

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives. \$2.00 a copy; \$75 a year

© Enr's contents copyright 1990 by Crain Communications Inc. All rights reserved

U.S. property/casualty insurers report 25% decrease in profits

NEW YORK—The U.S. property/casualty insurance industry's aftertax net income plunged 24.8% in 1989 to \$11.2 billion from \$14.9 billion, according to the Insurance Services Office Inc. and the National Assn. of Independent Insurers.

That contrasts with 26 major commercial property/casualty insurers surveyed by *Business Insurance*, which reported that their net income rose 12.7% last year (*BI*, March 26).

Continued on next page

Worries ground Walbrook

Buyers say slip's cover replaceable

By MICHAEL BRADFORD

Many commercial insurance buyers are confident they can replace much of the coverage they currently place with the H.S. Weavers (Underwriting) Agencies Ltd. line slip if Walbrook Insurance Co. Ltd. is unable to resume underwriting.

Indeed, some coverage written on the Weavers slip—London's leading U.S. liability insurance market—already had found a new home by the middle of last week.

And, several U.S. insurers reported they are looking into picking up some of Weavers' business (see related story).

In addition, some large captives would gladly retain more risk if Weavers does not resume underwriting, observers said. Weavers has refused to reduce its rates even if a captive wanted to assume more risk, making it uneconomical for captives to increase retentions.

But some buyers thought the situation was too fluid last week to look for replacement coverage.

And some worried that the situation could trigger a harder market.

London United Investments P.L.C., Weavers' parent company,

Continued on page 63

New capital sought to buoy Weavers slip

By STACY SHAPIRO and CAROLYN ALDRED

LONDON—The new owner of Anglo American Insurance Co. Ltd. is rushing to attempt to preserve the largest U.S. casualty line slip in London.

John Head, chairman of Head Insurance Investors (Bermuda) Ltd., which acquired Anglo American in February, is scouring London and the rest of the world in search of new capital to replace Walbrook Insurance Co. Ltd. on the H.S. Weavers (Underwriting) Agencies Ltd. line slip.

Walbrook, which wrote 55% of the line slip, suspended underwriting last week after a preliminary actuarial report showed that it might have to increase reserves to pay for unrecoverable reinsurance, which would re-

duce its surplus. A final draft of the report is to be published this week.

Walbrook is continuing to pay claims, but six other insurance subsidiaries owned by London United Investments P.L.C., the parent of Walbrook and Weavers, have suspended claims payments pending finalization of the actuarial report.

LUI's chief executive concedes that these six companies, of which at least four have participated on the Weavers slip in the past, may be insolvent. The six companies have at some point reinsured Walbrook.

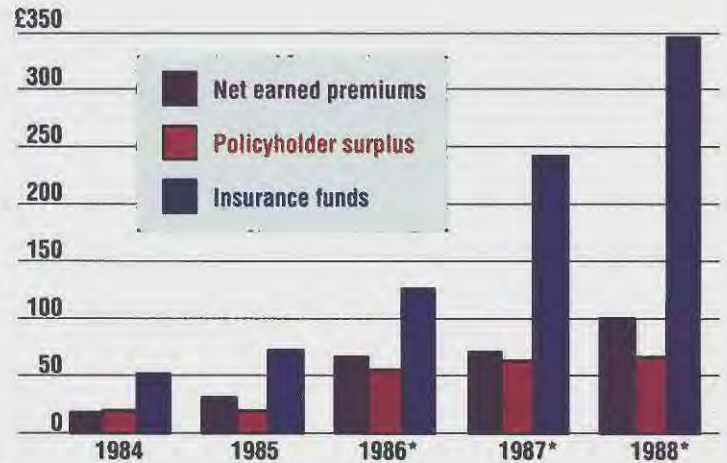
Meanwhile, Anglo American officials are supervising Weavers' operations.

The dismantling of the Weavers slip would create a huge gap in worldwide capacity for U.S. excess liability, errors and omissions, medi-

Continued on page 61

Walbrook's obligations mount

While Walbrook Insurance Co. Ltd. and its subsidiaries have reported increases in premium and surplus, insurance funds—or reserves for outstanding claims and unearned premiums—also have zoomed. All figures in millions of British pounds.



* 1986, 1987, 1988 results reflect accounting changes to comply with British government requirements. Source: Walbrook annual reports

BI/HOLLY SEGUINE

U.S., London insurers willing to fill gap

Underwriters already are stepping up to fill the void created when Walbrook Insurance Co. Ltd. suspended underwriting last week.

Several major U.S. and London underwriters said last week they hope to write some business now written by Walbrook, one of the two insurers on the H.S. Weavers (Underwriting) Agencies Ltd. line slip.

However, brokers and insurers indicated that replacement coverage could be much more costly than policies underwritten by Weavers.

"The message, which is true, is that the (Lloyd's) marketplace offers all the coverages that Weavers offers, but for a higher price," said one Lloyd's of London non-marine underwriter. "The message is that we can take up the slack."

