unbundled hardware and software; mini computer; first installation, 1981; 280 total installations, 30 in employee benefit departments. Functions are the same as QicClaim/2.

User support: User groups/meeting, telephone assistance available 24 hours per day, on-site training, consulting services, continuing education programs.

Staff: 129, 72 professionals.

Clients: 374 total. Sold systems to 23 clients in 1991. 53 corporate employee benefit clients, including 96% with gross revenues less than \$200 million, 4% with \$200 million to \$499 million.

Branch offices: Troy, N.Y.

1991 gross revenues: \$15.3 million total; \$14.3 million from employee benefit information systems, including 38% from hardware sales, 20% from software sales, 42% from software services.

Principal officers: Terry L. Kirch, president/chief operating officer; Thomas H. Heimsoth, chairman; Rocky L. Rockett, vp-client services; Robert Gant, vp-product development.

Contact: Ellen J. Lockwald, manager-market development, 708-369-5396, ext. 271.

Retirement Strategies

22 Grove Place, Suite 2, Winchester,
Mass. 01890; 617-721-1046

Founded: 1991.

Software products:

■ Nestegg: \$23,000; unbundled hardware and software; personal computer; first installation, 1991; one total installation, in an employee benefit department. Communicates to employees the value and intelligent use of company savings plans; communicates benefit programs to employees.

User support: Telephone assistance available nine hours per day, on-site training.

Staff: Three, all professionals.

Clients: One total. Sold systems to one client in 1991 with gross revenues between \$1 billion and \$3.5 billion.

Branch offices: Minneapolis.

Principal officers: Rebecca Keller, president; David Ferris, senior vp.

Continued on page 45

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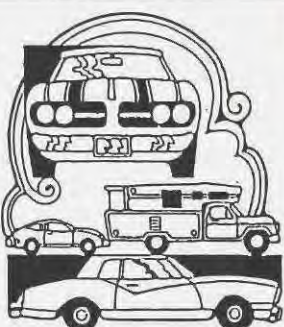
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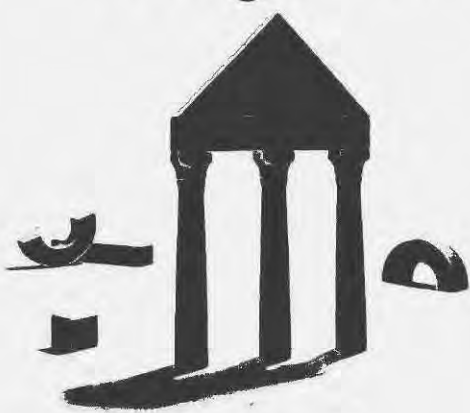
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Issue of April 27

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Contact: David Ferris, 612-825-1431, 5237 Third Ave. S., Minneapolis, Minn. 55419.

S

SBC Systems Corp.

30 Perimeter Center E., Suite 203, Atlanta, Ga. 30346; 404-399-6321; fax: 404-399-6322

Founded: 1977.

Software products:

■ Full Flexible Benefits Administration System (Section 125): \$20,000 to \$30,000; unbundled hardware and software; personal computer; first installation, 1985; 60 total installations, 30 in employee benefit departments. Functions include enrollment, credit calculations, spending accounts, employee statements; communicates benefit programs to employees.

■ 401(k)/Defined Contribution Administration System: \$20,000 to \$30,000; unbundled hardware and software; personal computer; first installation, 1984; 40 total installations, 20 in employee benefit departments. Functions include contributions, investments, loans, non-discrimination testing; communicates benefit programs to employees.

■ Defined Benefit Administration System: \$20,000 to \$30,000; unbundled hardware and software; personal computer; first installation, 1979; 40 total installations, 20 in employee benefit departments. Functions include valuation capabilities, benefit calculations, retiree payroll; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 12 hours per day, on-site training, on-line diagnostic assistance through telecommunications.

Staff: 10, all professionals.

Clients: 100 total. Sold systems to 10 clients in 1991. 10% with gross revenues less than \$200 million, 15% with \$200 million to \$499 million, 25% with \$500 million to \$999 million, 50% with \$1 billion to \$3.5 billion.

1991 gross revenues: 60% from software sales, 40% from software services.

Principal officers: Murray Goldman, president; Eva Chang, executive vp; Margaret King, vp-product services.

Contact: Mary Ann Cronley, sales representative.

SBPA Systems Inc.

10777 Westheimer, Suite 125, Houston, Texas 77042; 800-444-1189

Founded: 1975.

Software products:

■ Group Benefit Administration Sys-

tem (GBAS): unbundled hardware and software; mini computer; first installation, 1975; 44 total installations, nine in employee benefit departments. Functions include eligibility, COBRA and medical, dental, short-term disability, claims.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training, seminars.

Staff: 15, seven professionals.

Clients: 35 total. Sold systems to 10 clients in 1991. Seven corporate employee benefit clients, including 71.4% with gross revenues less than \$200 million, 14.3% with \$200 million to \$499 million, 14.3% with \$500 million to \$999 million.

1991 gross revenues: \$1.4 million total; all from employee benefit information systems, including 15% from hardware sales, 35% from software sales, 50% from software services.

Principal officers: Arnold Heinrich, president; Tim Stunz, executive vp; Donna Smith, vp.

Select Software

3350 Founders Road, Indianapolis, Ind. 46268; 317-876-4741 or 800-873-4741; fax: 317-876-4744

Founded: 1983.

Parent company: Stop Loss International.

Software products:

■ ULTRAPLUS: \$9,995 to \$24,995; unbundled hardware and software; personal computer; first installation, 1987. Functions include administering flexible benefit plans; can be used to communicate benefit programs to employees.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training, contract programming, data conversion, consulting, technical support.

Staff: 102, 40 professionals.

Branch offices: Atlanta; Chicago; Dallas; Kansas City, Kan.; Philadelphia; San Anselmo, Calif.; Scottsdale, Ariz.

Principal officers: Laurence B. Day, principal; Sharon Day, chief executive officer; William Black, president; Steve Hendrixson, director-operations/Select Software.

Contact: Steve Hendrixson.

Software Marketing Group Inc.

108 Third St., Des Moines, Iowa 50309; 515-284-0209; fax: 515-284-5147

Founded: 1990.

Software products:

■ FLEXez: \$1,495; unbundled hardware and software; personal computer; first installation, 1989. Manages internal flexible spending programs includ-

ing medical, dental and child care; communicates benefit programs to employees.

User support: Telephone assistance available nine hours per day, on-site training, upgrades for an annual fee.

Staff: Nine, eight professionals.

Clients: 30% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 20% with \$500 million to \$999 million, 20% with \$1 billion to \$3.5 billion.

1991 gross revenues: 90% from software sales, 10% from software services.

Principal officers: Doug Nicholas, president; Erich Lemke, vp-technical development.

Contact: Doug Nicholas.

SOTRISS Corp.

1955 Cliff Valley Way, Suite 118, Atlanta, Ga. 30329; 404-634-6651; fax: 404-325-7782

Founded: 1983.

Parent company: Lincoln National Corp.

Software products:

■ SOTRISS Health Options: \$200,000; unbundled hardware and software; mid-range computer; first installation, 1990. Five total installations, all in employee benefit departments. Functions include benefit plan development and redefinition, utilization review, contracting, eligibility, billing claims processing, commissions, cost containment, management reports; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available eight hours per day, on-site training, training at Atlanta headquarters.

Staff: 35; 33 professionals.

Clients: Three total. Sold systems to three clients in 1991.

Principal officers: Randy Berta, president; Donald B. Taylor Jr., chief operating officer.

Contact: Vince Manni, national account manager.

SPECTRUM Human Resource Systems Corp.

1625 Broadway, Suite 2700, Denver, Colo. 80202; 303-534-8813 or 800-334-5660; fax: 303-595-9970

Founded: 1984.

Software products:

■ HR/2000: unbundled hardware and software; personal computer; first installation, 1985. Functions as a human resource management system; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ HR/Pay: unbundled hardware and software; personal computer. Functions as an integrated human resource and payroll system; communicates benefit

programs to employees; is designed to administer claims under COBRA.

■ HR/1200: unbundled hardware and software; personal computer; first installation, 1989. Functions as a human resource management system; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ AM/2000: unbundled hardware and software; personal computer. Functions as an applicant management system; communicates benefit programs to employees.

■ TD/2000: unbundled hardware and software; personal computer. Functions as a training and development management system; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 10.5 hours per day, on-site training, data conversion, implementation services, customization, toll-free technical support, ongoing training.

Staff: 85 total.

1991 gross revenues: \$7 million total.

Principal officers: James E. Spoor, president; Nancy E. Spoor, vp-marketing/sales.

Contact: Nancy E. Spoor.

StellarNet Inc.

185 Berry St., Suite 2800, San Francisco, Calif. 94107; 415-882-5700; fax: 415-882-5718

Founded: 1987.

Software products:

■ StellarNet Employer Reporting Module (Form 5020): \$2,995; unbundled hardware and software; personal computer; first installation, 1990; four total installations, all in employee benefit departments. Functions include automated employer's report of injury-Form 5020.

■ StellarNet Doctor's Reporting Module (Form 5021): \$2,995; unbundled hardware and software; personal computer; first installation, 1989; 13 total installations, two in employee benefit departments. Functions include automated doctor's first report of injury-Form 5021.

User support: User groups/meetings, telephone assistance available 9.5 hours per day, on-site training, price includes installation and training.

Staff: 20, 16 professionals.

Clients: 30 total. Sold systems to 11 clients in 1991. 30 corporate employee benefit clients, including 83% with gross revenues less than \$200 million, 10% with \$200 million to \$499 million, 7% with \$500 million to \$999 million.

Branch offices: Los Angeles and Fresno, Calif.

1991 gross revenues: \$280,000 total; \$40,000 from employee benefit information systems, including 5% from hardware sales, 25% from software sales, 70% from software services.

Continued on next page

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KELLY Assisted Living
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Continued from previous page

Principal officers: John Stevens, chairman; David West, president; Neal Battersby, vp-finance; James Bobb, vp-engineering.

Contact: David West.

TALX Corp.

1850 Borman Court, St. Louis, Mo. 63146; 314-434-0046; fax: 314-434-9205

Founded: 1973.

Software products:

• **TALX System:** \$45,000 to \$65,000; bundled hardware and software; personal computer; first installation, 1986; 200 total installations, 35 in employee benefit departments. Functions as a voice response system for employee benefits communication, including enrollments, inquiry and transactions; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 24 hours per day, on-site and classroom training.

Staff: 75, 56 professionals.

Clients: 35 total. Sold systems to 15 clients in 1991. Corporate employee benefit clients include 27% with gross revenues between \$200 million to \$499 million; 46% with \$500 million to \$999 million; 27% with \$1 billion to \$3.5 billion.

Branch offices: Boston; Irvine, Calif.; Minnetonka, Minn.

1991 gross revenues: \$6.5 million total; \$2 million from employee benefit information systems, including 50% from hardware sales, 35% from software sales, 15% from software services.

Principal officers: William W. Canfield, president; John Tubbesing, vp-sales/marketing; Gary Lowe, vp; Michael Smith, vp-marketing.

Contact: Michael Smith.

TXEN

10 Inverness Center Parkway, Suite 140, Birmingham, Ala. 35242; 205-995-9898; 205-995-8640

Founded: 1989.

Software products:

■ **Managed Healthcare System:** \$150 per employee per month; unbundled hardware and software; first installation, 1990; eight total installations. Functions include administration, billing, claims adjudication, claims payment, reporting, accounting, managed care; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available nine hours per day, on-site training, software updates.

Staff: 14, 10 professionals.

Clients: Eight total, all corporate employee benefit clients with gross revenues less than \$200 million.

Branch offices: Dallas.

1991 gross revenues: 20% from hardware sales, 30% from software sales, 50% from software services.

Principal officers: Tom Patterson, president; Paul Reaves, vp-sales/marketing; Carol Gay, vp-administration; Dick Waggener, director-technical resources.

Contact: Eric Meyer, account executive.

Telos Computing Inc.

42 Aero Camino, Suite 102, Goleta, Calif. 93117; 805-968-2552; fax: 805-968-2589

Founded: 1969.

Parent company: Telos Corp.

Software products:

■ **ThisClaim:** \$60,000; unbundled or bundled hardware and software; personal or mini computer; first installation, 1980; 51 total installations, 26 in employee benefit departments. Functions include automatic medical, dental, vision, SDI claims administration and adjudication module; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **ThisReview:** \$5,000; unbundled or bundled hardware and software; mini computer; first installation, 1980; 15 total installations, 10 in employee benefit departments. Functions include utilization review including precertification, surgical opinions, savings calculations and reporting; communicates benefit programs to employees.

■ **ThisCare:** \$10,000; unbundled or bundled hardware and software; mini computer; first installation, 1985; four total installations. Functions include HMO/IPA administration; communicates benefit programs to employees.

■ **ThisBill:** \$10,000; unbundled or bundled hardware and software; mini computer; first installation, 1982; six

total installations, five in employee benefit departments. Functions include premium billing, group and individual billing; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **ThisProgram:** \$25,000; unbundled or bundled hardware and software; mini computer; first installation, 1991; one installation. Functions as an employee assistance program administration package; communicates benefit programs to employees.

■ **ThisFund:** \$10,000; unbundled or bundled hardware and software; mini computer; first installation, 1985; three total installations. Functions include fund accounting.

User support: User groups/meetings, telephone assistance available 10 hours per day, on-site training, on-line support.

Staff: 1,700, 100 professionals.

Clients: 35 total. Sold systems to five clients in 1991. 35 corporate employee benefit clients.

1991 gross revenues: \$225 million total; \$1.5 million from employee benefit information systems sales and ser-

vices, including 10% from hardware sales, 40% from software sales, 50% from software services.

Principal officers: John Grove, president; Sherry Hannigan, vp.

Tesseract Corp.

150 Spear St., San Francisco, Calif. 94105; 415-543-9320; fax: 415-543-6263

Founded: 1971.

Parent company: The Prudential Insurance Co. of America.

Software products:

■ **Tesseract's Benefit/Flexible Benefit Plan Administrator:** \$100,000 to \$200,000; unbundled hardware and software; mainframe computer; first installation, 1982; 136 total installations, all in employee benefit departments. Functions include tracking data for legislative compliance for benefits and flex plans; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **Tesseract's Investment Plan Manager:** \$100,000 to \$200,000; unbundled hardware and software; mainframe or personal computer; first installation,

1987; 52 total installations, 41 in employee benefit departments. Functions include defined contribution plans, 401(k), ESOP, after-tax savings; communicates benefit programs to employees.

■ **Tesseract's Retirement Plan Manager:** \$100,000 to \$200,000; unbundled hardware and software; mainframe computer; first installation, 1990; 12 total installations, all in employee benefit departments. Functions include defined benefit plans; communicates benefit programs to employees.

■ **Tesseract's Claims Processing System:** \$100,000 to \$200,000; unbundled hardware and software; mainframe computer; first installation, 1983; 16 total installations, all in employee benefit departments. Functions include employer processing for medical, dental, drugs, vision and hospital claims, cost containment; communicates benefit programs to employees.

User support: User groups/meetings, telephone assistance available 24 hours per day, on-site training, consulting, implementation and installation assistance, custom programming.

Staff: 220, 110 professionals.

Clients: 117 total. Sold systems to 14 clients in 1991. Corporate employee benefits clients include 10% with gross revenues less than \$200 million, 10% with \$200 million to \$499 million, 10% with \$500 million to \$999 million, 30% with 1 billion to \$3.5 billion and 40% exceeding \$3.5 billion.

Branch offices: Dallas; Detroit; Inverness, Ill.; Paramus, Voorhees, N.J.

1991 gross revenues: 70% from software sales, 30% from software services.

Principal officers: William R. Leckonby, president/chief operating officer; Ronald Ellis, vp/sales; Lyn Jensen, vp-finance/chief financial officer; Fran Swanson, Mike Green, vp/technology; Gary Durbin, executive vp.

Contact: Darlene Smith, ext. 643.

3M Health

Information Systems

676 W. Murray Blvd., Murray, Utah 84157; 800-367-2447; fax: 801-263-3658

Founded: 1981.

Parent company: 3M Co.

Continued on next page

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pay claims late might not last long enough to pay them at all.

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Continued from previous page

Software products:

• DRG Grouper Code 3/HSI Systems: unbundled hardware and software; personal computer, mini computer or mainframe; first installation, 1983. Assigns DRG Group in hospitals.

• All-patient Refined DRG Grouper: unbundled hardware and software; mainframe. Addresses cost, effectiveness and quality.

User support: Telephone assistance available 24 hours per day.

Staff: 300 total.

Branch offices: Wallingford, Conn.

Principal officers: Dr. Brian Hewitt.

Towers Perrin

Centre Square West, 1500 Market St., Philadelphia, Pa. 19102; 212-246-6000

Founded: 1934.

Parent company: Towers Perrin.

Software products:

• Pension Manager: unbundled hardware and software; personal computer; first installation, 1986; 200 total instal-

lations, all in employee benefit departments. Maintains a data base of defined benefit plan information, performs pension and social security calculation, assists in actuarial data preparation and government compliance; communicates benefit programs to employees.

• SS Calc: unbundled hardware and software; personal or mainframe computer; first installation, 1974; 290 total installations, all in employee benefit departments. Functions include calculation of social security benefits; communicates benefit programs to employees.

• Account Manager: unbundled hardware and software; mainframe computer; first installation, 1988; 120 total installations. Functions as a comprehensive recordkeeping system.