And coverage written by other London underwriters probably will be on a policy form more restrictive than Weavers current claims-made form.

In fact, some observers said the Walbrook pullout could hasten the end of the soft property/casualty insurance market.

Brokers on both sides of the Atlantic scrambled last week to find alternative markets for clients that purchased excess liability and other casualty coverages from Weavers. Numb panic pervaded the North American divisions of London's leading brokerages.

Other brokers, however, say they are monitoring the situation carefully but taking no action before seeing an actuarial report on Walbrook and other London United Investments P.L.C. subsidiaries.

Continued on page 62

City may have immunity from Bronx fire liability

By DOUGLAS McLEOD

NEW YORK—Families of 87 people killed in a disastrous Bronx social club fire may be able to recover damages from the building's owner and tenant corporations but may be barred from collecting damages from the City of New York, legal experts say.

Likely targets of wrongful death actions in the wake of the fire at the Happy Land Social Club include the landlord, which is a corporation controlled by the heir to one of the largest family real estate fortunes in the United States; two tenant corporations, including one operated by the husband of actress Kathleen Turner;

and New York City, legal sources agree.

A recent precedent-setting ruling by an intermediate New York appeals court may open the landlord and tenant corporations up to civil liability for the deaths.

However, a separate 1984 ruling by the New York Court of Appeals, the state's highest court, may absolve the city of liability, even though the illegal club continued to operate with the knowledge of various city agencies for more than a year after the building was ordered vacated for safety code violations, legal experts say.

Fire and lethal smoke spread from the only entrance

Continued on page 59



87 people died when fire swept through a social club in the Bronx that had been ordered closed for safety code violations.

AP/Wide World photo

Benefit administration . . . Page 3

Directory of employee benefit information system vendors . . . Page 31

NEWSPAPER

Update

Insurers' profits decline

Continued from page 1

The industry's 1989 net income reflects \$9 billion of operating income and \$4.9 billion of realized capital gains, according to ISO and the NAI. The industry paid \$2.6 billion of income taxes in 1989.

Pretax underwriting losses for all U.S. insurers increased 77.4% to \$20.4 billion from \$11.5 billion in 1988. Including realized capital gains, the industry posted a pretax net investment gain of \$35.3 billion, up 16.1% from \$30.4 billion in 1988.

Written premiums increased 2.1%, to \$206.6 billion from \$202.3 billion. Policyholder surplus increased 13.1%, to \$133.7 billion from \$118.2 billion. The insurers reported a combined ratio of 109.7% in 1989, up from 105.5% the previous year.

Warwick reserve shortfall

MORRIS PLAINS, N.J.—Independent auditors for Warwick Insurance Managers Inc. are expected to report that reserve shortfalls will leave the company's Warwick Insurance Co. unit below statutory minimum capital and surplus requirements for year-end 1989.

The auditors are expected to report that the reserve deficiencies and other problems "raise substantial doubt about the company's ability to continue as a going concern," Warwick said in announcing its fourth-quarter results. But, the company believes its reserves at year-end are adequate to meet future claims costs.

Warwick reported that surplus dropped to \$2.7 million at year-end 1989—about \$1.1 million above the statutory minimum—from \$24 million at year-end 1988. Warwick, which writes mainly in New Jersey, reported gross written premiums of \$89.7 million in 1989, down from \$90.4 million in 1988.

A New Jersey Insurance Department spokesman said an investigation of the company is under way.

Captive manager suspended

GRAND CAYMAN, B.W.I.—The license of one of Cayman's major captive management firms, Insurance Management Services Ltd., has been suspended because of "financial irregularities" involving a U.S. principal of the firm.

However, the firm's Cayman office is not a "deliberate party," said Superintendent of Insurance Gilbert Connolly.

Insurance Management ranked fourth in the 1989 *Business Insurance* rankings of Cayman captive management firms, with 15 captives generating \$71 million in premiums.

Mr. Connolly said the principal is cooperating in the inquiry, but he would not identify him.

A source said \$2 million is missing from the accounts of five captives, allegedly because of bad investments. Chandler Insurance Co. Ltd., an Insurance Management captive that wrote \$64 million in premiums in 1988, is not among the captives affected, the source said (*BI*, April 10, 1989). The firm's 15 captives continue to be serviced.

Steven R. Butler, Insurance Management's financial director, notified authorities of the matter in January.

An accountant has been appointed to assist the Insurance Department in the investigation. It is not known whether U.S. authorities will become involved in the investigation, the source said.

Mr. Connolly said that a decision about Insurance Management's future will be made in the next six to eight weeks.

Bill limits dependent care FSAs

WASHINGTON—Sweeping child-care legislation approved by the House would limit highly compensated employees' use of flexible spending accounts to fund dependent care expenses.