• FlexManager: unbundled hardware and software; personal computer; first installation, 1987; 55 total installations, all in employee benefit departments. Functions include administration of flexible benefit plans and flexible spending accounts; communicates benefit programs to employees.

• Telephone Voice Response System: unbundled hardware and software; personal and mainframe computer; first in-

stallation, 1988; 75 total installations. Used by employees for benefit information, benefit plan enrollment, defined benefit plan values, voice response benefit statement, surveys, meeting registration, defined contribution plan account balances.

• Interactive Software: unbundled hardware and software; personal computer; first installation, 1985; 20 total installations. Used by employees for benefit information, retirement planning, flexible benefit enrollment, electronic benefit statements.

User support: User groups/meetings, telephone assistance, on-site training.

Staff: 5,000, 3,700 professionals.

Clients: More than 8,000 total.

Branch offices: 66 offices worldwide.

1991 gross revenues: \$650 million.

Principal officers: John T. Lynch, chairman/chief executive officer; J. Russell Southworth, managing director.

The Travelers Insurance Cos.-Managed Care & Employee Benefits Operations

One Tower Square, Hartford, Conn. 06183; 203-954-8300; fax: 203-277-0368

Founded: 1864.

Parent company: The Travelers Corp.

Software products:

• The Travelers LINK: \$1,500; unbundled hardware and software; personal computer; first installation, 1988; 320 total installations, all in employee benefit departments. Contains information and tools in benefit claims; reports, eligibility and administration; designed to administer claims under COBRA.

• INFORM: \$21,000; unbundled hardware and software; personal computer; first installation, 1987; 85 total installations, all in employee benefit departments. Provides both pre-formatted and customized financial reports on health, dental, vision, flex spending accounts and disability benefits.

User support: User groups/meetings, telephone assistance available 12 hours per day, on-site training, local service representative, 800 telephone number.

Staff: 12, five professionals.

Clients: 320 employee benefit infor-

mation system clients. Sold systems to 120 clients in 1991.

Branch offices: 83 locations nationwide and Nassau, Bahamas.

Principal officers: Paul Barrett, vp; Bill Rohrer, director; Tom Fitzpatrick, manager.

Contact: Bill Rohrer.

Travis Software Corp.

P.O. Box 820469, Houston, Texas 77282-0469; 713-496-3737; fax: 713-496-4022

Founded: 1986.

Software products:

• Corporate COBRA Manager: \$1,295; unbundled hardware and software; personal computer; first installation, 1986; 2,687 total installations, 2,389 in employee benefit departments. Administers recordkeeping and letter/notices for COBRA; can be used to communicate benefit programs to employees; designed to administer claims under COBRA.

• TravisFlex: \$1,295; unbundled hardware and software; personal computer; first installation, 1987; 693 total installations, 641 in employee benefit departments. Cafeteria plan management; can be used to communicate benefit programs to employees.

• Retiree Premium Billing Manager: \$1,295; unbundled hardware and software; personal computer; first installation, 1988; 387 total installations, 383 in employee benefit departments. Handles retiree premium billing and collection.

User support: Telephone assistance available eight hours per day, in-office training.

Staff: 19, 12 professionals.

Clients: 2,963 employee benefit information system clients. Sold systems to 514 clients in 1990. 2,621 corporate employee benefit clients, including 10% with gross revenues less than \$200 million, 30% with \$200 million to \$499 million, 30% with \$500 million to \$999 million, 20% with \$1 billion to \$3.5 billion, 10% exceeding \$3.5 billion.

1991 gross revenues: \$1.7 million total; all from employee benefit information systems, including 40% from software sales, 60% software services.

Principal officers: Alan H. Williams, president; John R. Worner, vp.

Contact: Alan H. Williams.

Trilog

1 Logan Square, Suite 1600, Philadelphia, Pa. 19103; 215-564-3404; fax: 215-564-3455

Founded: 1966.

Parent company: CIGNA Corp.

Software products:

• Microshare/Thrifty 401(k): \$12,500; unbundled hardware and software; personal computer; first installation, 1984; 60 total installations, 13 in employee benefit departments. Functions include defined contribution, retirement plan and ESOP participant recordkeeping; can be used to communicate benefit programs to employees.

User support: Telephone assistance available eight hours per day, on-site and in-office training, manuals.

Staff: 100 total.

Clients: 430 employee benefit information system clients. Sold systems to 30 clients in 1991.

Principal officers: Edward P. Jasudowich, president; Linda R. Saltzman, vp-sales/marketing.

Contact: Charles Affel.

United HealthCare Corp.

9900 Bren Road E., P.O. Box 1459, Minneapolis, Minn. 55440-8001; 612-936-7402; fax: 612-935-5343

Founded: 1974.

Software products:

• ProSight 2000: unbundled hardware and software; personal computer; first installation, 1991. 17 total installations, seven in corporate employee benefit departments. Provides information on health care benefits programs.

User support: Telephone assistance available eight hours per day, documentation, consulting services.

Staff: 3,800.

Clients: 17 total.

1991 gross revenues: \$847.1 million.

Principal officers: Dr. William W. McGuire, president/chief executive officer; George B. Borkow, executive vp/ chief financial officer; William W. Pogue, senior vp-sales/marketing/product development; Brian S. Gould, senior vp-specialty operations; James P. Bradley, vp-information systems/technology.

Continued on next page

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Directory: Property Loss Control Consultants

issue: May 25
closing: May 13

issue: June 1
closing: May 19
editorial feature: Conference Report: PRIMA
demographic section: Agent/Broker Topics: Legislative Issues; NAIB Conference Report

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editorial feature: Benefits: Mid-Year Market Report
Directory: EAP's & Mental Health Networks

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SET YOUR DATES

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U.S. Benefit Communications Inc.
123 William St., 23rd Floor, New York, N.Y. 10038; 800-433-2178; fax: 212-267-8080

Founded: 1991.

Software products:

■ USBC Extra-CK: \$9,895; unbundled hardware and software; personal computer; first installation, 1991; three total installations, all in employee benefit departments. Provides personalized employee benefit statements; communicates benefit programs to employees.

User support: Telephone assistance, on-site training.

Staff: Four, two professionals.

Clients: Sold systems to three clients in 1991. 12 corporate employee benefit clients, including 40% with gross revenues less than \$200 million, 40% with \$200 million to \$499 million, 20% with \$500 million to \$999 million.

1991 gross revenues: 40% from software sales, 40% from software services.

Principal officers: James A. Feniman, president; Philip Johnson, se-

nior vp; Thomas Corcoran, vp.
Contact: Thomas Corcoran.

Utilization Management Systems Inc.

224 S. 108th Ave., Suite 8, Omaha, Neb. 68154; 402-330-6112; fax: 402-330-5004

Founded: 1986.

Software products:

■ Independence Utilization Review Software: \$25,000; unbundled hardware and software; personal computer; first installation, 1988; four total installations. Assists nurse reviewers in hospital inpatient and outpatient precertification and continued stay reviews.

■ Claims Information Management System: \$17,000; unbundled hardware and software; personal computer; first installation, 1987; three total installations. Performs basic claims processing functions and physician repricing.

■ Practice Vu-Ambulatory Claim Audit System: \$22,500; unbundled hardware and software; personal computer; first installation, 1988; six total installations. Analyzes all physician services claims and looks for inappropriate procedures for diagnosis, checks excessive frequency of procedures and miscoded office visits.

User support: Telephone assistance available eight hours per day, modem.

Staff: Nine, four professionals.

1991 gross revenues: \$945,000 total.

Principal officers: Ron Chaffin, president/chief executive officer; Dr. John Kircher, chairman.

Contact: Jordan Misner, director-marketing.

W

WLT Software of Florida Inc.

831 N. Hercules Ave., Clearwater, Fla. 34625; 813-442-9296; fax: 813-443-4936

Founded: 1979.

Software products:

■ MEDICLAIMS Health claims administration system: \$40,000; unbundled hardware and software; personal computer; first installation, 1981. Claims administration and billing system; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ COMPCLAIMS Workers' Compensation Claims Administration System: \$20,000; unbundled hardware and software; personal computer; first installation, 1985. Administration and payment of workers compensation claims.

■ FLEXCLAIMS Flexible Benefits Administration System: \$5,000; unbundled hardware and software; personal computer. Section 125 administration and claims payment; communicates benefit programs to employees.

■ COBRAPLUS COBRA Administration System: \$1,500; unbundled hardware and software; personal computer; first installation, 1987. Administration, billing and accounting system; is designed to administer claims under COBRA.

User support: User groups/meetings, telephone assistance available 10.5 hours per day, modem assistance.

Principal officers: William L. Tiner Jr., president; Ann M. Tiner, vp.

Contact: Tom Brooks.

WTR Data Services Inc.

630 Third Ave., New York, N.Y. 10017; 212-949-8989; fax: 212-682-9147

Founded: 1975.

Parent company: Williams, Thatcher & Rand.

Software products:

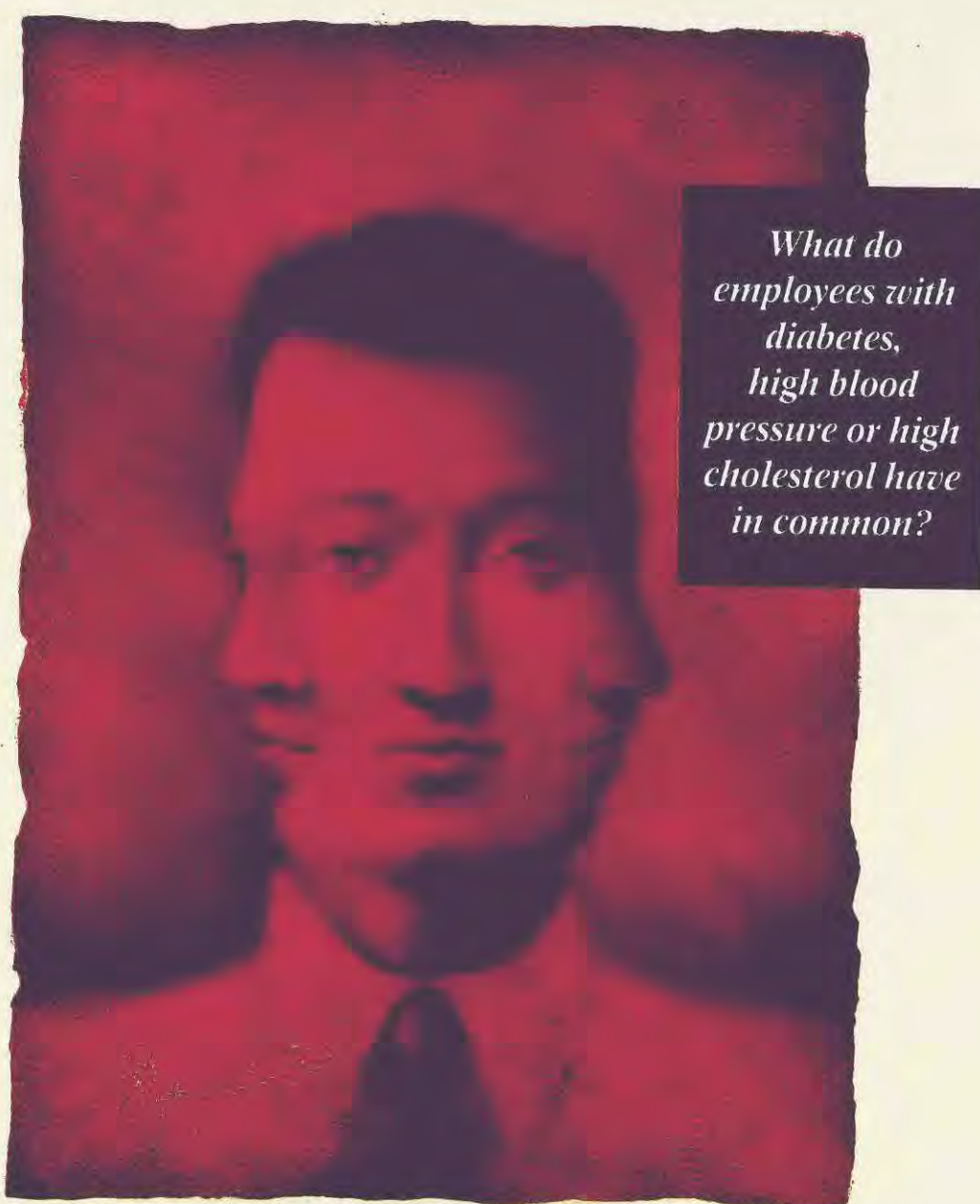
■ Admini*Flex: \$23,000; unbundled hardware and software; personal computer; first installation, 1985; 70 total installations, 69 in employee benefit departments. Flexible benefit enrollment and administration; communicates benefit programs to employees.

■ Sam III: \$3,500; unbundled hardware and software; personal computer; first installation, 1986; 55 total installations, 50 in employee benefit departments. FSA administration; communicates benefit programs to employees.

■ The Benefits Reporter: \$1,995; unbundled hardware and software; personal computer; first installation, 1990; 12 total installations, 11 in employee benefit departments. Benefit statement system; communicates benefit programs to employees.

■ BeneVoice: \$12,000; unbundled

Continued on next page



What do employees with diabetes, high blood pressure or high cholesterol have in common?

Each other. Diabetes, hypertension and high cholesterol are costly vascular medical problems affecting millions of people in the workforce.

Recent medical studies reveal a distinct "vascular linkage" between these three diseases in that the presence of one may indicate the presence of the other two.

These high risk vascular diseases account for nearly 20% of all U.S. health care costs, over \$114 billion annually. However, despite our best efforts, millions of people are not aware they have such a medical condition.



50% of all people with diabetes are undiagnosed. 30% of all Americans have high blood pressure. And over 99 million

Americans suffer from high cholesterol.

The facts are, early detection and proper medical care are our best weapons to reduce the costly complications associated with these vascular diseases. For example, by simply lowering cholesterol 10 mg, you lower the risk of death by 10%. By lowering your diastolic blood pressure by only 7.5 mm/Hg, you reduce the risk of death by 30%.

For more answers about the risks and the costs of vascular diseases in the workplace, write to the *Vascular Health Project** of the American Diabetes Association, 535 South Illinois Street, Indianapolis, IN 46225. What do you have to lose if you don't?

*statistical references on file



The Vascular Health Project is supported through an education grant from Boehringer Mannheim Corporation.

Continued from previous page
hardware and software; personal computer; first installation, 1990; seven total installations, all in employee benefit departments. Telephone voice response system; communicates benefit programs to employees.

■ **Retirement Benefit System:** \$16,000; unbundled hardware and software; personal computer; first installation, 1985; 15 total installations, all in employee benefit departments. Customized pension calculation and administration; communicates benefit programs to employees.

■ **Med*E*Call:** \$595; unbundled hardware and software; personal computer; first installation, 1989; 30 total installations, 16 in employee benefit departments. Health plan valuation and comparisons.

User support: Telephone assistance available nine hours per day, disk updates, support through modem.

Staff: 170 total, 110 professionals.

Clients: 160 total. Sold systems to 90 clients in 1991. 87 corporate employee benefit clients, including 70% with gross revenues less than \$200 million, 20% with \$200 million to \$499 million, 10% with \$500 million to \$999 million.

Branch offices: Bethesda and Baltimore, Md.; Richmond, Va.; Indianapolis; Philadelphia; Denver.

1991 gross revenues: \$14 million total; 2 million from employee benefit information systems sales and services, including 70% from software sales, 30% from software services.

Principal officers: Richard Macy, Charles G. Thacher, Jeff Levy, Thomas O. Rand, principals.

Contact: Michael Holden.

The Wyatt Company-Consulting Support Services

601 13th St. N.W., Suite 1000,
Washington, D.C. 20005-3808,
202-508-4600; fax: 202-508-4688

Founded: 1946.

Software products:

■ **Benefit*Connection:** \$50,000 to \$150,000; unbundled hardware and software; personal computer; first installation, 1985; 55 total installations, all in employee benefit departments. Provides election benefit statements; communicates benefit programs to employees.

■ **Benefit*Connection Voice Response:** \$50,000 to \$150,000; bundled hardware and software; personal computer; first installation, 1987; 60 total installations, all in employee benefit departments. Provides benefit information over telephones; communicates benefit programs to employees.

■ **COBRA:** \$3,000 to \$8,000; unbundled hardware and software; personal computer; first installation, 1986; 525 total installations. Produces continuation of coverage notices, tracking election information; communicates benefit programs to employees; is designed to administer claims under COBRA.

■ **WyPEN:** \$20,000 to \$250,000; unbundled hardware and software; personal computer; first installation, 1990; 17 total installations, all in employee benefit departments. Pension administration, benefit calculations, plan management; communicates benefit programs to employees.

■ **Participant Administration Software System:** \$10,000 to \$150,000; unbundled hardware and software; personal computer; first installation, 1984; 90 total installations, all in employee benefit departments. Inquiry reporting, transaction processing and letter generation; communicates benefit programs to employees.

■ **Flex Benefit Enrollment:** \$25,000; unbundled hardware and software; personal computer; first installation, 1985; 90 total installations, all in employee benefit departments. Enrollment and production of personalized communications; communicates benefit programs to employees.

■ **Vision:** \$30,000 to \$200,000; unbundled hardware and software; personal computer; first installation, 1992; 14 total installations, all in employee benefit departments. Retirement planning package for individual employers; communicates benefit programs to employees.

■ **WyMAP:** \$2,000 to \$24,000; unbundled hardware and software; personal computer; first installation, 1991; 18 total installations, all in employee benefit departments. Human resource planning system; communicates benefit programs to employees.

■ **Reimbursement Account System:** \$5,000 to \$15,000; unbundled hardware and software; personal computer; first installation, 1983; 150 total installations, all in employee benefit departments. Claims processing for Section 125 plans, handles administration and check writing with links to payroll; communicates benefit programs to employees.

■ **Comp*Connection:** \$100,000; unbundled hardware and software; personal computer; first installation, 1991; one installation in an employee benefit department. Provides data base management of executive compensation data; communicates benefit programs to employees.

■ **Description Manager Plus:** \$7,500; unbundled hardware and software; personal computer; first installation, 1992; 100 total installations. Aids in the creation of job descriptions, complies with ADA regulations.

User support: User groups/meetings, telephone assistance available 11 hours per day, on-site training, local consultants, newsletters, training classes.

Staff: More than 3,500; 2,100 professionals.

Clients: 1106 total. Sold systems to 489 clients in 1991.

Branch offices: 28 offices nationwide.

1991 gross revenues: \$440 million total.

Principal officers: Michael H. Davis, president; Leroy B. Parks Jr., executive vp; Walter W. Bardenwerper, general counsel and secretary.

Contact: Gisele Cloutier, director-corporate marketing.

1991 1992

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Spring renewals

Continued from page 1
vp with Alexander & Alexander Inc. in Chicago. "There's a tremendous amount of capacity out there. I don't see it going away or drying up."

And neither the Chicago flood (see story, page 1) nor the London bomb blast (BI, April 20) earlier this month is likely to turn the market around.

Neither disaster should have any impact on rates or availability of coverage, said Bill Ehlers, senior vp-commercial property and liability insurance for

Woodland Hills, Calif.-based Transamerica Corp.

"I don't see any impact," agreed William E. Moriarty, vp and staff officer-marketing for Arkwright Mutual Insurance Co. in Waltham, Mass. While losses from both catastrophes could cost insurers billions of dollars, several such large catastrophes would have to occur before the market would tighten, he said.

U.S. risk managers should not expect to feel any sting from the London bomb blast. Those losses will fall strictly on the British accounts of London insurers and Lloyd's of London syndicates,

said Stephen Matanle, managing director and chief executive of the worldwide property insurance division of C.T. Bowring & Co. Ltd. in London.

And, insured losses from the Chicago flood alone will not turn the market, said James Payne, chairman of E.W. Payne Cos. Ltd. in London.

Not even the additional \$1.2 billion of insured property losses from last year's fire that devastated an affluent area of Oakland, Calif., (BI, Oct. 28, 1991) is sufficient to turn the market, noted Alan Lee, North American underwriter for Sturge Non-ma-

rine Syndicate Management Ltd.

The double whammy of Hurricane Hugo and the San Francisco Bay area earthquake in the fall of 1989 did not turn the market even though they caused more than \$5 billion of insured damage, observers noted.

"If you go back to 1989, we hoped that the large losses then would affect the market, but they didn't, and there are no signs of the market changing now," Mr. Lee said.

J. Patrick Gallagher Jr., president of broker Arthur J. Gallagher & Co. in Itasca, Ill., agreed. Referring to the Chicago

flood and the London bomb blast, he said that if the 1989 disasters did not turn the market, "I don't see where this will change things, either."

But, Clinton Greene, vp of liability underwriter American Excess Insurance Assn. in East Hartford, Conn., was not so sure that the Chicago flood would be a total wash as far as market conditions go.

"Coupled with the London bomb damage, it will reduce surplus by several billion dollars, and I expect it will have a definite impact on both insurance and reinsurance capacity and therefore pricing within the next six months," he said. "Property owners and municipalities with similar aging or abandoned infrastructure systems should probably expect to see some immediate impact from a capacity standpoint."

But, for now, it is more of the same property/casualty market conditions for risk managers.

"Everything's in neutral. Things really haven't changed appreciably in the last six months," said George Ramsdell, senior vp and chief underwriting officer for Continental Corp.'s agency group in Cranbury, N.J.

"It's an extremely competitive marketplace," said Joseph T. Basta, president of Zurich-American Commercial Insurance in Schaumburg, Ill. When insurers drop out, others "are stepping up to the plate."

"I've seen no change at all—it's strictly the status quo," said Transamerica's Mr. Ehlers. "Things look sort of bleak."

In broad terms, competition for property/casualty business "remains fierce," Mr. Gallagher said. "If anything, we've seen modest renewal decreases across the book."

Since the first of the year, there has been a "renewed" surge of competitiveness, agreed Larry Sorenson, senior vp at Rollins Burdick Hunter Co. in Chicago.

The property market is still "very competitive," said Michael McIntyre, senior vp of Allendale Mutual Insurance Co. in Johnston, R.I. There is no reason to think the market will turn soon, he said.

In Florida, where the Insurance Services Office Inc. still provides fully developed advisory rates to insurers, insurers must cut those rates by 30% "or they don't even get in the game," pointed out Nelson Green, vp of marketing for Poe & Associates Inc. in Tampa.

But, Mr. Green said there are some signs of hardening property rates in Florida as reinsurers are "holding the line." So far, though, that "hardening" has left rates only a percentage point or two up from last spring's.

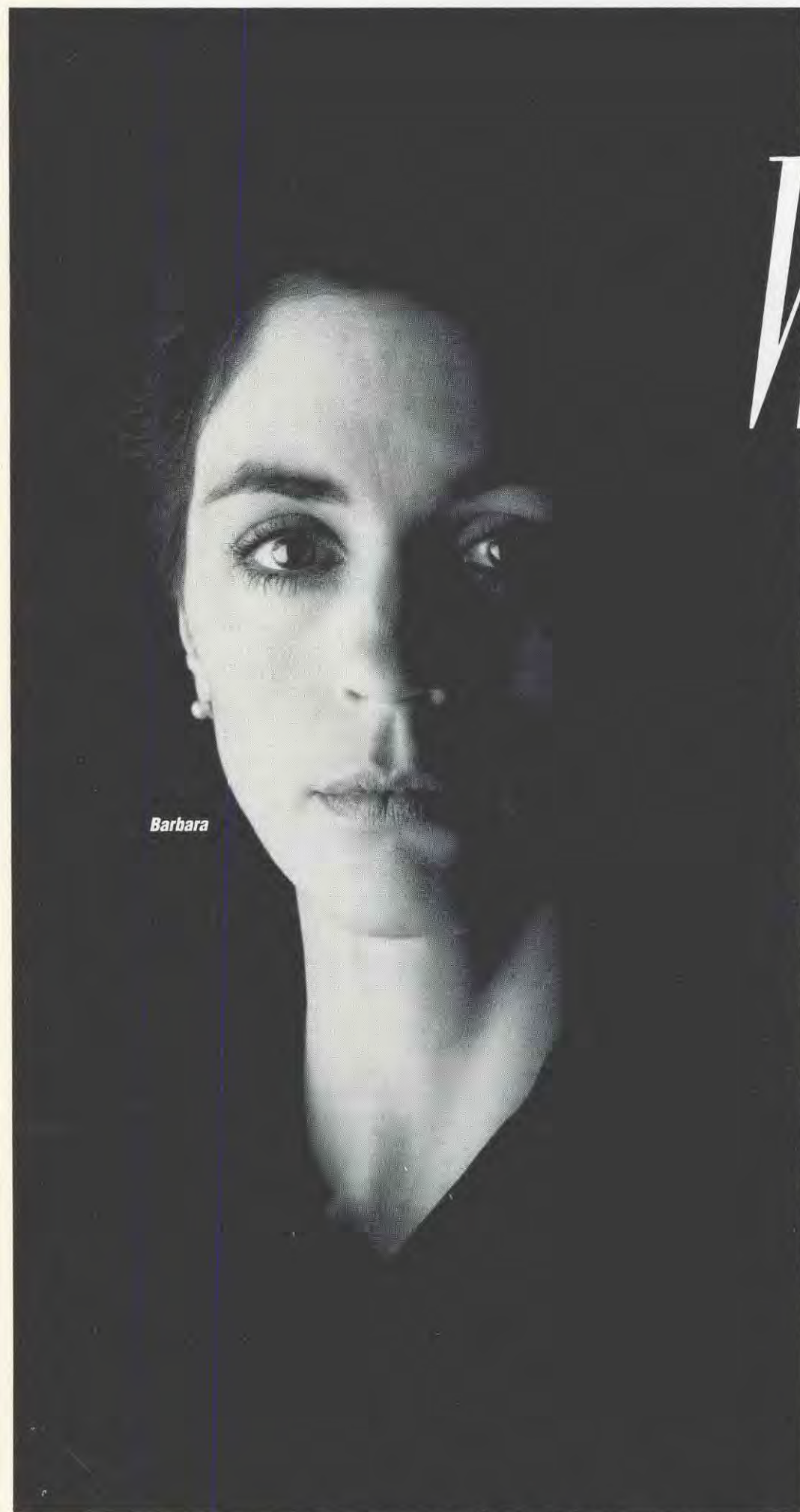
Most risk managers reporting any significant rate changes suffered recent losses.

Take Imcera Group Inc., for example. The Northbrook, Ill.-based chemical company renews all of its property coverage May 1 and expects a 10% to 15% increase on domestic property rates because of poor loss experience over the past three years, said Gary Lewis, manager-risk, finance and administration.

The company's pure loss ratio exceeded 78% last year, and one of Imcera's large locations lost its highly protected risk status, he said.

But, Mr. Lewis anticipates rates for Imcera's international property coverage and all of its

Continued on next page



Barbara

W

ould you know what to do for her...

What creates a suicide attempt? An alcoholic father. A string of foster homes. Physical and sexual abuse. Chronic depression. And finally, a devastating divorce from the only man who seemed to care.

Barbara had already been hospitalized four consecutive times for psychological problems when Cost Care's case manager began working with her. Immediately realizing that hospitalization could not provide the care and rehab that Barbara needed, the case manager placed her in a transitional living facility that provided 24 hour supervision, in-house group therapy, peer support, and medical care. She also received paid on-the-job training to gain the marketable skills she needed to make her an independent person for the first time.

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Continued from previous page
casualty coverage—which renews May 31—will remain “flat.”

In London, “we have yet to see a change” in rates for U.S. property risks, said Sturge’s Mr. Lee.

And any increases in the London market merely track inflation, he said.

“There is some pressure from underwriters to increase premiums, but the competitive market does not allow that,” Bowring’s Mr. Matanle said.

Plentiful capacity on both sides of the ocean is keeping prices down, he said.

However, conditions are being tightened on some property policies, Mr. Lee said.

In some cases, underwriters are insisting on named locations and values being included in the policy rather than granting coverage for “all real and personal property,” he said.

And, there is some reduction of property capacity in London for North American risks due to the withdrawal of some underwriters from the market and the redistribution of capacity in Lloyd’s, Mr. Matanle said.

At Lloyd’s, capacity for several leaders on North American property risks has been cut as members suffering large losses reduce their exposure to the market, he said.

At the same time, companies and syndicates are continuing to withdraw from the property catastrophe reinsurance market, which is reducing the amount of direct capacity, Mr. Payne said.

And rates for catastrophe reinsurance for North American risks remains hard, with rates stabilizing following the significant rate increases in January, Mr. Payne said.

On the liability side, General Nutrition’s Mr. Jeroski, who renews the company’s casualty coverage in May, hopes competition will produce lower premiums for general liability, product liability and excess liability risks.

North American casualty rates in London also remain virtually flat, said Chris Horton, casualty underwriter for Zurich Re U.K. Ltd. “It’s fairly static. On the whole we are looking at inflationary increases of around 5% on last year.”

In some cases policyholders are putting pressure on underwriters to lower liability premiums to reflect a reduction in risk due to a slowdown in activity as a result of the recession, Mr. Horton said.

Most London underwriters, though, have resisted premium reductions, he said.

The domestic occurrence-based excess liability market “remains soft with ample capacity for light-exposure accounts, particularly where pollution coverage is not a major factor,” said American Excess’ Mr. Greene.

Indeed, the excess and umbrella liability market “maybe has gotten a little squishier,” said Thomas Kelsey, executive vp of Chubb & Son Inc. of Warren, N.J.

Mr. Greene said that exceptions include “heavier operational and products” exposures like equipment, pharmaceutical and chemical manufacturers as well as oil and gas operations.

There are a few exceptions to the overall soft market.

“As opposed to a general market change, underwriters will respond to specific lines of coverage or industry group,” RBH’s Mr. Sorenson noted.

For example, “I think the D&O

market has kind of stabilized,” said Chubb’s Mr. Kelsey, noting that risk managers are not as willing to switch underwriters.

Nothing has changed for most D&O accounts since year-end 1991, when the market was spongy, said Steve Sills, vp and chief underwriting officer for Executive Risk Management Associates, Aetna Casualty & Surety Co.’s D&O underwriting unit in Simsbury, Conn.

But, A&A’s Mr. Jones said that D&O coverage would be “a little bit tougher” for certain risks, notably financial institutions.

Distressed financial institu-

tions remain the exception to rule, but that has been the case for several years, Mr. Sills said.

London underwriters also are increasing rates for non-marine energy risks formerly placed in the marine market but that have returned to the non-marine market since the unbundling of energy package programs at the 1991 year-end renewals, Mr. Lee said.

The move stemmed from marine reinsurers refusal to offer coverage for non-marine liability risks for energy accounts.

When onshore liability risks are transferred to the non-ma-

rine market, underwriters are demanding rate increases of around 20% and imposing stricter terms, Zurich Re’s Mr. Horton said.

Few large energy contracts are currently being renewed, but middle-market oil company programs, which are renewed throughout the year, are seeing average increases of around 15% to 20%, said Edward Moss, managing director of the oil and gas division of Willis Corroon Group P.L.C. in London.

Terms and conditions remain largely unchanged, he said. “People are looking for increases

in rates, not deductibles. It’s mainly money they are looking for.”

Middle-market oil companies still are seeking to have both their onshore and offshore risks insured under one program, Mr. Moss said.

While this is still possible at Lloyd’s, capacity is reduced, Mr. Moss said.

And capacity for energy packages is even tighter in the London and Scandinavian company markets, he said.

Associate Editor Laura Mazucca contributed to this report.



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Large accounting and law firms see E&O rate increases

By CHRISTINE WOOLSEY

Professional liability insurance for large accounting and law firms is becoming more expensive following hundreds of millions of dollars in settlements stemming from the savings and loan debacle.

In addition, some insurers are restricting coverage for accounting and legal work conducted on behalf of financial services clients.

Small and mid-sized accounting and law firms, however, aren't seeing great changes in rates and conditions during spring renewals and generally can purchase the limits they seek.

Large law firms purchasing up to \$10 million in primary professional liability coverage may experience moderate rate increases—from 15% to 20%—over the next two years, said Patricia Myers, vp at Shand Morahan & Co. Inc., an underwriting manager in Evanston, Ill. By contrast, rates for layers above \$10 million will increase by as much as 50%, she predicted.

"The thought that professional liability insurance layers in excess of \$10 million would be tapped was inconceivable" in the past, she said. As a result, those layers were generally underpriced. But, "the S&L settlements have pushed (premium) trends along swiftly," she said.

Coverage is much more expensive for large accounting and law firms because the competition isn't as heated among the insurers vying for large professional liability accounts, said Robert Hatton, deputy chairman of Minet International Professional Liability Ltd. in Montreal, a unit of London-based Minet Holdings P.L.C.

Much of the coverage for very large accounting firms is placed in the London market by Minet.

Mr. Hatton pointed out that rates for large accounting and law firms traditionally have been higher than rates for small and mid-size accounts. "Smaller firms are enjoying softer market conditions than are the Big Six accounting firms or very large law firms that work for Fortune 500 companies," he said. "The large firms never really bounced back from the hard market of the middle '80s. And, because of their size, they can afford to pay sizable premiums."

Major accounting and law firms—and their insurers—have agreed to pay hundreds of millions in damages to settle claims related to savings and loan failures. Two law firms and two Big Six accounting firms, for instance, have agreed to pay nearly \$160 million in connection with the failure of Lincoln Savings & Loan Assn., the nation's largest S&L collapse (BI, April 6; March 23; March 16).

A good portion of the accountants' settlements may have been paid by the firms themselves. The Big Six accounting firms in 1990 had retentions of at least \$6

million per claim and \$20 million to \$30 million aggregate.

"It's a bit too soon to know for sure" what effect the S&L-related settlements will have on professional liability rates, Mr. Hatton said.

Renewals will probably be characterized by more stringent underwriting, though. "The numbers in the settlements are certainly large enough to catch the attention of underwriters, who will assess how much risk accounting and law firms have related to savings and loans," Mr. Hatton said.

Most "underwriters will bear in mind, though, that the crisis is pretty much over," Mr. Hatton said.

Paul Mahaffey, president of Minneapolis-based Professional Liability Underwriting Managers Inc., agreed: "The savings and loan crisis from an underwriting standpoint is more or less behind us. The settlements you are reading about today stem from claims that came up a few years ago."

PLUM, a unit of Willis Corroon Corp., specializes in lawyers professional liability insurance, Mr. Mahaffey said, noting that the firm places coverage for more than 100,000 attorneys nationwide.

Despite the recent spate of S&L-related settlements, "the lawyers professional liability market is relatively stable," said Robert E. O'Malley, vice chairman and loss prevention counsel in the Washington, D.C. office of Attorneys Liability Assurance Society (Bermuda) Ltd. The policyholder-owned facility insures about 50,000 lawyers in 374 large law firms.