Currently, employees—regardless of income—can make annual pre-tax contributions of up to \$5,000 to their FSAs for dependent care expenses. But, under H.R. 3, approved last week, maximum contributions would be reduced by \$250 for each \$1,000 of income exceeding \$70,000. As a result, dependent care FSAs would be eliminated for employees with adjusted gross incomes exceeding \$90,000.

The legislation would impose similar restrictions on highly compensated employees using the federal child-care tax credit. The provisions would take effect Jan. 1, 1991.

A child-care bill previously passed by the Senate, S. 5, does not include similar restrictions.

Briefly noted

The U.S. Supreme Court will review a 7th U.S. Circuit Court of Appeals decision that allows **Johnson Controls Inc.** to prohibit all fertile women from holding jobs that pose a significant lead poisoning hazard to unborn children (*BI*, Feb. 5; Oct. 16, 1989). . . **CIGNA Corp.** has completed the acquisition of **EQUICOR Inc.** for about \$777 million (*BI*, Jan. 29). . . **Mission Insurance Group's** liquidator can proceed with a jury trial against the company's reinsurers on a bad-faith claim following an appellate court's refusal to dismiss the claim. . . Washington Gov. Booth Gardner signed legislation designed to encourage small employers to offer **insured health care programs** by excluding coverage for procedures that the state mandates insurers to cover (*BI*, March 26). . . **Corroon & Black Corp.** has agreed in principle to acquire Burlington, N.C.-based R/I Inc., a treaty reinsurance intermediary. C&B plans to merge R/I with subsidiary G.L. Hodson & Son Inc., the eighth-largest U.S. reinsurance broker based on an estimated \$23 million in 1988 gross revenues (*BI*, Nov. 6, 1989). The acquisition is expected to increase Hodson's revenues by about 33%. . . Jardine Emmett & Chandler Inc. has changed its name to **Jardine Insurance Brokers Inc.**

Errors and omissions

MIC Re Corp., a newly formed subsidiary of Motors Insurance Co. in Detroit, will assume property and casualty facultative and treaty reinsurance on behalf of Motors Insurance. MIC Re will not write auto physical damage insurance as incorrectly reported in the March 19 issue.

Employers, unions join to attack health costs

By JERRY GEISEL

Bell Atlantic Corp. is joining forces with two unions that represent its hourly employees to develop a managed health care network to bring skyrocketing health care costs under control.

Two task forces, composed of Bell Atlantic officials and representatives of the Communications Workers of America and the International Brotherhood of Electrical Workers, are planning the development of managed care networks in regions where the company operates.

Philadelphia-based Bell Atlantic, one of the so-called Baby Bells, expects the networks to be fully in place by January 1992 and to be offered to most of the 52,000 employees who belong to the CWA and IBEW.

While San Francisco-based Pacific Telesis Group re-



cently announced that it would set up a managed care network to cover union and salaried employees (*BI*, March 26), Bell Atlantic is believed to be the first Baby Bell to actively work with its unions in planning and establishing such a network.

"The key here is that Bell Atlantic invited the unions to sit down with us and design such a program," said Donald S. Bezuyen, assistant vp-managed care networks for Bell Atlantic in Arlington, Va.

"We want the unions' cooperation, ideas and enthusiastic support in the planning and implementation process," Mr. Bezuyen said.

"I believe the union and the company understand that we have to tackle rising health care costs. One of the best ways to tackle this problem is to work toward a resolution jointly," said Barbara Lephardt, assistant to the vp of the CWA's District Two in Washington, D.C.

Bell Atlantic is not the only company working with its labor unions to try to control health care costs.

Ford Motor Co., the nation's second largest auto

Continued on page 60

Jury says firm failed to prove loss

Cover for gold theft voided

By STACY ADLER

PROVIDENCE, R.I.—A precious metals dealer is challenging a federal jury's ruling that it is not insured for an alleged theft of \$2 million in gold.

Putnam Resources of Greenwich, Conn., sought coverage under an \$8 million marine policy written by Lloyd's of London underwriter R.M. Pateman. Putnam's lawsuit also named dozens of other London underwriters that followed Mr. Pateman on the policy.

Putnam has challenged the verdict in post-trial motions and will appeal to the 1st U.S. Circuit Court of Appeals if a new trial is not granted, said Roy Grutman, an at-

torney for Putnam with Grutman, Greene & Humphrey in New York.

If Putnam fails to have the verdict overturned, the company may seek to recoup the \$2 million from its insurance broker, New York-based Frenkel & Co.

Frenkel's errors and omissions coverage is underwritten by St. Paul Fire & Marine Insurance Co., said Alan S. Samuels, Frenkel's president and chief executive officer.

Putnam sought coverage under a one-year marine policy issued Sept. 10, 1986, for a loss of \$2 million in gold during the policy period. However, jurors found Putnam did not prove that a loss occurred during the policy period.

On Oct. 12, 1987, Mr. Pateman, the Lloyd's underwriter, advanced Putnam \$2 million to cover the claim. However, after further investigation, he denied coverage and sought to recoup the payment.