"Effective April 1 this year, we had an average weighted increase of 20% for the first \$10 million layer of coverage," Mr. O'Malley said. Rates for layers above that did not increase.

Premium increases vary based on the size of a policyholder's self-insured retention, Mr. O'Malley pointed out. For example, policyholders with a \$100,000 to \$200,000 retention within the first \$10 million layer experienced premium increases of 1% to 2%, he said. Policyholders with higher retentions—like \$750,000 to \$1 million—experienced premium increases between 25% and 30%, he said.

Accounts with high retentions had been heavily discounted in previous years, Mr. O'Malley explained. "Our developing claims experience and loss ratios indicated that the discounts for higher SIRs had been cut a little too deeply."

Professional liability capacity—particularly in higher layers—is tight for large accounting and law firms, experts say, though firms still can obtain substantial limits.

"Capacity has not been plentiful for large firms for several years," said Minet's Mr. Hatton. Capacity has been built up since the market crunch of the mid-'80s, but "not dramatically," he noted.

"We've had to, on behalf of our clients, use a lot of skill and know-how and rely heavily on

Continued on next page



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Continued from previous page the world market. Each year we are able to find one or two markets to come in and offset the loss of one or two markets that have backed off. But, the net capacity hasn't increased recently," Mr. Hatton said.

Lawyers can obtain up to \$70 million in coverage, according to Shand's Ms. Myers. "Generally, limit availability is not a problem as long as they are willing to pay."

ALAS, for example, offers a minimum of \$10 million in limits per claim, and maximum limits of \$50 million per claim.

Large accounting firms can obtain up to \$100 million in limits and possibly more, several observers agree.

However, accounting and law firms that have financial institution exposures will have a much tougher time finding maximum capacity.

In fact, some insurers are refusing to write large professional liability accounts.

National Union Fire Insurance Co. of Pittsburgh, Pa., for example, stopped underwriting the Big Six accounting firms several years ago, said William Smith, president of the American International Group Inc. unit.

National Union still writes coverage for accounting firms not "heavily involved in" financial institution work, he said.

And, it sometimes imposes a sublimit for claims related to financial institution work and also occasionally excludes coverage for claims brought by regulators. "On a risk-by-risk basis, we use a regulatory exclusion and in a few cases we use sublimits with regard to regulatory claims."

National Union—which participated in the coverage of Kaye, Scholer, Fierman, Hays & Handler, a law firm that agreed to pay \$41 million to settle suits related to its work for Lincoln Savings—has been restricting coverage for lawyers as well.

In the last few years, for example, the insurer has in some cases insisted on increased deductibles and retentions for law firms with financial institution clients or instituted sublimits for financial institution-related claims, Mr. Smith said.

While large accounting and law firms face uncertainty at coverage renewals, the savings and loan settlements are not yet hurting the market for coverage for small and midsize accounting and law firms, insurers say. Small firms can expect flat rates or only small increases.

"The impact hasn't been great to date" on small accounting firms, said John Dodsworth, president of Cal Accountants Mutual Insurance Co. in Redwood City, Calif. "Our program serves smaller firms—the largest firm we have has only 70 professionals."

Those firms "haven't had the same exposure as larger firms" because they don't handle a lot of Securities and Exchange Commission work and typically have serviced only a few, smaller S&Ls, he said.

Questions remain, however, about whether the large S&L settlements will affect the reinsurance market for smaller firms, Mr. Dodsworth said. "We don't know how it will impact the reinsurance market as bigger claims roll through," he said.

The impact of the S&L debacle "could be broad-based as a result of those large losses, but a lot depends on the availability of reinsurance," commented Steve

Brady, vp of Professional Liability Underwriting Inc., the underwriting manager for St. Paul Surplus Lines Insurance Co. in St. Paul, Minn.

"Rates may increase if the S&L crisis trickles down to our market and the recession continues to impact the market," Mr. Brady said. "But, you can't say in our book that the S&L crisis in and of itself has increased rates."

Rates for smaller accounting and law firms are flat or increasing only slightly because of increased competition among professional liability underwriters, said Mr. Mahaffey of PLUM. "In a particular state if you are a lawyer, you could get quotes from 12 different underwriters. If you are an accountant, you could probably get quotes from four or five underwriters," he

Continued on next page

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E&O coverage

Continued from previous page explained.

"Premiums for attorneys since 1986 or 1987 have been relatively flat with small increases from year to year," Mr. Mahaffey said. And, premiums for small accountants have decreased over the past few years.

PLUM is generally increasing premiums by 10% this year, he said, but increases vary by state. "Many accountants may tell you their premiums decreased 10%."

CNA Insurance Cos. has maintained its premium levels for small firms—those employing no more than 50 accountants or attorneys—for two years, said James J. Canavan, assistant vp of speciality lines-errors and omission programs in Chicago.

A typical client may purchase limits of \$500,000 to \$1 million per claim, but CNA can offer firms up to \$10 million in primary claims-made coverage, he said.

Some observers say insurers that specialize in small and mid-size firms are vying for a larger piece of

the market by undercutting prices.

"I'm beginning to see some signs that some insurers may be practicing cash-flow underwriting," said Walter Primoff, director of professional programs for the New York State Society of Certified Public Accountants, a professional organization with 33,000 members. "Right now there is some cost cutting going on for local and medium-sized accounting firms."

But, it is unclear whether insurers are slashing premiums because the business is profitable or because they are underwriting

poorly.

There are regional differences in rates for small and mid-size firms, pointed out St. Paul's Mr. Brady. Some accounts—particularly those in the Southwest—saw higher rate increases because of the recession and its effect on an already depressed real estate market.

Insurers covering small and mid-sized accounting and law firms also are focusing on underwriting guidelines as a way to protect themselves against large losses.

"We haven't made blanket underwriting revisions," Mr. Brady

said. "But, in states where we've had the most difficulty, we have made underwriting changes with increased frequency over the last 18 months."

For example, some regional underwriters are increasing deductibles or decreasing limits. Some underwriters are establishing sublimits, Mr. Brady said. An accountant's policy with a sublimit may pay a total of \$5 million for professional liability losses, but will only make \$1 million available for losses related to financial institution work, he explained.

Pollution ruling

Continued from page 2

ination and continues through abatement, there is a "mandatory" continuous trigger under the personal injury endorsement, said policyholder attorney Kirk Pasich of Hill, Wynne, Troop & Meisinger in Los Angeles.

Mr. Pasich, who for several years has been urging policyholders to seek coverage for pollution-related claims under the personal injury endorsement, predicted that the California decision will influence other courts nationwide.

"This is a key win for policyholders," said Mr. Pasich, who represented Northrop Corp. in the litigation.

Northrop was sued by an adjoining landowner after 15 to 150 gallons of the chemical solvent trichloroethane, or TCA, leaked onto adjacent property in 1985.

The Los Angeles-based aerospace and defense firm eventually settled with the landowner. Settlement terms are sealed.

Northrop then sought to recoup the amount of the settlement from

its liability insurer, American Motorists Insurance Co. AMICO wrote primary liability coverage for Northrop from 1984 to 1986 with limits of \$1 million for both property damage/bodily injury coverage and personal injury coverage.

AMICO refused to defend or indemnify Northrop.

In his ruling, Judge Boland said that because AMICO wrongfully refused to defend Northrop in the lawsuit, it is liable for the full amount of the settlement up to its policy limits.

According to policyholder attorney Robert Saylor, "The advantages of (personal injury) coverage are very great."

For example, since personal injury coverage was designed to cover intentional acts, policyholders are spared from insurer attempts to portray them as willful polluters, said Mr. Saylor of Covington & Burling in Washington, D.C.

He predicted that other courts would follow Judge Boland's lead.

"When a third party says your

chemicals oozed onto my land, that feels an awful lot like an eviction or a trespass," Mr. Saylor argued.

"Furthermore, if the insurance industry didn't want to cover pollution claims under the personal injury endorsement, it should have made it clear right there," he said.

Mr. Pasich noted that often insurers fail to reserve their rights with respect to personal injury coverage. In some jurisdictions, if an insurer does not reserve its right to an argument that defeats coverage in its initial reservation of rights letter, it cannot later use that argument in a lawsuit.

Since Judge Boland issued his ruling, Mr. Pasich says he has received dozens of phone calls and mailed out a few hundred copies of the opinion.

In his ruling, Judge Boland said: "There is an ambiguity in the policies as to whether chemical trespass was meant to be included in the personal injury provisions."

The judge then used well-established principles of insurance law to construe the ambiguity against AMICO.

In a motion for reconsideration filed last week, AMICO argued the court was wrong to construe the ambiguity against the insurer.

When the policy provision at issue is the product of joint draftsmanship between the policyholder and the insurer, ambiguities should not automatically be construed against the insurer, said AMICO attorney Denise Schardein of Zelle & Larson in San Francisco.

"There is a question in this case whether the personal injury endorsement was the product of joint draftsmanship," said Ms. Schardein. She noted Northrop amended the standard personal injury endorsement to include coverage for employment discrimination claims.

"In this type of case, ambiguous terms should not be interpreted against the insurer," she said.

Ms. Schardein called the court's decision finding coverage for pollution-related claims under the personal injury endorsement "shocking."

"The trial court had no California precedent for this ruling," she said.

In fact, only one other court has found coverage for pollution-related claims under the personal injury endorsement.

In *Titan Holdings Syndicate Inc. vs. City of Keene*, the 1st Circuit U.S. Court of Appeals in 1990 applied the personal injury endorse-

ment to cover an environmental claim.

In this case, the city of Keene, N.H., was sued by two individuals who alleged that they had been "continuously bombarded by and exposed to noxious, fetid and putrid odors, gases and particulates, to loud and disturbing noises during the night, and to unduly bright night lighting" emanating from the city's sewage treatment plant.

The 1st Circuit ruled "claims of liability for interference with the quiet enjoyment and use of (plaintiffs') homes arising from any means, including pollutants fall within the personal injury coverage."

Insurer attorney Laura Foggan of Wiley, Rein & Fielding in Washington, D.C., maintains that the "personal injury endorsement was never designed to deal with environmental problems."

Separately, Northrop is suing all of its liability insurers dating back to 1960 to recover the costs of a multimillion-dollar cleanup of pollution on its property.

Northrop Corp. vs. American Motorists Insurance Co. et al., Los Angeles County Superior Court, No. C 710 571.

Industry needs problem solvers, Quern tells APIW

CHICAGO—As the insurance industry becomes ever more dependent on people that can solve problems, traditional career barriers facing women should fall, according to a brokerage executive.

Arthur F. Quern, chairman and chief executive officer of Rollins Burdick Hunter Group Inc. in Chicago, noted that the brokerage industry doesn't "have a product other than people."

And, as insurance industry clients demand more services, it is incumbent upon the industry to

train, promote and reward problem solvers, regardless of their race or sex, Mr. Quern told members of the Assn. of Professional Insurance Women earlier this month.

Mr. Quern predicted opportunities will abound for those with problem-solving traits like:

- The ability to listen.
- The ability to work as a part of a team, with a realization that individual skills are strengthened when applied as part of a group.
- The ability to extend personal experiences into the client's world

and, in doing so, extend the client's own experiences.

Mr. Quern spoke before 50 individuals attending an APIW-sponsored luncheon held recently in Chicago.

The association is open to individuals working within the insurance and reinsurance industries, as well as related professions. For information on the APIW, contact Cathryn Curia St. Paul Reinsurance Management Corp., 195 Broadway, New York, N.Y. 10007; 212-238-9243.

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Peruvian insurance regulator resigns post

Peru's superintendent of banking and insurance, Hugo Garcia Salvatecci, resigned last week in protest of President Alberto K. Fujimori's seizure of nearly absolute power in the country. The president on April 6 dissolved the national congress, placed key legislators under arrest and closed the country's judiciary, among other actions. Although Mr. Garcia's resignation was not immediately accepted by the president, Mr. Garcia said he would "abstain from working." Meanwhile, insurers in Lima say that the recent developments could delay the government's payment of a tentative settlement reached in January over Peru's expropriation of Enron Corp. oil wells in 1985 (BI, Jan. 6).

Norad Re declares second dividend

The liquidators of Bermuda-based Norad Reinsurance Co. intend to pay creditors a second dividend of 6 cents on the dollar. The liquidators hope to begin paying the dividend immediately, said David Brown, one of the joint liquidators. The \$2.5 million cash distribution will bring to \$7.5 million the total payout from the Norad estate since the captive insurer's collapse in September 1988. Norad Re, a captive of Philadelphia-based Berwind Corp., has liabilities of about \$37.6 million and is insolvent by about \$34.6 million (BI, Nov. 4, 1991).

Mitsui Marine & Fire pact with Russian insurer

Tokyo-based Mitsui Marine & Fire Insurance Co. Ltd. says it will provide reinsurance backing and operational assistance to independent Far Eastern Russian Insurance Co. of Vladivostok, Russia. Under the terms of an agreement between the two insurers, Mitsui will introduce potential Japanese clients to Far Eastern and reinsure contracts. Potential policyholders of Far Eastern, which will focus mostly on freight insurance, will include Japanese trading companies, real estate developers and manufacturers.

Hudig-Langeveldt acquires French broker

Hudig-Langeveldt Group b.v. has acquired French broker Societe Europeenne de Courtage d'Assurances Groupe SECA S.A. The Lyon, France-based broker's offices will be integrated with Hudig-Langeveldt's existing French and Belgian subsidiaries, Hudig-Langeveldt S.A. in Paris and Hudig-Langeveldt-Coens n.v. in Antwerp. Groupe SECA has 110 employees in 13 offices in France and an additional 10 employees in two offices in Belgium. Terms of the deal were not disclosed by Hudig-Langeveldt, which was acquired by Rollins Burdick Hunter Group Inc. last year (BI, Aug. 19, 1991).

Trygg-Hansa bid for financial services firm

Swedish insurer Trygg-Hansa SPP Holding A.B. has unveiled a 1.4 billion Swedish kronor (\$232.7 million) bid for the 51.7% stake in financial services firm Gota A.B. that it does not already own. The offer comes in the wake of comments by Trygg-Hansa Chief Executive Bjoern Sprangare earlier this month that the Swedish insurer might withhold future financial support from Gota's banking subsidiary. The value of Gota stock fell 20% after the comment. Trying to repair the damage, Mr. Sprangare said, "the bid is a clear signal to markets that we stand firmly behind Gota Bank."

—By Maria Kleimas, Roger Scotton, Gavin Souter and Paul Winston

Coleridge fights back

Put Lloyd's losses in perspective, AIRMIC told

By STACY SHAPIRO

AIRMIC

More AIRMIC coverage will appear in the May 4 issue.

CAMBRIDGE, England—David Coleridge says he is setting the record straight.

The Lloyd's of London chairman attacked those who have attacked Lloyd's in a speech earlier this month at the Assn. of Insurance & Risk Managers in Industry & Commerce conference. It was the first time a Lloyd's chairman had addressed the British risk management group's annual meeting.

The media, especially British daily newspapers, have devoted reams of space to accurate and inaccurate articles on the plight of Lloyd's members, said Mr. Co-

leridge. But the media have overlooked the losses by other insurers worldwide, he argued.

"Whilst Lloyd's—a unique institution—has unique problems, it is by no means alone," said Mr. Coleridge.

For example, the total underwriting loss for British insurance companies for 1991 was 6 billion pounds (\$11.22 billion at applicable exchange rates), while in 1990 it was 5 billion pounds (\$9.65 billion), said Mr. Coleridge, citing Assn. of British Insurers figures.

"Things look little better overseas," he added. The U.S. insurance industry is estimated to have made an underwriting loss of \$21.5 billion in 1990, and between 1988 and 1990, 106 U.S. insurers became insolvent, he said.

"Our continental (European) competitors fare little better, except perhaps in their fiscal regimes, which tend to be more realistic in terms of the importance of solvency against revenue gathering," said Mr. Coleridge, referring to the postwar period.

Continued on next page

Tokyo stock market woes

Life insurers see drop in unrealized profits

TOKYO—Declines in the Japanese stock market are giving Japan's life insurance companies a new headache and threatening to curb special dividend payments to policyholders.

Japan's five leading life insurance companies saw unrealized profits on their stock portfolios drop to an estimated 7.4 trillion yen (\$55.7 billion at the appropriate exchange rate) for the year ending March 31, down 60% from unrealized profits of 18.6 trillion yen (\$132.3 billion at the appropriate exchange rate) the previous year.

For all 26 domestic life insurers, unrealized profits totaled about 10 trillion yen in fiscal 1991-92 (\$75.3 billion at the appropriate exchange rate), which is less than one-fifth of the life insurance industry's unrealized gains in 1989, at the Tokyo stock market's peak.

The drop has hit small and medium-sized insurers especially hard.

Unrealized gains are used by life

insurers as a benchmark for paying special dividends to long-term policyholders. During the Tokyo Stock Exchange's bull run in the 1980s, Japanese life insurers increased special dividend payments to policyholders in order to pass on anticipated profits on their stock portfolios.

Until now, all the life insurance companies paid virtually the same special dividends, regardless of the value of their investments, because they have been reluctant to break ranks with others in the industry. Now, however, that looks likely to change.

As a result of the decline in unrealized profits, the five leading firms expect to cut by 40% to 45% the special dividend to long-term policyholders for fiscal 1991.

This suggests that companies with less profitable portfolios (some smaller insurers have little, if any, unrealized profits remaining in their stock holdings) will be forced to cut their dividends still more, thus breaking ranks that

have held through the postwar period.

Japan's five largest life companies estimated their unrealized stock profits as of March 31. Revised figures are expected in June.

Nippon Life Insurance Co., the largest domestic life insurer, had unrealized stock profits of less than 3 trillion yen (\$22.6 billion) at the end of March 1992, down from 6.9 trillion yen a year earlier (\$49.07 billion).

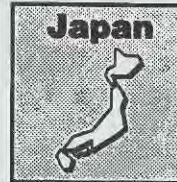
Dai-ichi Mutual Life Insurance Co.'s unrealized profits fell to less than 1.5 trillion yen (\$11.3 billion), from 4.1 trillion yen (\$29.2 billion) a year earlier.

Sumitomo Life Insurance Co. stock profits as of March 31 stood at just over 500 billion yen (\$3.8 billion), down from 2.3 trillion yen (\$16.4 billion) a year earlier.

Meiji Mutual Life Insurance Co.'s profits on stocks fell to 1.7 trillion (\$12.8 billion) yen from 3.4 trillion yen (\$24.2 billion).

Asahi Mutual Life Insurance Co.'s unrealized stock profits dropped to less than 700 billion yen (\$5.3 billion) from 1.9 trillion yen (\$13.5 billion).

—By Judith Rawnsley



Hazell's syndicate keeps '89 account open

By STACY SHAPIRO and GAVIN SOUTER

LONDON

LONDON—One of Lloyd's of London's largest non-marine syndicates is keeping its 1989 year open because of uncertainty over U.S. pollution claims.

Last week, Cater Allen Syndicate Management Ltd. announced that syndicate 190 will remain open for the 1989 underwriting year.

Lloyd's Deputy Chairman Richard Hazell is the active underwriter for syndicate 190 until July when he plans to retire and will be succeeded by John Wetherell.

The syndicate expects to report a loss of about 16% of its 1989 capacity, or around 20 million pounds (\$37.4 million at the appropriate exchange rate), confirmed Mr. Wetherell. This is not an enormous loss for any syndicate in 1989, he said.

The Assn. of Lloyd's Members estimates that Lloyd's will report an overall loss of 1.65 billion

pounds (\$3.09 billion at the appropriate exchange rate) when it announces 1989 global results in June (BI, April 6). Lloyd's 1989 underwriting year, which was hit by enormous catastrophe losses, closed Dec. 31, 1991, under Lloyd's three-year accounting system.

Syndicate 190's 1989 loss, though, relates to reserving for pollution-related claims from old underwriting years, rather than for 1989 catastrophe losses, Mr. Wetherell said.

Meanwhile, actuaries with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. investigated syndicate 190's reserving for pollution claims and provided it with a wide range of estimates for incurred-but-not-reported losses. It is believed that the syndicate chose to accept the lower end of the range rather than the higher estimates to avoid having to make an immediate cash call on syndi-

cate members.

"A potential reserve is different than a (real) reserve" for known losses, Mr. Wetherell commented. "It would be unfair to ask members to pay for potential losses now."

The syndicate's capacity currently stands at 100 million pounds (\$187 million at the appropriate exchange rate), down from 175 million pounds in 1991 (\$337.8 million at the appropriate exchange rate).

Kuwait Airways ruling

A London High Court judge has upheld a default judgment issued last year against Iraqi Airways to pay \$489.5 million to Kuwait Airways Corp. for the hijacking of its fleet during the Persian Gulf War.

Justice Evans rejected a petition by Iraq and the government-owned Iraqi Airways to set aside the default judgment. The judge rejected their arguments that Iraqi Airlines was entitled to sovereign immunity, that the seizure of the aircraft

arose from an act of state and that the correct forum to resolve compensation claims was in the United Nations rather than the London High Court.

However, Justice Evans did rule that Kuwait Airways' writ was improperly delivered last year to the government of Iraq, which means the lawsuit has never been legally served to the Iraqi government. Justice Evans concluded that the writ had to be served to the Iraqi government in Baghdad and not to the Iraqi embassy in London.

The judge's decision is likely to be appealed by Iraqi Airways, and a new writ may be served by Kuwait Airways against the Iraqi government.

Meanwhile, it is uncertain whether aviation war risk underwriters or Kuwait Airways would have first rights to any compensation received from Iraqi Airways. The war risk underwriters have paid about \$300 million to Kuwait Airways for the loss of its fleet during the Gulf war, though the total loss to the airline is esti-

mated to be around \$1 billion (BI, March 23).

Kuwait Airways may still be contemplating litigation against its war risk underwriters for the remainder of its loss.

Willis Corroon purchase

Willis Corroon Group P.L.C. has bought a 20% stake in German insurance broker C. Wuppesahl & Co. Assekuranzmakler.

Bremen-based Wuppesahl in 1990 had brokerage revenues of more than 30 million deutsche marks (\$20.1 million at year-end 1990 exchange rate). In addition to its headquarters, Wuppesahl has six other offices in Germany, as well as an office in Zurich and one in Vienna.

Willis Corroon has acquired stakes in several other European brokers and established new offices in other European countries since it left the UNISON network in 1990 after the merger of Willis Faber P.L.C. and Corroon & Black Corp. (BI, July 1, 1991).

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Coleridge

Continued from previous page
ring to tax policies in many continental European countries that help insurers build up reserves to pay for catastrophic losses.

It is true that Lloyd's had an overall loss of 500 million pounds (\$965 million at applicable exchange rates) in the 1988 year of account, announced under its three-year accounting system last year. But it would have posted a profit of 68 million pounds (\$131.2 million) "had underwriters not taken the prudent step to strengthen reserves against claims on old business," mainly for U.S. liability losses, said Mr. Coleridge.

Lloyd's also expects a larger overall loss for 1989 when its three-year accounts are announced this June. Estimates have been as high as 1.65 billion pounds (\$3.09 billion at current exchange rates) (BI, April 6).

He attributes the string of losses at Lloyd's to "the unprecedented series of disasters" in 1988 to 1990. In 1989 and 1990 alone, insured property damage worldwide hit \$29.5 billion, compared with \$39.2 billion in the preceding eight years, he said.

Some excess-of-loss reinsurance

syndicates have suffered disproportionately because of these catastrophes, Mr. Coleridge admitted. Yet he maintained that there is no evidence yet to support allegations that Lloyd's policies were placed with these loss-making syndicates in the interest of the underwriting agents and brokers rather than the members. Some members have called this alleged practice "churning" of premiums.

It also is alleged that "insiders," namely working members, have enjoyed better returns than external members. To that, Mr. Coleridge responded: "For two out of the last three completed years of account at Lloyd's, the average return to external members exceeded the average return to working members; in the third year, the loss percentage for external members was slightly higher."

Earlier this year, Sir David Walker, chairman of the Securities Investment Board and a non-Lloyd's member of the Council of Lloyd's, was appointed to head two internal investigations into these allegations (BI, Feb. 24).

Some observers have suggested that Lloyd's be regulated by a government body, like the Department of Trade and Industry. Others have suggested that Lloyd's set down underwriting regulations that syndicates should follow.

Mr. Coleridge rejected those suggestions, saying that "regulation cannot, I fear, provide a guarantee against loss without also constraining the opportunity."

"Moreover, it has never been, and could never be, the function of any governing body to seek to regulate the exercise of underwriting judgment on a day-to-day basis in a commercial environment."

It also has been suggested that Lloyd's might be unable to pay all valid claims in light of the refusal of thousands of members to pay their losses.

"No valid (claim will) go unpaid, despite what scaremongers may say in the media," said Mr. Coleridge.

To ensure this, Lloyd's is adamant that members pay all of their losses before trying to recover them from third parties. The week after Mr. Coleridge spoke at AIRMIC, the High Court ruled that Lloyd's could immediately draw down on member deposits to pay losses (BI, April 20).

"Lloyd's does not support those who wish to be relieved of their

losses, regardless of their ability to pay, and have their liabilities transferred to others," he said. "Even more important—particularly for this audience—members of Lloyd's, as insurers, cannot be relieved of their responsibility to pay policyholders' valid claims. No insurance regulator could countenance that course of action, nor would any organization survive behaviors of that kind."

However, Mr. Coleridge did hint that some kind of central solution may be created to help the "walking wounded." The remark was not in the written text of the speech.

Meanwhile, Lloyd's is facing the future in "a much leaner and fitter state," said Mr. Coleridge. The market has 275 syndicates, down from 354 last year, and 170 underwriting agents, down from 200 last year.

A task force led by David Rowland, chairman of Sedgwick Group P.L.C., has looked at "every aspect of Lloyd's," and its 65 recommendations are being considered by the Council of Lloyd's (BI, Jan. 27). Lloyd's also has listened to suggestions from members at 41 meetings held worldwide to explain the task force report.

The task force report shows that Lloyd's, "perhaps more than any other element of the insurance industry, is alive to the need for change," said Mr. Coleridge.

Lloyd's remains a vital part of the London insurance market. More than half of London's premium income is placed at Lloyd's. Lloyd's underwriters lead some two-thirds of the risks placed in the London market and participate in more than 90% of London market policies, he added. And Lloyd's is among the top two or three insurers in the domestic U.K. insurance market, said Mr. Coleridge.

Lloyd's is constantly striving to improve its standards of service, while "our security remains second to none," he added.

Mr. Coleridge said he is by no means alone in being confident that Lloyd's will weather the current "storms" as it has weathered all catastrophes for more than 300 years. But the market will see considerable changes, as will the rest of the world's insurance industry, he said.

"Come the day when Lloyd's starts reporting healthy results again, we shall be busy defending charges of making too much money," he concluded. "I'd rather have that charge to defend." ■

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Minnesota plan

Continued from page 1

going to reduce the growth of health care costs, and we will help the uninsured have access to basic health care coverage," Gov. Carlson said.

The Minnesota law illustrates how states are seizing the initiative from Washington—where Congress is deadlocked over health care reform proposals—and trying to solve the health care crisis within their borders.

"The federal government might not do something for five or 10 years. The states can't wait that long," said Dave Delahanty, a consultant in the Minneapolis office of Hewitt Associates.

Indeed, states like California, Missouri and Ohio are considering various reforms. And a new Florida law sets certain reforms in the health insurance market for small employers and also, if certain conditions can be met, lays the foundation for universal coverage (BI, March 30).

The Minnesota law, known as HealthRight, is a significant departure from another state health care access law—a 1988 Massachusetts statute—that was considered a landmark at the time of its enactment but now is unlikely to be fully implemented.

The Massachusetts law was intended to ensure coverage for all state residents. That sweeping goal would have been achieved in part by requiring most employers to offer a health plan or pay a new tax to fund a pool for the uninsured (BI, May 2, 1988).

But the Massachusetts law—originally set to go into effect this year but now delayed at least until 1995—came under a blistering attack from small employers that said they couldn't afford either new taxes or health plans.

Doubts also were raised about whether the state had the resources to provide coverage to individuals not covered by employer plans.

The Minnesota law, though, makes no pretense of aiming for universal coverage. After it is phased in over the next several years, the new pool will provide coverage only to about 160,000 of the roughly 400,000 Minnesotans who now are uninsured.

State legislators "saw the failure of Massachusetts. You have to start out with a sense of realism," said Lynn Gruber, executive director of the Minnesota Comprehensive Health Assn., a quasi-state agency in St. Louis Park that now offers a limited health insurance program for individuals who can't get coverage elsewhere.

Critics of the Massachusetts law said it encouraged employers to terminate coverage and dump employees in the state pool because paying a tax would have been less costly than offering a health plan.

But Minnesota has safeguards designed to prevent that.

Coverage in the pool generally will be barred for individuals who have had access to employer-provided health insurance within the previous 18 months. Others who are insured under individual policies would have to wait four months until they could obtain coverage from the pool.

In addition, participation in the pool will be limited to state residents not eligible for Medicaid and whose incomes do not exceed about 275% of the federal poverty level. For example, the income ceiling for enrollment for a family of four would be about \$39,000.

Pool participants will have to pay part of the cost of coverage. Premiums will range from 1.5% of

income for the poorest to 8.8%.

While the pool will offer comprehensive health care benefits, certain coverages are sharply limited. For example, inpatient hospital bills for adults will be capped at \$10,000 a year.

While the legislation won final approval in a scant six weeks, its passage—even the way it was enacted—has triggered controversy.

Opponents charge that the bill was rushed through the Legislature without adequate review.

"This was an extremely complex proposal. Yet there was not adequate time for public and legislative scrutiny of the long-term cost implications," said Sen. Gene Merriam, D-Coon Rapids.

Clearly, the most controversial provisions of the new law are the revenue sources for the state pool.

Aside from premium contributions from enrollees, the law will require hospitals, starting next year, as well as physicians and dentists, beginning in 1994, to pay a new 2% revenue tax. In addition, effective in 1996, HMOs and Blue Cross & Blue Shield of Minnesota will face a 1% premium tax.

In addition, the state's cigarette tax will be increased later this year by 5 cents a pack to provide revenue for the pool.

Doctor and hospital groups are angry that they are being singled out as the major revenue source.

"The issue of access for the uninsured is a societal problem and should not be funded through a narrow and regressive tax. It is something that all citizens should contribute to," said a spokeswoman for the Minnesota Hospital Assn. in Minneapolis.

"Our biggest concern is why one segment of society is being targeted" to fund coverage, agreed a spokesman for the Minnesota Medical Assn. in Minneapolis.

Some state observers say, though, that the new taxes will be passed on to employers in the form of higher charges for medical services. In fact, the law explicitly allows such hospital pass-throughs for one year.

And a spokesman for BC/BS of Minnesota complains it will be hit twice—once in the form of higher charges passed on by health care providers and once by the new tax it will have to pay.

Those added costs will be passed to customers—typically smaller employers and individuals—that can least afford it, he said.

However, other observers say that reducing the number of uninsured should reduce the amount of uncompensated care, reducing the need for providers to recover losses through higher charges for insured patients.

"Maybe we will end up with less cost shifting," speculated Fred Hamacher, vp of compensation and employee benefits at Dayton-Hudson Corp. in Minneapolis.

"There is a cost shift away from those that already provide coverage" under HealthRight, added Nancy Jones, a principal with A. Foster Higgins & Co. Inc. in Minneapolis.

However, claim expenses racked up by pool participants could outstrip revenues, which might force either a cutback in benefits or higher taxes on providers, some observers say.

"We know the financing will not cover the cost. The question is how much will be the cost burden?" asks Sen. Merriam, who voted against the legislation.

"There could be a terrible shortfall in revenue," warns Dr. John Burns, vp-health management at Honeywell Inc. in Minneapolis, adding that the pool will have to place more emphasis on managed

care if it is to control costs.

The state estimates that by 1997, the pool will cost about \$250 million and revenues should cover expenses.

The pool initially will be managed by a state agency, with administration later being contracted out to a private organization.

If revenues fall short, another potential funding source could be tapped: employers that self-fund their health care programs.

The law gives authority to the state Commissioner of Commerce to seek a special exemption from the pre-emption provisions of the

Employee Retirement Income Security Act. Such an exemption would, among other things, allow the state to regulate self-insured plans to the same extent as insurance company plans and "adopt other state laws relating to health plans that would... further the public policies" of the state, according to the legislation.

The new law also establishes a 25-member health care cost containment commission—to be made up of employers, hospitals, providers, insurers, HMOs, union representatives and representatives of state agencies—that will be

charged with recommending ways to control health care costs covered by the pool.

"If the commission comes up with ways to control costs, that could be something quite significant. Otherwise, more people will be thrown into a broken-down system," Mr. Hamacher said.

"If we can get real structural reform, no one will be concerned about the small provider taxes. The legislation has enormous potential to keep costs under control," said George Morrow, a senior consultant in the Minneapolis office of William M. Mercer Inc. ■



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EBRI survey

Continued from page 2
\$33 billion.

On the other hand, if only employers with at least 25 employees had to offer coverage to those working more than 25 hours a week, employer costs would increase by \$33 billion—assuming health plan costs averaged \$2,430 per employee—to as little as \$12 billion if the average plan cost was \$970 per employee.

The scope of an employer mandate would directly affect how big a cut could be made in the number of Americans without group health insurance.

For example, requiring all employers to provide coverage to employees working at least 19 hours weekly would cut the number of uninsured Americans by about 71% to 10.3 million from 36 million. A partial mandate—applied to employers with at least 25 employees working more than 25 hours a week—would reduce the number of uninsured Americans by about 26% to 24.6 million.

EBRI also estimates that under a system of additional tax credits and tax deductions proposed earlier this year by the Bush administration, only about half of the uninsured would obtain health insurance.

Under the Bush plan, the maximum credit or deduction would be \$1,250 for a single person, \$2,500 for married couples and \$3,750 for families of three or more.

Individuals with incomes below the federal poverty level would receive the maximum tax credit. Those earning an income over the

poverty level would receive a smaller tax credit, which would decrease to 10% of the maximum for those with incomes equal to 150% of the federal poverty level.

Those with incomes exceeding 150% of the federal poverty level generally would receive a tax deduction for their health care expenses; no deductions or credits, though, would be available to individuals earning more than \$50,000, couples earning more than \$65,000 and families of three or more earning at least \$80,000 (BI, Feb. 10).

EBRI estimates that only 18 million—including 11 million people below the federal poverty level—

would take advantage of the tax credits and tax deductions to purchase health care coverage.

The limited tax credits and tax deductions "may not be enough of an incentive" to encourage those above the poverty level to obtain insurance, said EBRI Research Director Bill Custer.

In addition, EBRI found that taxing employees on a portion of employer-paid health care premiums—an idea that continues to be discussed in Congress—would cost workers hundreds of dollars.

For example, if employees were taxed on employer health care plan contributions exceeding \$1,080 for individual coverage and \$2,940 for

family coverage, employees would pay an average of \$272 in additional taxes.