Mr. Pateman denied coverage on three grounds:

- There was insufficient evidence of a loss during the policy period.

- A portion of the loss was caused by an agent of the policyholder and therefore was barred by an exclusion in the policy.

- The policyholder failed to disclose material facts about a prior loss at the time it applied for coverage.

Continued on page 50

Insurers sue attorneys for fraud

By STACY ADLER

SAN DIEGO—Two of the nation's largest insurers contend that a network of Southern California attorneys for years bilked them out of more than \$200 million.

The attorneys—known as the "Alliance"—conspired to inflate insurers' legal bills in lawsuits during the 1980s, allege Fireman's Fund Insurance Co. and Allstate Insurance Co. in a fraud lawsuit filed last week in U.S. District Court in San Diego.

They conducted "hundreds of needless depositions, filed specious pleadings and generally churned the cases, running up billing fees well into the millions of dollars," said Gary Black, executive vp-claims for Fireman's Fund.

Including fees paid to the attorneys, inflated settlements in mishandled cases and bad-faith settlements, in-

surers were bilked out of more than \$200 million, charges Jim Schratz, assistant vp of litigation for Fireman's Fund.

"We could have settled some of these cases cheaper if we had regular attorneys involved rather than attorneys who have been told not to settle," he said.

Attorneys for the defendants in the lawsuit could not be reached for comment.

The suit, which names 26 defendants and alleges violations of the Racketeer Influenced and Corrupt Organizations Act, seeks \$6.3 million in compensatory damages, which could be tripled under the provisions of RICO.

The insurers are seeking only to recoup fees paid to members of the Alliance, said Mr. Schratz.

The suit also seeks unspecified punitive damages and equitable relief, including dissolution of the Alliance.

Continued on page 61

Inside

✓ Most defined contribution pension plan participants who change jobs spend their plan distributions, consultants and employers say. **PAGE 16**

✓ Three studies bear out the notion that employers increasingly are looking at flexible benefit programs as cost containment tools. **PAGE 29**

✓ Top officers of the largest U.S. corporations overwhelmingly oppose national health insurance, a new survey reports. **PAGE 54**

✓ Geoff Saunders, risk manager of RTZ Corp. P.L.C., says European firms face a risk management dilemma when acquiring U.S. subsidiaries in International Perspectives. **PAGE 55**

✓ A sweeping proposed directive intended to govern product safety in the European Community has run into strong opposition from industry and the governments of member nations. **PAGE 55**

✓ British employers can play an increasing role in helping finance medical care for retirees as the burden on the

national health system increases, a report by the British Institute of Actuaries contends. **PAGE 57.**

Departments

Advertiser index.....	44
Ask a benefit actuary.....	36
Bermuda	57
Classifieds.....	58
Comings & goings: industry.....	53
Database	51
Insurance services guide.....	59
International pages.....	55
International issues.....	35
Legal briefs.....	36
Letters.....	8
Perspectives.....	35
Ticker	63

Vol.24, No.14—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1990 by Crain Communications Inc.

Benefit administration

Employers need long-term view to control cost of health care

By MICHAEL BRADFORD

Employee benefit managers must adopt a creative, long-term approach to effectively address rising health care costs, benefit experts say.

Employers cannot depend solely on short-range measures, like cost shifting, shopping for discount medicine and introducing health maintenance or preferred provider organizations without adequate research on their effectiveness, they say. These tactics do not actually control the underlying causes of spiraling health care costs, experts contend.

Instead, employers must develop long-range plans to ensure employees use only the most cost-efficient health care providers.

Moreover, benefit managers must weigh corporate priorities against workers' demands for an ever-increasing number of benefits, experts say.

But only benefit managers at the largest companies currently are planning for the long term, consultants say.

Experts say benefit managers are not solely to blame for a lack of long-range planning.

"In the Fortune 100 com-

panies, there is some strategic planning going on," said Wendy Gray, employee benefit specialist with The Conference Board in New York.

"Typically, those companies have the most creative benefits," because they have a large enough benefits staff to develop long-term strategies as well as handle the day-to-day problems, she observed.

Smaller employers, though, "don't have adequate benefit staffs to even come up for air, let alone think strategically," Ms. Gray pointed out.

"I'm not aware of a lot of long-range thinking" among benefit managers, agreed Alain Enthoven, a management professor at the Stanford University Graduate School of Business in Palo Alto, Calif.

Peter Boland, president of Boland Healthcare Consulting in Berkeley, Calif., said a survey he completed recently for a book that is to be published this summer supports the notion that only benefit departments at the largest companies do substantial strategic planning.

"Once you get beyond the Fortune 500-type and -size companies, we found there are relatively few employee benefit managers looking beyond the next year," he said.

Experts say benefit managers are not solely to blame for a lack of long-range planning.

Continued on page 27



Benefits help workers balance family, career

By MICHAEL SCHACHNER

Employers will increasingly offer their employees new benefits to help them juggle their work and family responsibilities, experts agree.