The amount of the extra tax bite, though, would vary based on employees' adjusted gross income. For example, employees with incomes between \$50,000 and \$99,999 would pay an average of \$766 in new taxes.

Meanwhile, an EBRI-Gallup Organization survey of 1,000 adults found that Americans believe high costs are the biggest problem in the health care delivery system.

Some 79% of those surveyed said high costs are the biggest health care problem, 13% cited access and availability, while 6% were most

concerned about quality of care, and 2% gave other answers, declined to answer or didn't know.

In addition, 48% said employers should have the most responsibility for providing health care benefits to employees, while 31% said the federal government should be most responsible, and 14% said individuals should be most responsible for providing for their own coverage; 7% gave other answers, declined to answer or didn't know.

Copies of the study are available from EBRI Publications, P.O. Box 4866, Hampden Station, Baltimore, Md. 21211; 410-516-6946. The cost is \$25 per copy.

House bill would clarify regulation of MEWAs

WASHINGTON—Self-insured multiple employer welfare arrangements could apply for certification by the federal government but would remain subject to state regulation under a bill introduced in the House last week.

The legislation, drafted by Reps. William J. Hughes, D-N.J., and Sherwood L. Boehlert, R-N.Y., would amend the Employee Retirement Income Security Act of 1974 to clarify and expand federal and state regulation of MEWAs and welfare arrangements set up by employee leasing companies.

Among other things, the bill, H.R. 4919, would allow self-insured MEWAs to apply for federal certification if they cover at least 500 employees and operate in more than one state or if they operate in one state, and that state has no MEWA licensing statute.

Only a handful of states have

such laws. MEWAs that operate only in those states would not need federal certification.

To be certified, a MEWA would also have to submit a variety of operating and financial information to the U.S. Department of Labor and to the insurance departments of all states in which it intends to do business.

MEWAs in existence for at least 18 months could continue to operate while their applications are pending but could not add new participants. The Labor Department could order a MEWA not to do business while the application is pending if state regulators show either that the application contains material misrepresentations or that the MEWA is financially impaired, or for other reasons spelled out in the bill.

Once it is certified, a MEWA could operate in any state but

would be subject to state authority to monitor and enforce certification and solvency standards.

Solvency standards MEWAs would have to meet include:

- Minimum reserve levels equal to at least 16.66% of estimated annualized incurred claims.

- Surplus equal to 300% of annualized monthly earned contributions during the current fiscal year or previous fiscal year, whichever is greater.

- Aggregate stop-loss coverage with an attachment point no greater than 125% of expected claims and individual stop-loss coverage with maximum attachment points ranging from \$50,000 for MEWAs with 500 to 999 covered employees to \$200,000 for those with 5,000 employees and up.

- A "participating employers fund," which would allow a troubled MEWA to assess employers up

to 300% of the average monthly earned contribution for the month preceding the assessment.

While the above standards would apply on enactment of the bill, the legislation calls for the National Assn. of Insurance Commissioners to develop its own MEWA certification standards within a year after enactment.

The NAIC standards would then be adopted by Congress as federal standards, and the states would take over the certification process applying the new standards.

Along with its provisions on self-insured MEWAs, the bill would define any employee leasing firm's benefit plan as a MEWA unless the leasing firm could prove otherwise to state regulators.

The bill also requires fully insured MEWAs to register with the Department of Labor.

—By Douglas McLeod

The Professional Marketplace

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Insurance Companies ... 8,128
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Flood response

Continued from page 1

plan, it was that it didn't include the Chicago River flooding."

Mr. Nathanson's flood story began at 10:45 a.m. on that soggy Monday when nearly 1,000 Kemper Financial employees were ordered to evacuate leased offices at 120 S. LaSalle in the downtown Loop business district.

While Kemper Financial—whose offices range from the 12th floor to the 22nd floor—was experiencing no apparent physical damage, power was lost throughout the building and the basement was flooding.

Just 15 minutes later, Kemper Financial employees in another nearby building—at 120 S. Riverside Plaza—were ordered to evacuate because power was being shut off to most of the downtown area.

From that point on, in the name of customer service, employees played an elaborate game of musical chairs following the beat set by the company's disaster plan.

First, 125 sales support representatives who work in the company's brokerage services unit in the Riverside Plaza building were flown to Kansas City, Mo., home of Kemper Financial's customer ser-

vice center. Some never made it home before they were flown to Missouri.

While it was later discovered that the Riverside Plaza building would be up and running by Tuesday, those 125 employees remained in Kansas City, and 250 to 275 employees from the still-closed LaSalle Street building moved into the Riverside Plaza building on Tuesday and Wednesday.

Another 250 employees from the LaSalle Street building were moved to Kemper Corp. headquarters in suburban Long Grove, Ill., where ample space, slated for future expansion, was available. Mr. Nathanson was among those moved to this site.

The rest of Kemper Financial's flood refugees from the LaSalle Street building were sent to yet another facility in Lisle, Ill., another Chicago suburb.

Employees knew where to go because, as they were being evacuated on Monday, they were told to call an 800 telephone number on Monday evening to receive department-by-department instructions. Set up earlier as part of the disaster plan, this disaster-specific line was working by Monday evening, according to Mr. Nathanson.

Arranging that phone line in ad-

vance proved critical, since it could not have been done on such short notice in the throes of a disaster, he said.

Disaster recovery efforts were orchestrated from still another Kemper Financial office in Oak Brook, Ill. As the company had planned, this disaster headquarters was up and running only a few hours after the crisis began, Mr. Nathanson reported.

In all the shuffling, "nobody lost a beat," Mr. Nathanson said, adding "I can't think of any glitches" that occurred in customer service.

To illustrate how smoothly the transition went, Mr. Nathanson noted that within an hour of the transplanted employees settling into their temporary offices in Kansas City, "you couldn't tell who was from Kansas City and who was from Chicago."

Everyone had their own work stations, equipped with phones and computers.

Kemper Financial smoothed the transition for the employees sent to Kansas City by having local employees greet them at their hotel. There, they received toiletries and petty cash to purchase necessities.

But Mr. Nathanson also credits the company's employees for the plan's excellent execution.

"Nobody likes to be away from their family, even for a night. But they all knew it was a possibility," since such a move was part of the disaster plan, Mr. Nathanson commented.

"The experience has validated what you always thought about your employees," Mr. Nathanson said. "People have been terrific. Management has been thrilled with the cooperation and enthusiasm."

Disaster planning had not included this particular scenario, but Kemper's management couldn't be happier with the results, Mr. Nathanson said. "The plan worked as perfectly as it could have worked."

DePaul University also relocated employees to survive the flood. After it was clear that the university's two Loop classroom buildings would be closed for a prolonged period, DePaul rented a nearby vacant building and set up shop. Classes were interrupted for only one week.

What is now being dubbed the Great Chicago Flood started for Ms. Hanin, associate vp for university relations at DePaul, when she was "beeped" during a breakfast meeting. The message: one of the university's downtown buildings was flooding. Power would soon be lost, forcing the day's classes to be canceled.

She never finished her breakfast meeting.

For Ms. Hanin, the excitement really flared up at 10 a.m. when nearly 1,500 people had to be evacuated from three buildings in the Loop: the university-owned Lewis and O'Malley buildings, which house offices and classrooms, and the leased Santa Fe building, which houses offices only.

While most students and employees went home, key people were sent to the university's telecommunications center, located in a fourth building that was unaffected by the flood.

The center served a critical need, since it housed backup telephones, Ms. Hanin explained. From there, university officials spread the word through the media that classes at DePaul's Loop "campus" would be canceled until further notice. Its main campus on Chicago's North Side was unaffected by the flood.

The one-day class cancellation was similar to what the university normally experiences in emergencies, like heavy snowstorms. But for much of DePaul's downtown campus, the emergency would last longer than a day.

On Tuesday, work resumed in the Santa Fe building, but the Lewis and O'Malley buildings were shuttered because of flooding. And, even in the Santa Fe building, university staff had to contend with only sporadic phone service in the

building and brought to the new facility, 3,500 chairs and 1,000 tables had to be rented. The university also installed complete phone service and computer data lines at the new location.

The goal, said Ms. Hanin, was to "recreate a normal schedule of classes" so that students would know where they needed to go and when they needed to be there. To help ease the transition, DePaul provided shuttle service to the new facility.

Seven days after the flood began, the temporary facility "was completely staffed and set up for classes," Ms. Hanin said. "The shuttles began running at 7 a.m."

Students were frustrated immediately following the flood. But by the time classes resumed, she said, they were "amazed at what we were able to accomplish in a few days."

Part of the credit for that goes to an existing crisis communications plan. "But, in this case, no one could have... guessed that this kind of crisis would occur."

Neither Kemper nor DePaul knows exactly when it will be able to return to its buildings. Last week, the Army Corps of Engineers, which is supervising municipal disaster recovery efforts, said it could be several days until all water is pumped from basements and downtown tunnels. And, it

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DePaul University rented classroom space in a temporary facility.

morning. By the afternoon, service was lost again and many employees returned to the telecommunications center.

By Wednesday, it became apparent that some type of emergency headquarters had to be established so that "key administrators could meet daily," Ms. Hanin said. From the new headquarters in the same building as the telecommunications center, the following decisions were made:

- A temporary facility would be rented so that classes could resume.
- An emergency hot line would be set up so students, faculty and staff could receive information.
- A letter would immediately be sent to all students, faculty and staff informing them of the university's plans.
- The university would place ads in four area newspapers to inform the general public of the situation. The first ads ran Friday.

By Thursday, university officials began making plans to move classes to temporary facilities in a vacant building several blocks away. The temporary facility was large enough to accommodate the 3,500 displaced students and the roughly 400 classes that had been held in 76 classrooms.

The move to the new facilities started on Saturday.

While copiers and fax machines were salvaged from the flooded

could take much longer to repair damage in buildings.

Dennis Rendina, an executive general adjuster for Crawford & Co. in Chicago, which is working with DePaul, said the university's now-flooded facilities should be habitable by June 1. However, the building may not be fully functional by that date.

Meanwhile, the costs of the disaster are still being tallied.

The property loss incurred by DePaul is sure to be substantial and will be greatly increased by the costs associated with renting the temporary facility and fixtures, lost productivity and advertising expenses, said Ms. Hanin, who could not provide an estimate.

DePaul has both property damage and business interruption coverage through the Christian Brothers Risk Pooling Trust sufficient to cover any losses and expenses arising from the disaster, said Tom Perry, director of treasury services.

Kemper's situation is somewhat different, since to date it is unaware of any property damage and its businesses suffered practically no interruption.

Still, Kemper will incur costs associated with transferring employees to the various locations, employee overtime and expenses, as well as the installation of new work stations at backup sites.

"Precise dollar estimates don't exist," Mr. Nathanson said.

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Flood losses

Continued from page 1

he said, because the majority are for business interruption, which "takes longer to determine and to put together the documents."

The size of the loss wasn't the only outstanding question last week.

It still was not clear how property insurers would interpret policy language. For example, some insurers still were mulling whether the catastrophe should be classified as a "flood" or "water damage." That decision could affect whether or not some policyholders have coverage, depending on the language of their policies (BI, April 20).

However, some insurers already had determined that policyholders were entitled to coverage and began advancing funds.

In addition, it was not clear which parties would be liable for causing the flooding. Both the city of Chicago and Great Lakes Dredge & Dock Co., which installed pilings last year near the site where the Chicago River began to leak into the underground tunnel system, attempted to shift the blame to each other throughout the week.

What is clear, however, is that the flood will trigger a torrent of litigation that could last into the next century (see story, page 1).

The city self-insures its liability exposures. Great Lakes likely has \$100 million of liability insurance that would apply to flood damage.

While few precise numbers were available last week, some businesses reported heavy damage.

Carson Pirie Scott & Co., whose State Street flagship department store was scheduled to reopen today, lost merchandise worth "well over half a million" dollars, and that will only be a fraction of Carson's total loss, said store manager John Kline.

All the water was pumped out of Carson's basements and elevator shafts by Wednesday afternoon, but it was not yet known how the building's boilers and electrical systems had fared (see related story).

Kemper National Insurance Co. writes Carson's property coverage.

Because policyholders did not have a firm grasp of damages, neither did insurers. However, some ventured estimates.

While Protection Mutual Insurance Co. of Park Ridge, Ill., has not yet received a formal claim, it estimates its total flood losses at between \$25 million and \$35 million, said Jim Oskandy, vp of corporate affairs.

Reinsurance, including a pooling arrangement among fellow Factory Mutual System insurers, will cover more than half of the loss.

Among the damaged buildings insured by Protection Mutual are the Marshall Field & Co. department store, which reopened last week under auxiliary power even though its lowest levels were still flooded, and two office buildings managed by Tishman Speyer Properties Inc.

Chubb Corp. has advanced \$500,000 to one policyholder—the Chicago Board of Trade, which was forced to suspend trading for two days and suffered damage from flooding.

"It has always been our philosophy that if coverage is clear, we will assess the immediate financial needs to help the insured get back on its feet," said a spokesman for Chubb, which wrote the CBOT's property, business interruption and extra expense coverage.

At the same time, however, Chubb has not yet determined whether it will pay the business interruption claim of law firm Hinshaw & Culbertson, which still had not returned to its Loop office last week. The firm's attorneys were working from

alternative sites.

"We are working very closely with them now," said Hinshaw partner Thomas M. Hamilton. "Under no circumstances have they denied the claim."

Other insurers are reporting smaller losses.

With 13 claims, three of them for minor property damage and the rest for business interruption, Aetna Life & Casualty Co. is considering its exposure "very small." While Aetna is evaluating individual claims, it foresees "no problem with coverage or denial of coverage."

Hartford Steam Boiler Inspection & Insurance Co. has not received any claims, but 18 policyholders with 27 locations have given notice of loss, according to Kevin Price, second vp of claims.

For a boiler and machinery claim to be made, an "accident" must have befallen an insured piece of property, Mr. Price said. While water and power interruption could cause accidents, mere flooding does not activate coverage.

"We have had very little activity," said LeRoy Adams, senior claims executive with Zurich-American Insurance Co., which reports five notices but no claims.

The five business interruption claims are for small retailers and a restaurant, Mr. Adams said.

Zurich has determined it will pay claims for policyholders with standard ISO policies without exclusions or endorsements that would bar coverage.

Spokesmen for ITT Hartford Group Inc. and Continental Corp. said the insurers would announce their positions on coverage this week.

Flood structural damage, pollution evaluated

By LORI BLOCK

CHICAGO—As water recedes in buildings throughout Chicago's flooded Loop, owners, managers and tenants of waterlogged buildings must focus on three critical factors before resuming business, consultants and claims adjusters say.

The most obvious concern is structural damage to the buildings. However, damage to heating, ventilation and cooling systems, as well as indoor pollution problems, also must be addressed before the buildings are habitable.

"Water may not generally do as much damage as an earthquake might...but there may be damage, especially if these are 'floating foundations' or if (the buildings) are sitting atop the coal tunnels running underground," explained Barron S. Wall, a managing associate with Insurance Consulting Associates in South Hackensack, N.J.

Mr. Wall added that adjacent buildings also should be a part of any inspection for structural damage because they "can also pose a threat in the short- and long-term."

Ed Pouzar, a senior consultant with Betterley Risk Consultants Inc. of Worcester, Mass., advises that any structural damage evaluation "be coordinated with the city." Work should not be resumed within a building until the city gives its approval, he said.

"The city is not going to let anybody go back into a building they are concerned about," said William D. O'Connell, the national director of business insurance services for Deloitte & Touche of Dallas.

The severity of structural damage likely will vary.

For instance, DePaul University, which was forced to vacate two of its downtown buildings (see story, page 1), sustained no damage to "load-bearing walls," said Dennis

Meanwhile, Illinois Insurance Director Stephen F. Selcke met with insurers and insurance trade association leaders Tuesday to ask for their cooperation in claims handling. "We suggested that when they get claims, they handle them directly and expeditiously rather than sending them out to another entity," Mr. Selcke said.

However, he said, the issue of whether the catastrophe is considered a flood or water damage was not addressed.

"The industry can't withstand the public relations disaster" of responding to claims slowly and inconsistently, noted Tom Tropp, president of the Independent Insurance Agents of Illinois. "If companies don't pay claims, if they rely on exclusions and minute loopholes, the public relations fallout will be a significantly bigger problem than the financial fallout," he said.

Mr. Tropp, who also is president of Tropp & Co. Inc. in Chicago, wants insurers to treat the disaster as water damage, not flooding.

"The river didn't leave its boundaries. The river didn't spring a leak, the tunnel sprung a leak," he said.

One building manager called on insurers to "get off the fence" and make a determination about coverage. "The insurance companies are making the loss three times worse," said Dave Kalish, manager of a flooded office building owned by a Chicago bank that still was without power late last week.

Mr. Kalish said he has filed a claim with an Allstate Insurance Co. unit, which writes "broad-form" property coverage for the building. However, Mr. Kalish said the in-

surer "believes there is no coverage, but does not know why."

An Allstate spokesman declined to discuss the particular case, but said "there must be a specific named peril to trigger coverage."

While insurers were estimating damages and deciding coverage issues, others speculated about who would ultimately pay.

This question is further muddled by a change in ownership of Great Lakes, the firm that drove the pilings into the riverbed, shortly after the work was completed.

At the time the work was done in August and September, Great Lakes was a unit of Chicago-based Itel Corp. However, weeks after the work was completed, the Oakbrook, Ill.-based firm was sold to New York investment banker Blackstone Group and others, which intended to take Great Lakes public. Blackstone has put off a planned initial public offering of Great Lakes stock.