As the number of women and two wage-earner families in the workplace grows, employers are implementing a wide range of family management benefits to attract and keep quality employees.

While most benefit managers will continue to focus their efforts on rising health care costs, family management programs could become the "benefit of the '90s," some observers say.

There is no set definition of family management benefits, but benefits experts agree these programs can include child care assistance, on-site daycare centers, child and elder care resource and referral services, long-term health care insurance, broad employee assistance programs that include counseling for family problems, flexible working hours, unpaid leaves of absence to care for children and other family members, and job sharing.

"Companies are definitely beginning to look at

family management benefits on a bigger scope," says Carol Moening, a consultant with Hewitt Associates in Lincolnshire, Ill. "There seems to be a measurable effort being made (by employers) to balance work and life."

While some employers have long offered one or two family management benefits—like daycare referrals or family counseling—others are now designing comprehensive programs to help workers balance work with family duties. For instance:

- The labor agreement negotiated last year between American Telephone & Telegraph Co. and two unions featured a package of family management benefits, including a one-year unpaid leave of absence following the birth or adoption of a child, and a one-year unpaid leave to care for a seriously ill family member. Also included is a \$5 million company contribution from AT&T to develop quality child and elder care services (BI, June 5, 1989).

- Eastman Kodak Co. in Rochester, N.Y., has created a comprehensive family management plan over the last two years for 87,000 employees

Continued on next page

Telephone lines link employees to benefit data

By CHRISTINE WOOLSEY

Employee benefit managers hail interactive telephone voice response technology as an affordable and practical way to communicate benefit information to workers.

And benefit managers and consultants agree that as telephone voice response systems evolve and are able to perform administrative functions like benefit plan enrollment, they will become widespread among corporate benefits departments.

However, some consultants say that while the technology is

enticing and accessible, drawbacks—including security problems—will limit its use to benefit communication, rather than administration.

Currently, the most popular use of telephone voice response systems is to communicate routine benefit information to employees and answer common questions.

An employee dials up the computer on a touch-tone phone and punches in an identification number—usually a Social Security number combined with a personal identification number or PIN.

Continued on page 22

Family benefits

Continued from previous page nationwide. The program includes a nationwide child care resource and referral service; up to 17 weeks of unpaid leave following the birth or adoption of a child, placement of a foster child or the illness of a family member; adoption assistance; flexible work schedules and a dependent care reimbursement account.

• John Hancock Mutual Life Insurance Co. last year created programs under which the company's 5,000 Boston-based employees, two-thirds of whom are women, can arrange for their school-age children to participate in educational and recreational activities on school holidays when their parents must work (BI, Feb. 26).

In addition, Hancock now sponsors an elder care resource and referral service for employees; has developed a flex time policy under which employees can complete their

shift any time between 6:30 a.m. and 6:10 p.m.; and offers one-year unpaid leaves of absence for family care purposes.

And, an on-site child care center is due to be completed this fall, a Hancock spokeswoman said.

• New York-based Colgate-Palmolive Co. offers a package of family management benefits that includes company-subsidized child care in emergency situations, three-month unpaid leaves following the birth of a child and a novel mortgage assistance program for first-time home buyers (see story, page 14).

While family management programs such as these represent yet another burden on already stretched benefit budgets, some employers offering family management benefits programs say they have not yet even tracked their expense because helping employees cope with their family responsibility is worth the cost, no matter how high.

Moreover, some of these benefits

are relatively inexpensive.

"Cost isn't a big issue because these benefits cost soft dollars rather than hard dollars," says John Hickey, a partner with Fort Lee, N.J.-based Kwasha Lipton.

"Referral services and shifting hours for employees isn't real costly. It is probably more administrative work than anything else. They usually cost less than 1% of what a company spends on health care," he said.

"We haven't even calculated costs yet," said Lee Boyd, manager of corporate/employee relations for Colgate-Palmolive.

"We are not concerned with cost-effectiveness because we would have made the changes anyway," she said.

Beryl Ball, employee benefit manager at Richmond, Va.-based Crestar Financial Corp., agreed: "Up to now, costs have been minimal." She said Crestar, which has started to implement some family management benefits (see story, page 15), has spent

only a total of \$5,000 on in-house videos, employee communications and consulting fees.

"Dollar for dollar, these benefits are not that expensive," says Kathy Glynn, a consultant in the Washington, D.C. office of The Wyatt Co.

"And to the surprise of many employers, there are government resources available, especially for elder care," she said.

Al Bergerson, Kodak's director of personnel policy development, says his company also has not yet attempted to track the cost of its program. "We are content to know we are receiving more than it costs to give our employees these benefits. The only area where there is a significant cost factor is replacing an employee who takes a leave of absence."

Mr. Bergerson said Kodak has no plans to weigh the value of the benefits based on cost. "We're just trying to stay alert of what's going on."

A number of other reasons are prompting employers to consider

family benefits.