Itel Senior Vp Kirk Brewer said that Itel believes it is not liable for any damages in connection with the flooding because Great Lakes is not liable.

Blackstone officials would not comment.

Mr. Brewer said Great Lakes and Itel were covered by the same liability insurance program at the time the work was carried out. The program, with \$100 million in limits, was placed in the London marine insurance market, where it is led by Commercial Union Assurance P.L.C.

The coverage was placed by Lloyd Thompson Group P.L.C.

Peter Evans, group marine manager for CU, confirmed it still writes

coverage for Great Lakes, but would not elaborate.

Great Lakes also purchases marine liability coverage from Steamship Mutual Underwriting Assn. Ltd., a London protection and indemnity club, but the P&I policy excludes coverage to land-based property, a Steamship spokesman said.

A Great Lakes spokesman would not comment on coverage or liability issues, but defended the company's actions.

"We governed ourselves according to the terms of the contract. Everything we did was approved by the city" before work actually commenced, he said, adding that the city never told Great Lakes that tunnels ran under the river.

All contractors with the city of Chicago are routinely asked to add the city as an additional insured on the contractor's general liability and auto insurance policies, noted Caroline M. Cogtella, Chicago's risk manager.

However, the contract with Great Lakes predated the tenure of Ms. Cogtella, who had not yet seen the contract in question.

Thomas M. Crisham, a partner with Hinshaw & Culbertson, questioned whether individual companies would be able to recover economic losses from Great Lakes. Under Illinois' economic loss doctrine, economic damages can only be recovered in contract suits, not tort litigation (BI, Nov. 25, 1991).

Thus, companies that did not have a contract with Great Lakes could not sue the company for economic losses, he said. However, he added, the city could sue Great Lakes because it had a contract.

Rendina, an executive general adjuster for Crawford & Co. in Chicago.

However, the university's buildings did sustain damage to some partition walls, he said.

The structural evaluation should include both the foundation and soil, Mr. Wall advised. In addition, maps of the underground tunnel system should be examined to determine whether any tunnels pass below the building and, if so, whether the tunnel walls sustained any damage, he said.

While structural damage is obviously a key concern, a more insidious one is pollution. According to Mr. O'Connell, various types of pollution can be generated, including the release of asbestos, leaks from underground storage tanks and "other kinds of contaminants that may have come in" with the water.

Ironically, in some instances, buildings are actively being kept wet to prevent the pollution from becoming airborne, he noted.

Hazardous chemicals that enter heating, ventilation and cooling systems also can pose a threat, Mr. Wall said.

While some forms of pollution may not be as severe as other forms, they can still be bothersome. For example, due to the dampness and moisture in the buildings, molds and mildew may form, creating "allergies, sinus infections and other long-term health problems for people," Mr. Wall said.

Joseph H. Albert, president of J.H. Albert International Insurance Advisers Inc. in Needham, Mass., noted that mildew can spread to areas far beyond those that actually flooded. "The smell stays with you for a long time."

Mr. Wall suggests that industrial hygienists be used to perform periodic "swipe studies" on air and water, to monitor humidity levels

and to track employee health complaints over the next several months.

The concern over the buildings' heating, ventilation and cooling systems would be a lot greater if the flood had transpired during Chicago's frigid winter or sticky summer months, Mr. Rendina observed.

Still, in some instances, repairing or replacing these systems may take weeks or months, which means alternative sources of cooling and ventilation may have to be found.

"With summer approaching, the first thing people need to be concerned about is the air conditioning," Mr. Rendina said. "That's more of a priority than boilers for heating. They only need one boiler up and running for heating water."

And, said Mr. Pouzar, employers should be aware of both the Occupational Safety and Health Administration's guidelines on recommended building temperature and ventilation and, if applicable, any union agreements concerning environmental conditions.

When inspecting power or "HVAC" equipment, the breaker and transfer panels, compressors, boilers, chillers and other similar elements should be checked, Mr. Wall said. Particular attention should be paid to any corrosive chemicals or oils that may have settled in either the basements or the equipment.

Repairs to other utilities and elevators round out the list of physical concerns, the consultants said.

Other problems may also arise once the buildings are reoccupied. For instance, sporadic power surges may occur, which can seriously damage computers and other office equipment. Extra precautions, like unplugging computers at night, may be required.

Restoring flooded buildings to top-notch condition will take coordination among a variety of par-

ties, including the city and suppliers, the consultants said.

Mr. O'Connell advises that building owners make sure they are "dealing with reliable, ethical suppliers that they've dealt with before so that they aren't taken advantage of."

Munters Moisture Control Services of Amesbury, Mass., has been retained to dry out several flooded buildings, including DePaul's buildings and Carson Pirie Scott & Co.'s flagship department store.

Munters began working even before water was drained from basements by dehumidifying the air in levels above the water, said Ken Gernenz, acting regional manager of the firm's Addison, Ill., office. The process will prevent further losses due to mildew and corrosion, he said.

The buildings' ventilation systems were also under water, which contributed to the humidity, Mr. Gernenz said. Restoration of the heating, ventilation and air conditioning systems depends on the extent of damage, he said.

"They may be considering temporary temperature control. It may be quite some time before they get their own systems," he continued. "With the contaminants that may have been in the water, the duct work must be cleaned thoroughly. Smaller electrical parts will probably have to be replaced."

Despite the reams of advice from consultants, all stress that the key to any successful disaster recovery is having a disaster plan in hand before a disaster strikes.

"If you wait until it's over, it's too late. It's like putting sprinklers in after the fire," said Richard H. Soper, a principal with Soper & Associates of Palos Verdes Peninsula, Calif.

Associate Editor Sara Marley contributed to this story.

Flood litigation

Continued from page 1

ings in the Chicago River near the spot where millions of gallons of water flooded a network of underground tunnels and the basements of many buildings.

Each suit seeks unspecified damages for flood-related losses.

Others could be the target of litigation. Already, the government agency that manages the Chicago area sewer system has been named in the suits. Other potential defendants include the cable TV firm that found leaks in the tunnel in January and individual city employees, some of whom already have been fired.

The pool of potential plaintiffs could include all businesses, employees, property owners and tenants within the area affected by the flood and later power outages.

The types of lawsuits filed could well be as numerous. Attorneys say 10 main possibilities are:

- Lawsuits seeking to recover property damages from parties alleged to be responsible for the flood.
- Lawsuits by businesses seeking to recover lost profits.
- Lawsuits by people who were indirectly injured due to the flood, like people injured when forced to use stairs instead of an elevator during the power outage.
- Lawsuits against insurers to recover property damage and business interruption claims.
- Subrogation lawsuits by insurers to recoup losses from those responsible for the flood.

In fact, many attorneys speculated that the flood will create the largest subrogation action in history.

"It makes me sick to my stomach" just to think about the amount of subrogation and coverage dispute litigation that will result, said Wayne W. Whalen of LeBoeuf, Lamb, Lieby & MacRae in Chicago.

"The insurance litigation will be huge," said Stephen Paris, president of the Defense Research Institute, a defense lawyers group.

• Lawsuits by tenants of flooded buildings against their landlords for failing to prevent damage.

• Lawsuits against landlords by tenants seeking rent abatement during the time buildings were closed.

• Lawsuits against the Chicago Board of Trade by traders and

others who lost money because they were unable to trade. The CBOT shut down for two days.

• Lawsuits among buyers and sellers of goods that allege breach of contract for orders not filled due to the flood.

• Lawsuits among defendants held responsible for the flood that seek to shift liability.

Lawsuits against the city of Chicago will turn on its ability to claim sovereign immunity.

The Illinois Governmental Tort Immunity Act protects the city from liability unless a plaintiff can show "willful and wanton disregard of a known danger" or failure to exercise "ordinary care" in maintaining city property (*BI*, April 20). The act also bars punitive damages.

Also, the city may claim that certain types of damage, like lost-wage claims by employees, are not foreseeable, attorneys say. Under basic tort law principles, defendants could only be liable for foreseeable damages.

The city will try to show that certain damages claimed by plaintiffs were not directly caused by the flood.

Most lawyers believe that Mayor Daley's candor in saying that city employees "dropped the ball" when leaks were first reported and the city's response to the flood will help limit its liability, rather than expand it as some early critics charged.

"Daley may have actually curbed the city's liability by being so candid and acting to quickly," said Duane Quaini of Sonnenschein, Nath & Rosenthal in Chicago. "Whatever role the city has played will come out... anyway."

In the litigation between Chicago property owners and their insurers over coverage for property damage, the big question is whether the catastrophe will be classified as a "flood" or as "water damage."

And, in litigation over coverage of business interruption losses, a big question is whether a policyholder that suffers no property damage can still recover for lost profits, attorneys say (see story, page 1).

Attorneys speculate that total legal fees from flood-related litigation could easily reach into the hundreds of millions of dollars. And, they believe it could take at least 10 years for all of the litigation to wind

its way through the courts.

Chicago already has one of the nation's largest backlogs of civil cases. A civil case filed today may not be tried for seven years.

While most of the litigation is expected to be filed in state court, some lawsuits also could be filed in federal court.

If a plaintiff has its principal place of business in a different state from the defendant and is seeking more than \$50,000, there could be "diversity jurisdiction" allowing the suit to be heard in federal court.

The four suits already filed are pending in Cook County Circuit Court. All seek class-action status.

Because "the issues are the same" the complaints are likely to be consolidated, perhaps as early as this week, said Robert A. Holstein of Holstein, Mack & Klein in Chicago, who filed the first lawsuit.

Mr. Whalen noted the Illinois Supreme Court has the power to direct that all of the lawsuits be consolidated before a single court. "This could result in significant time and cost savings."

Attorneys stress that while the amount of litigation anticipated is enormous, it is unlikely any new law will be created.

"This is nothing more than a massive construction damage case," said Mr. Paris, with Morrison, Mahoney & Miller in Boston. "Established principles of law will govern."

Nonetheless, the lawsuits probably will be very complicated.

Every plaintiff suing for property damage will have different amounts and types of damages, said John McCabe of Claussen, Miller, Gorman, Caffrey & Witous in Chicago, which expects to handle a great deal of the property insurance and subrogation litigation.

"These lawsuits will require extensive discovery," he said, noting that discovery is expensive.

And lawsuits for property damage will require expert testimony to calculate the amount of the damage, explained plaintiff's attorney William Shernoff of Shernoff, Scott & Bidart in Claremont, Calif. "This is an accountant's dream."

"This means a lot of business for law firms," Mr. Paris agreed.

Associate Editor Sara J. Harty contributed to this story.

Update

Industry criticizes health report

Continued from page 2

Ed Neuschler, director of policy development and research for the HIAA, argued that Citizen Action used the portion of the health care system with the highest administrative costs to smear private insurers. Mr. Neuschler questioned the group's use of claims payments as the only criterion for efficiency.

Malpractice award contested

SAN FRANCISCO—A law firm is asking a Ventura County Superior Court judge to set aside a \$1 million malpractice jury verdict because it did not represent the plaintiff.

Pillsbury, Madison & Sutro had represented Celtic Technologies Inc. in a merger transaction with the plaintiff, Intec Video Systems Inc. of Laguna Hills, Calif. Intec did not have legal representation during the merger.

Intec later sued the law firm, charging that the way the transaction was handled prevented Intec from receiving tax benefits.

Pillsbury, Madison maintained that it did not represent Intec, that its conduct was "above the standard of care" with respect to its client—Celtic—and that the tax benefits were not available anyway, Pillsbury, Madison partner Stephen Stublarec explained.

But the jury disagreed and on April 7 awarded Intec \$1 million in compensatory damages. Mr. Stublarec would not disclose details of the firm's professional liability insurance.

Multiple punitive damages

BALTIMORE—A Baltimore court must decide whether punitive damages are justified in an asbestos bodily injury liability case following a Maryland high court decision that punitive damages can be awarded more than once for the same act.

The underlying case pitted asbestos manufacturers Cincinnati-based Eagle-Picher Industries Inc. and Toledo-based Owens-Illinois Inc. against the families of two Baltimore shipyard workers who died from asbestos-related diseases.

The Court of Special Appeals, a trial court in Baltimore, ruled that the plaintiffs' claims for a total of \$150,000 of punitive damages should be dismissed because, among other things, the firms already had paid punitive damages in similar New York cases.

However, Maryland's highest court later ruled that state laws do not limit the recovery of punitive damages to the first claimant.

The state's high court remanded the case to the Court of Special Appeals to determine whether the state's stringent standard of proof for punitive damages had been met. The Maryland high court ruled in February that punitive damages can be awarded only when plaintiffs can show "clear and convincing" evidence of wrongdoing and prove actual malice rather than gross negligence.

A legislative attempt to further tighten the requirements for awarding punitive damages in Maryland died in a committee earlier this spring (*BI*, April 6).

Oregon Health Plan advances

SALEM, Ore.—Department of Insurance and Finance Director Gary Weeks has approved a health benefit package that insurers that write coverage for small groups must offer to all employers with three to 25 workers.

Basic coverage for small business is a key element of the larger Oregon Health Plan, which is designed to extend medical coverage to most state residents over the next three years. Under the plan, employers that do not offer health coverage by 1995 will have to pay a payroll tax. Another part of the state's plan is designed to widen access to Medicaid coverage to all poor people, while prioritizing and rationing Medicaid services (*BI*, March 2).

Reflecting the priorities for the Medicaid program, the small business package emphasizes maternity and preventive services. It does not cover certain costly, high-risk procedures and covers only palliative care for terminal conditions.

The package is expected to be offered to small employers at a monthly cost of about \$100 per employee and \$375 per family. An employee could be required to pay as much as 50% coinsurance for services, up to a maximum of \$7,500 annually.

Briefly noted

Enrollment in **health maintenance organizations** climbed 6% last year to 38.6 million from 36.5 million in 1990, reports the Group Health Assn. of America. Fifteen percent of the total population and 18% of those with health insurance were enrolled in HMOs last year. . . . Several applicants who allegedly filed false workers comp claims, individuals who solicited the claims, and a physician and medical clinic officials who processed the claims are the first individuals arrested under California's tough new **workers compensation fraud law** (*BI*, Feb. 3). . . . The **Illinois Insurance Exchange** reports net income dropped 39% in 1991 to \$14.6 million. . . . The National Council on Compensation Insurance estimates the nation's workers comp insurers will report their **worst-ever combined ratio** of 123% for 1991, compared with an average of 118% over the previous five years. . . . **National Union Fire Insurance Co. of Pittsburgh, Pa.** has settled for an undisclosed amount a bad-faith lawsuit filed by MGM-Pathe Communications Co. and former owner Kirk Kerkorian (*BI*, April 13). . . . The **federal government** has sovereign immunity from liability for civil fines under the Clean Water Act and the Resource Conservation and Recovery Act, the U.S. Supreme Court ruled last week. However, the ruling's effect may be limited since the House and Senate have passed separate bills amending the RCRA to make the government liable for violations.

Managed care liability

Continued from page 2

award any actual or punitive damages against his client, Blue Cross of Southern California.

On April 6, a Los Angeles Superior Court jury found Blue Cross of Southern California and Blue Cross & Blue Shield of Alabama were not negligent in the case of a man found dead three weeks after he was discharged from a hospital.

Another defendant, Western Medical Review Inc., settled halfway through the trial.

The patient, Howard E. Wilson Jr., 25, was discharged from College Hospital, a psychiatric facility in Cerritos, Calif., where he had been hospitalized for 10 days for depression and chronic drug abuse.

The discharge was prompted by a concurrent review decision made by Western Medical Review, which contracted with Blue Cross of Southern California.

Mr. Wilson was covered under a plan underwritten by BC/BS of Alabama, which had a cooperative agreement with Blue Cross of Southern California to provide UR services, court papers say.

Three weeks after his discharge, Mr. Wilson died from cardiac arrhythmia related to his longtime substance abuse, according to a coroner's report.

In a lawsuit against the review

firm and their health insurer, Mr. Wilson's parents blamed their son's death on his early discharge.

Furthermore, the parents argued, their contract with BC/BS of Alabama did not provide for UR.

A trial court dismissed the case in 1986, citing a California appellate court decision in *Wickline vs. state of California* that found no liability for the later injuries of a Medi-Cal patient who was authorized for only four of the eight days her doctor sought (*BI*, Sept. 19, 1988).

But the Wilsons appealed, and on July 27, 1990, the appellate court reversed, holding that insurers conducting medical reviews might be liable in certain circumstances if a UR decision caused a premature discharge that harms the patient.

The case was remanded to the trial court, where the jury ruled for the insurers and awarded no damages to the parents.

The parents did win a partial victory, though. The jury upheld their claim of breach of implied covenant and bad faith against Blue Cross of Southern California because the insurance contract did not specifically require UR. However, the jury awarded no damages.

While some managed care liability experts view the verdict as a victory for insurers and UR vendors, it's really a split decision, according

to Mary Lynn Eubanks, an attorney and consultant with Hewitt Associates in Lincolnshire, Ill.

"Plaintiffs may be less likely to sue since this is the first case that went to trial and no damages were awarded," she said. On the other hand, "I don't see that this would prohibit lawsuits, either."

Mr. Postol agreed: "It's an in-between verdict. Anytime you don't have to pay damages, it's a victory. But anytime there's a potential for this kind of lawsuit, it costs you money." Furthermore, the fact that this was a jury verdict as opposed to a court decision makes it even less binding, he added.

"Just because one jury says one thing doesn't mean another jury will rule the same," Mr. Postol said.

But to Blue Cross of California's attorney, Mr. Bosserman, "the decision affirms the validity of the concurrent (review) process."

"Concurrent review protects the patient, who in earlier cases might have found that after receiving hospitalization or undergoing expensive medical procedures, their benefits were totally or partially denied and they were left personally responsible for paying the costs," he said.

Wilson vs. Blue Cross of Southern California, Case No. C-476,997, Los Angeles County (Central) Court.

Clouds gathering in crystal ball

Insurers' grim 1991 results matched only by next year's gloomy prognosis

By MYRON M. PICOULT

Special to Business Insurance

IT REALLY DOES not matter whether one is looking forward or backward when it comes to the property/casualty insurance industry. Operating results were pitiful, and the outlook for 1992 is just plain lousy. For those who are into crystal ball gazing, 1993 doesn't look too hot, either.

In fact, pitiful doesn't adequately describe the industry's 1991 aggregate operating results. The numbers continue to be compromised. Our screens show that net premiums declined 1.9% in 1991 with the sequential deterioration picking up as the quarters rolled by. What is fascinating about the trend is that no company admits to cutting prices.

Since there is little new business being written, one can only assume that renewals are being pared in terms of both pricing and conditions. Perhaps the appropriate terminology is that insurers are adequately sustaining inadequate rate structures. Our sense is that deviations below insurers' manual rates widened as 1991 evolved. A piece of the decline is tied to withdrawals. But somebody is writing the business!

Pretax net investment income growth has come to a virtual standstill. Our data base showed a rocking 1% rise in the fourth-quarter comparisons. Declining cash flows, lower interest rates, and liquidity concerns and pressures are forcing a greater percentage of investable funds to be maintained in short-term instruments. The shift is clearly taking its toll and it is not likely to be reversed soon, even with some pickup in yields.

Our screens produced an average combined ratio (after policyholder dividends) of 110.8% for 1991 vs. 109.8% for 1990. The reported stability of the combined ratios, viewed either sequentially or comparatively, is amazing given that 1991 was the industry's second-worst year for catastrophe losses.

Sustained high retentions among un-

derwriters and persistent problems related to reinsurance recoverables adds yet another aura of incredibility to reported combined ratios. As the downward slope of the underwriting cycle intensifies, insurers have a tendency to skimp on reserves. The current downdraft is no exception.

Management commentaries relate the reductions or negligible reserve increases to their recent withdrawals from certain lines and jurisdictions. It would be much easier to accept such logic if the withdrawals had occurred several years ago. We have trouble accepting the drawdown on books of business that have not yet

Pricing activities smack of a bankrupt industry, where the stragglers will do almost anything to keep cash flowing into the coffers.

"matured."

Once again, high retentions and reinsurance recoverable problems are never mentioned. It appears to us that there is nothing left from the 1986 and 1987 accident year reserves for insurers to draw upon. The ultimate development of the 1988 and 1989 accident years will probably be OK. The workouts for the 1990 and 1991 accident years will be abominable.

As we look at the forthcoming 1992 first-quarter earnings reports, several factors should be noted. The pricing environment is still poor, though there are signs that some price increases are being achieved in some smaller lines like aviation, directors and officers liability, ocean marine, and catastrophe covers. In general, 1992's premium growth will be affected by 1991's pricing trends, which were at best flattish!

The industry's pricing activities smack of a bankrupt industry, where the strag-

glers will do almost anything to keep cash flowing into the coffers. The industry's pricing problems go well beyond the political rate suppression activities of some of the regulators.

We suspect that net investment income growth will continue to slow (or decline) for virtually all players. This mirrors both the declining yield curve—relative to rollover yields—and the crimp on cash flows.

Operating earnings improvements, with few exceptions, will likely be achieved via the continued finagling of combined ratios and reserving postures. The bond market is down from year-end 1991 levels and the stock market has not increased all that much. Furthermore, on a statutory basis the industry is not accreting any capital. Also of note is the fact that the recent spate of underwritings has been small and to a significant degree has replaced old capital with new capital. Thus, growth in statutory surplus is likely to be nil.

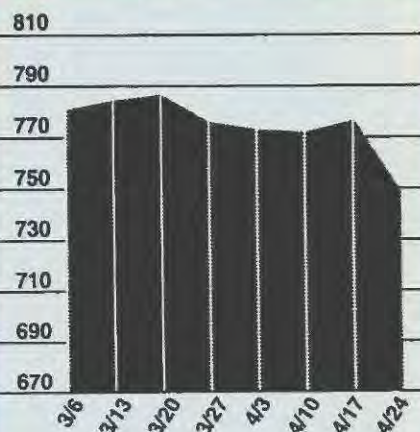
Our guess is that reduced earnings expectations for 1992 will begin to surface as the first-quarter numbers begin to surface. The earnings outlook for 1993, too, look dismal at present, with flattish earnings for many insurers and declines on the horizon for several others.

A company with an exemplary balance sheet and clear strategic focus can hold its own through this interim period and probably produce "acceptable" earnings results. As the operating environment improves, these stronger insurers will clearly outperform their weaker brethren that will be struggling with balance sheet problems.



Myron M. Picoult is managing director and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

BI Insurance Index



Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance industry stocks plunged last week as the *Business Insurance Index* fell 28.0 points to 748.7 on April 24 from 776.7 on April 17. Advancing issues were led by American Indemnity/Financial, up 23.6%; Chandler Insurance, up 14.6%; and Statesman Group Inc., up 8.9%. Declining issues followed Pacificare Health System, down 15.4%; Phoenix RE Corp., down 12.5%; and FHP International, down 12.5%. The most active issue was U.S. Healthcare, with 6.3 million shares traded. The *BI Index* was down 3.6%; the NYSE Composite was down 1.7%; the Standard & Poor's 500 fell 1.7%; and the Dow Jones 30 Industrials fell 1.3%.

British Issues

April 23 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comit Union	457	N/M	31.5	6.9	457-445
Genl Accident	466	N/M	35.7	7.7	468-452
Gdn Royal Exch	143	N/M	10.0	7.0	143-135
Royal	198	N/M	15.0	7.6	198-186
Sun Alliance	280	N/M	19.0	6.8	281-271
Brokers					
Bradstock	145	16.3	6.3	4.3	145-137
CE Heath	383	25.4	34.5	9.0	383-375
Hogg Group	175	11.6	10.9	6.3	174-173
JIB Group	190	13.9	10.0	5.3	190-188
Lloyd Thompson	220	22.0	6.0	2.7	221-220
Lowndes Lmbt	318	13.2	17.3	5.4	318-317
PWS Holdings	55	6.0	5.3	9.6	55-55
Sedgwick Grp	210	16.4	16.0	7.6	210-201
Steel Brl Jones	255	12.8	17.7	6.9	255-255
Willis Corroon	260	16.4	17.6	6.8	260-254

Source: Philip Olsen, Insurance Industry Analyst, London

BI Industry Stock Report

APRIL 20, 1992 THROUGH APRIL 24, 1992

BROKERS

	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value
Alexander & Alexander	NYS	18.88	0.66	7.93	27.00	18.00	141	1.00	5.30	76	9.77
Gallagher Arthur J. & Co.	NYS	21.25	2.86	-5.03	25.38	19.00	39	0.64	3.01	17	5.88
Frank B. Hall	NYS	3.75	-6.25	11.76	5.60	3.13	26	0.00	0.00	3	5.24
Hib. Rogal & Hamilton	OTC	11.75	0.00	11.32	17.50	11.00	16	0.40	3.40	19	3.56
Marsh & McLennan	NYS	76.25	1.67	-6.30	83.75	70.00	630	2.60	3.41	18	14.77
Poe & Associates	OTC	14.75	-1.67	22.92	16.00	8.88	6	0.40	2.71	16	2.52
BROKERS	AVERAGE		1.6	-3.2				2.5	-1		5.85

CONGLOMERATES & HOLDING COMPANIES

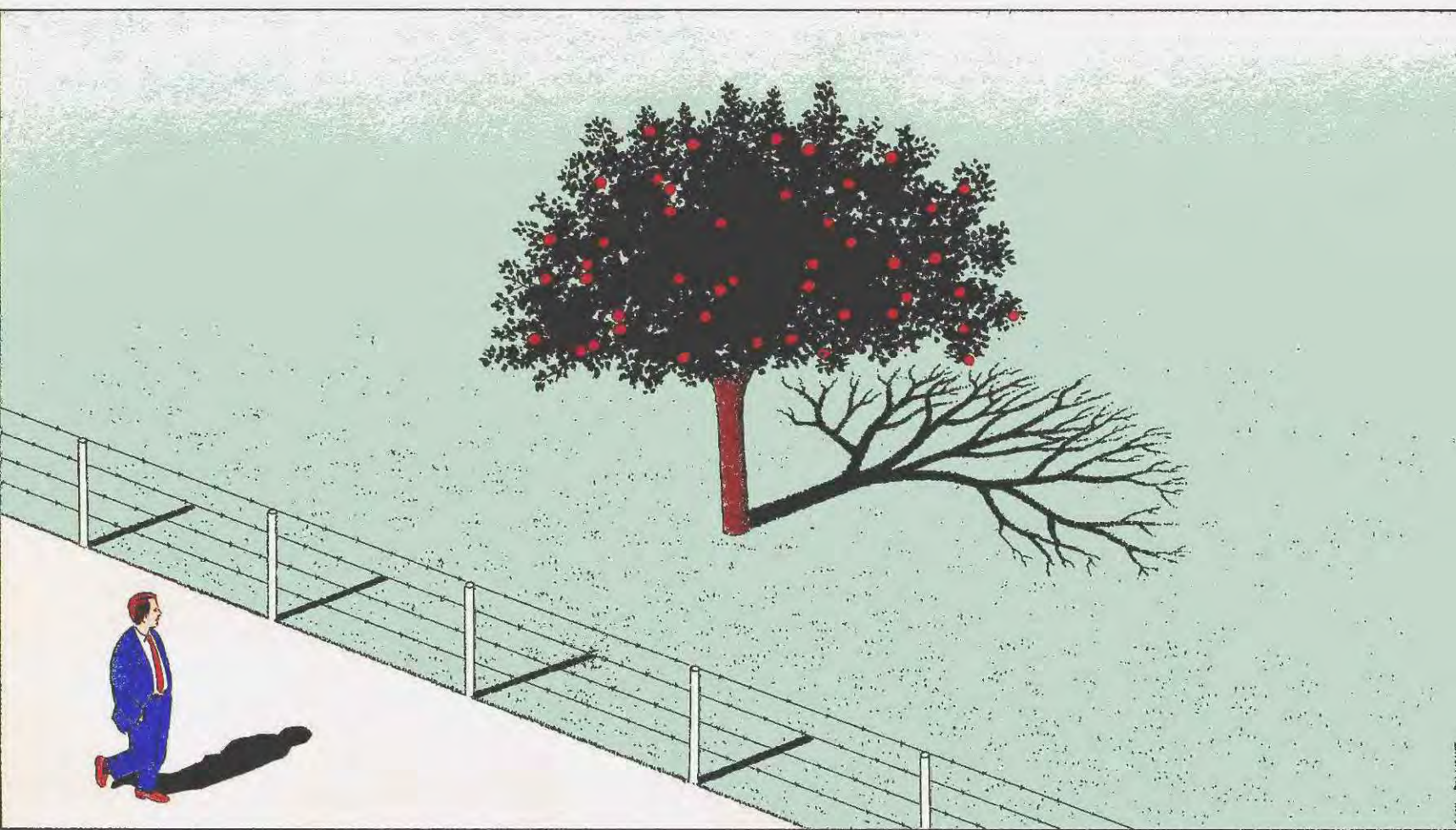
	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value
Berkley W.R. Corp.	OTC	32.88	0.75	7.79	36.25	23.50	105	0.36	1.10	13	23.89
Berkshire Hathaway Inc.	NYS	9025.00	0.00	0.28	9125.00	7760.00	0	0.00	0.00	33	4612.00
ITT (Hartford Group)	NYS	63.50	3.05	9.96	70.63	50.00	905	1.84	2.90	10	64.01
Sears (Allstate)	NYS	43.63	-6.18	15.18	48.00	32.50	5167	2.00	4.58	12	37.38
CONGLOMERATES	AVERAGE		-2.5	8.2				2.1	0		1.17

INSURERS/REINSURERS

	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk value
AEGON N.V.	NYS	68.75	-0.72	1.79	71.75	54.75	0	2.30	3.35	7	N/A
Aetna Life & Casualty	NYS	42.50	0.00	-3.41	48.00	31.88	1324	2.76	6.49	9	64.23
Allied Group Inc.	OTC	19.63	7.65	15.44	23.00	16.00	48	0.64	3.26	7	19.85
American General	NYS	44.50	4.40	0.00	44.75	36.38	935	2.08	4.67	10	37.14
American Heritage Life Ins.	NYS	25.88	1.97	-15.51	30.00	19.88	17	10.12	39.11	14	N/A
American Indemnity/Fin'l	OTC	8.50	23.64	78.96	9.25	4.50	3	0.08	0.94	6	12.93
American International	NYS	83.50	-3.75	-15.12	99.38	78.63	1034	0.48	0.57	11	45.34
Aon Corp.	NYS	43.38	1.14	9.46	45.25	34.75	254	1.68	3.87	12	18.50
Argonaut Group	OTC	27.00	0.00	13.68	33.38	21.75	29	0.68	2.52	8	48.26
AVEMCO Corp.	NYS	25.25	-2.42	1.00	28.00	19.63	5	0.40	1.58	22	9.55
Baldwin & Lyons Inc.	OTC	28.00	1.82	8.74	28.00	21.50	3	0.28	1.00	8	24.29
Belvedere Corp.	ASE	5.38	2.38	65.38	6.13	2.88	11	0.04	0.74	15	7.65
Chandler Insurance	OTC	5.88	14.63	80.77	5.88	2.13	91	0.00	0.00	73	5.95
Chubb Corp.	NYS	65.75	-4.71	-14.61	78.00	60.75	908	1.60	2.43	10	35.19
CIGNA Corp.	NYS	51.25	-3.98	-16.16	61.75	41.25	531	3.04	5.93	11	73.15
CNA Financial Corp.	NYS	91.75	1.38	-6.38	104.50	75.50	63	0.00	0.00	9	70.23
Continental Corp.	NYS	25.63	-6.39	-7.24	30.38	23.25	587	2.60	10.15	26	37.83
EXEL Ltd	NYS	34.00	-4.56	-9.33	40.25	27.38	328	0.92	2.71	7	N/A
Fund American Corp.	NYS	63.25	-2.13	-9.48	70.25	62.00	244	0.68	1.08	14	36.11
Fremont General Corp.	OTC	18.50	-10.30	-24.10	26.00	18.00	65	0.88	4.76	5	19.13
Frontier Insurance Group	NYS	33.00	4.76	22.32	33.00	19.22	42	0.60	1.82	12	11.20
Gaisco Inc.	ASE	13.50	5.88	3.57	15.00	8.25	36	0.04	0.30	16	3.37
General RE Corp.	NYS	89.63	-1.78	-12.02	104.75	85.00	642	1.80	2.01	12	37.50
Guaranty National Corp.	NYS	14.00	-5.08	-3.45	17.00	12.63	32	0.48	3.43	10	N/A
Hanover Insurance Co.	OTC	35.25	-5.05	-1.40	42.75	27.13	43	0.44	1.25	15	37.44
Harleysville Group	OTC	18.25	-11.52	-14.12	23.25	16.75	351	0.64	3.51	9	22.99
Hartford Steam Boiler	NYS	50.38	-2.42	-12.39	62.38	45.13	111	2.00	3.97	14	17.05
Kemper Corp.	NYS	24.63	-11.26	-35.41	46.13	24.63	679	0.92	3.74	6	34.20
Lawrence Insurance Group	ASE	8.50	-4.62	-23.60	11.13	7.88	2	0.48	6.65	17	4.71
Liberty Corp.	NYS	23.25	-2.11	5.00	25.38	19.50	37	0.48	2.06	12	23.86
Lincoln National	NYS	50.50	-7.34	-7.76	61.00	45.38	223	2.92	5.78	11	45.16

		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	market value
Market Corp.	OTC	26.75	0.00	21.59	28.25	14.00	5	0.00	0.00	13	3.22	1.44
Mutual Risk Mgmt. Ltd.	NYS	29.75	-9.16	15.30	37.75	17.00	87	0.12	0.40	22	N/A	8.40
NAC Re Corp.	OTC	27.63	-6.36	-12.30	33.00	21.75	150	0.16	0.58	13	18.90	1.44
National Re Holdings Corp.	NYS	18.38	0.68	N/A	23.63	17.00	219	0.12	0.65	10	N/A	2.88
Navigators Group	OTC	38.88	-6.89	5.18	48.25	29.50	10	0.00	0.00	22	13.52	0.66
Nobel Insurance LTD	OTC	4.75	-7.32	18.75	6.00	3.38	12	0.00	0.00	4	7.76	2.88

Knowledge Without Action Is Wasted. Every group insurance company promises the fruits of its knowledge and resources. But we put our knowledge and resources to work on practical ideas for employers and employees. ♦ For example, we identified early one of the great



emerging issues in employee benefits -- the provision of practical, economical group long-term care coverage -- and moved to implement it. Today, those we serve have this coverage available to them -- because our experience and the resources we command made it possible early. ♦ Clients who depend on your advice want to know how well group insurance companies know the industry. Now you can tell them how we make our experience and expertise work for them. For more information, call Patrick Moeschler, Director of National Accounts, at 1-800-877-1052.



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