For instance, one consultant points out that employers will be forced to offer these benefits because employers' role in society is changing.

"There's no question that employees will become surrogates to the family, school and church in the 1990s," says Richard Anthony, managing director of Alexander & Alexander Consulting Group's Lyndhurst, N.J.-based national practice group.

The workplace will replace the church as the primary entity to instill ethics, while employee assistance programs and on-site counseling will assume much of the role that the family traditionally has had, he said.

And, employers already spend \$200 billion annually to educate and train workers, he added.

Other observers, while not agreeing that employers will replace religious or social institutions, say that family management benefits will become more common.

"I don't perceive that work/family issues need to overlap into areas traditionally supported by religion and social entities," said Wyatt's Ms. Glynn. "I'm not sure this would be successful. (But) employers can contribute to an employee's well-being without competing or distracting from what is already established."

While agreeing with Mr. Anthony that employers are taking a more active role in the lives of their employees, companies are not ready to take on the extra financial burden that comes with full-scale management of employees' personal obligations, said Mike Sass, an employee benefit consultant with A. Foster Higgins & Co. Inc. in Parsippany, N.J.

"There is a limit to how much can be done. Short-term fixes rather than long-term ones seem to be the American way," he said.

Some family management advocates say a basic family management plan should be designed to fit the employees' needs. The program should assist employees in caring for their children and allow them to flexibly schedule their work periods in light of family obligations.

"You can have all the (benefit) programs and that's good," said Dana E. Friedman, co-president of the Families & Work Institute, a not-for-profit research group in New York. But, a program without flexible working schedules "won't produce results. Managers have to buy into the concept. They must change their thinking and realize presence does not equal performance. Sometimes the people working flexible hours or who take time away from the job produce the best results and stay around the longest," she said.

Debbie Lewis, an assistant vp with Alexander & Alexander Consulting Group's Westport, Conn.-based health strategies group, said employers in the 1990s will realize that they need to be more flexible in how they schedule their employees' work responsibilities.

"These programs address the needs of all employees. They tend to be more equitable than child care or elder care," which affect a smaller population within a firm, she said.

Child care assistance programs and flexible work schedules are two programs that will be offered fairly routinely by the majority of employers sometime in the near future, predicts Andrew Cherelin, a professor of sociology at The Johns Hopkins University in Baltimore.

Mr. Cherelin is a member of a National Research Council panel that recently recommended employers be required to offer one-year unpaid leaves, with continued health care benefits and guaranteed job protection, for parents with a newborn or newly adopted child (BI, March 19). Similar legislation is pending in Congress (see story, page 6).

"Employers will soon have to" explore these benefit options "to compete in the job marketplace for good people because the guy across the street is already doing it," Mr.

Continued on page 1

Once again, Pacific Mutual Small Group leads the way in health care.



We took a long hard look at the health care industry. And decided to think small.

Small companies. They need health care just as much as the big guys. But, too often, there isn't a plan they can afford.

Introducing the PM Access Health Plan. It's an affordable, non-traditional plan offering basic coverage to companies with as little as two employees.

And only the commitment and stability of Pacific Mutual in the health care field could make a group employee benefit plan like this possible.

So show the benefits of the PM Access Health Plan to the small company. It could lead to something very big.

PACIFIC MUTUAL



PM GROUP

A Pacific Financial Company

THE POWER OF THE PACIFIC

1 800 544-3600

700 Newport Center Drive, Newport Beach, CA 92660

WAUSAU HELPS MAKE SURE GIBSON GUITARS DON'T SMOKE UNTIL THEY LEAVE THE PLANT.



Rock, jazz, blues and country musicians have used Gibson guitars to take performance to new limits. When Nashville-based Gibson looked for a property insurer to protect their facilities, they chose Wausau for our ability to perform.



"We've attained Highly Protected Risk status with the fire protection systems in our Nashville plant,"

says Gibson President David Berryman. "To help achieve low HPR rates at our



Wausau helps Gibson fine tune its fire protection.

plant under construction in Montana, too, we consult with Wausau almost on a daily basis, reviewing plans and industry standards."



A property insurer since 1935, Wausau is one of just a handful of property insurance companies with the sophisticated technical expertise to engineer, underwrite and service Highly Protected Risks.

"To minimize the risk of fire, we rely on Wausau loss control services on the front end rather than just their claim services on the tail end," adds Mr. Berryman.

Today, more companies, who are willing to work with their insurer at protecting their properties, choose Wausau. For Gibson, that's been a sound decision.

With Wausau's help, Gibson has achieved Highly Protected Risk status.



Family benefits

Continued from page 4
Cherelin said.

America needs work and family benefits because employers are "entering a period of intense labor shortage," he added.

"We need all the advantages possible to compete with other world economies. Businesses must realize that it is important to keep workers productive and happy," Mr. Cherelin said.

Yet, while employers and consultants say family management benefits definitely make a company more attractive to prospective employees, family management programs should not be put in place just as a recruiting tool, according to some employers.

Offering family management benefits is "the right thing to do," said Colgate's Ms. Boyd.

"These benefits improve morale. Employees like to know the com-

pany cares and is trying to provide solutions and choices to the problem of balancing work and family," Ms. Boyd said.

Elizabeth Hayes, a partner in the Washington, D.C., law firm of Akin, Gump, Strauss, Haner & Field, which has recently introduced an emergency child care program for employees, acknowledges that the program may help attract quality attorneys and staff, but she said the program is being offered for more important reasons.

"With all the two-career families these days, it is just too tough to balance the work and family responsibility. This is our effort to take care of those responsibilities. Nobody actually comes and goes because of this type of program, but it does give the right impression that the firm is trying," Ms. Hayes said.

Under the program, Akin Gump will arrange care for children of employees in emergency situations with the firm picking up about 75% of the

cost.

Employers should not underestimate the value of family management benefits, according to Kwasha Lipton's Mr. Hickey.

"Family management benefits could become as important as traditional benefits. It's rare when employees select a job or stay with an employer based on traditional benefits. Most employers these days provide a combination of pension benefits, savings plans and traditional health and life benefits. But work/family programs are the benefits that may differentiate employers," Mr. Hickey said.

Kodak introduced its family management program when it became aware of the "demographic changes that were taking place and would continue to take place," said Mr. Bergerson.

"We realized we needed an all-inclusive benefits program to meet the needs of current and prospective employees," he said. "We had heard

from recruiters that interviewees were cognizant of what plans were in place at what companies and we responded to that."

Mr. Bergerson said Kodak started to think about family management benefits in 1986 when it appointed a corporate task force to examine how the company could break down the barriers that were preventing women from advancing in the workplace.

To develop the program, Mr. Bergerson said, Kodak surveyed 2,000 of its employees between the ages of 21 and 55 and researched work and family programs at 33 other large companies across the country.

While large employers, like Kodak, are blazing the trail, some medium-size companies will also feel the need to create family management benefits programs for their workers, consultants point out.

"The involvement of medium-sized companies in the work and family area is just like the movement toward flexible benefits by employers in the

1980s. Flex was first done by large employers and then it trickled down to smaller and medium-sized companies," says Nancy Quigley, a consultant in the Washington, D.C., office of The Wyatt Co., who helped Crestar Financial implement its family management benefits.

While consultants and employers agree that family management will probably be one of the leading employee benefit issues in the 1990s, they add that it is not likely that work and family issues will become employers' top benefit priority. Health care cost-containment and accounting for retiree health care benefit obligations still will occupy the greatest chunk of benefit managers' time, observers say.

"The funding crunch of health care, by sheer magnitude, will be the No. 1 issue in the 1990s, but (family management benefits) will grow," said Foster Higgins' Mr. Sass. "Employers will probably bring these benefits up to the middle tier from the bottom where they were before."

"Employers will continue to look at work and family issues because they are finding themselves in a more competitive environment regarding human resources," says Wyatt's Ms. Glynn. "Work and family issues will be there through the 1990s, but we must remember that they are still cutting-edge benefits and the balance could shift" to other benefit issues. ■

Congress considers family leaves

Both houses of Congress may soon pass legislation requiring employers to provide guaranteed unpaid parental leaves to workers.

The House bill—H.R. 770, sponsored by Reps. William Clay, D-Mo., and Pat Schroeder, D-Colo.—would require companies with at least 50 employees to provide 10-week unpaid leaves of absence for employees after the birth or adoption of a child or to care for sick children or parents (*BI*, Feb. 13, 1989).

Employers would have to continue health care benefits during the leave and guarantee the employee's job.

The House bill would also make seriously ill employees eligible for 15 weeks of paid medical leave.

Meanwhile, under a similar Senate bill—S. 345, sponsored by Sen. Christopher Dodd, D-Conn., companies with more than 20 employees would be required to provide 10 weeks of unpaid parental leave and up to 13 weeks of paid medical leave.

Frank McArdle, a Hewitt Associates consultant in Washington, D.C., said the House could vote on the proposal as early as this month, despite staunch opposition from the Bush administration and small businesses.

"The bill will eventually pass because opinion polls show 80% of Americans support unpaid leave, and the majority of Americans favor paid leave," he said.

However, the proposals could be amended to reduce the mandatory parental leaves to eight weeks and limit them to parents of newborn children, he said.

John Hickey, a partner with Kwasha Lipton in Fort Lee, N.J., also believes Congress will pass mandatory leave legislation.

"Congress will pass it, but it may create chaos when the new rules are implemented and they differ from various state rules," Mr. Hickey said.

Only New Jersey, Connecticut, Maine and Wisconsin now require employers to provide leave to care for an ill relative, a newborn or an adopted child (*BI*, Jan. 1). ■

Follow The Leader.

Maybe other home care companies look at cost containment as a game of blind man's bluff, spinning you around with promises that leave you wandering aimlessly. But not Upjohn.

In one year, more than 100 national case management, rehabilitation and insurance companies have contracted with Upjohn HealthCare Services to lead the way to lowering health care expenditures through home care. Here's why:

- Upjohn's powerful network of more than 250 offices in North America.
- Upjohn's adaptability and flexible rate policy.
- Upjohn's ability to fill service requests with the appropriate health care professionals.
- Upjohn's client care management system that documents the need to increase or decrease levels of care.
- Upjohn's 20 years of experience in the home care business.
- Upjohn's quality. As a division of The Upjohn Company, we never sacrifice quality. To prove this commitment, Upjohn is the first international home care provider to seek accreditation through the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

So don't be led astray. Follow the leader. And let Upjohn put its strengths to work for you.

Call toll-free 1-800-462-9556 for more information.

Upjohn

HealthCare Services



怡和



Jardine Emmett & Chandler Inc. has
a new name and new strength.
We are now Jardine Insurance Brokers Inc.

*On track for 150 years
and still picking up speed.*



Jardine Insurance Brokers Inc.

From the editor

A word about deadlines

WHEN RUMORS started circulating last Monday involving Walbrook Insurance Co. Ltd., phones were ringing off the hook in *Business Insurance* offices from people around the world looking for more details.

We were flattered that people who generally are our sources of news would think to call us first, expressing their confidence that we would be able to set the record straight for them.

We told them what we knew: London United Investments P.L.C. announced Monday morning that it had suspended underwriting at Walbrook. Our reporters set out to determine not only what had happened over the weekend but what it would mean for insurance buyers relying on London-based Walbrook for their liability insurance (see story, page 1).

Calling before the Monday morning mail had been delivered, some readers wanted to know what we had in Monday's issue on the developments. Those inquiries made me realize that although we at *Business Insurance* know our deadline schedule better than our loved-ones' birthdays, we have never taken the opportunity to tell our readers what late-breaking developments you can expect to read about the following Monday in *Business Insurance*.

Unlike your Monday morning daily newspaper, which is printed Sunday night, *Business Insurance* is printed on Friday night so that it can be put into the mailstream on Saturday for delivery to your office on Monday. To roll off the presses on time Friday night, we must deliver our final pages to the printer in Chicago early Friday evening.

Our two-person London bureau, however, gives

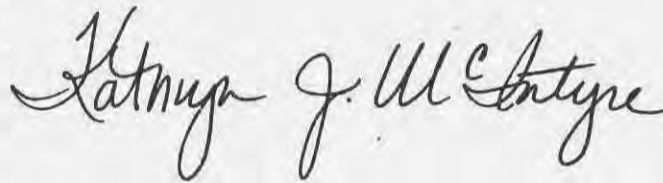
us a special edge on covering stories from Europe that break on Friday. The London market has been shut down for the week for several hours before we have to lock up our pages in Chicago for Monday's issue.

But, when a major news event occurs over a weekend, as did the LUI decision to suspend underwriting at Walbrook, we are just as frustrated not to have it in the pages of *Business Insurance* on Monday as you are not to find the news there.

Thankfully, over the years, many important stories have broken on a Thursday or early in the day on Friday—rather than over the weekend—so we can deliver the news to you in the next Monday's edition of *Business Insurance*.

While sharing with you our last-minute deadlines, it seems appropriate to point out that we also have midweek printing deadlines. All but the first four and last four pages of *Business Insurance* print on Thursday night or earlier. That is why you will sometimes see an "Update" news item reporting the latest development in a story that appears elsewhere in the same issue of *Business Insurance*.

I hope this helps explain what we do to deliver the most timely news we can each week—and why we wish news came to a halt about midday Friday Central Standard Time and resumed sometime the following week.



Letters

Allied-Signal's 'shining example' questioned

To the editor: I read with interest your March 26 editorial regarding the managed care program of Allied-Signal Inc., and it appears that you believe that Allied has found the ultimate solution to rising health care costs. Incredible!

What you describe in your article sounds like what another independent practice association arrangement typical of hundreds of others around the country. Where is the magic? Are we to believe that CIGNA Corp. has talked hundreds, if not thousands, of doctors into reducing their fees and their utilization in order to save Allied money?

You indicate that "it is clear that the program has eliminated a lot of unnecessary care." Exactly how has an IPA spread over the entire United States done that? Could it be that the "unnecessary care" has not been eliminated, but rather has stayed with the high utilizers—the 25% or so who do not use the network physicians?

It appears to me that Allied has saved money by:

- Getting CIGNA to take the risk for a period of time.
- Shifting a great deal of the cost to its employees, specifically those who do not use the network.

Allied's average length of stay and hospital days per 1,000 lives being reported in the press are, to put it kindly, unbelievable, unless of course you consider the possible favorable selection for the network (ah, yes—that sounds like the popular com-

plaint against health maintenance organizations, does it not?).

Why are the "incentives to offer necessary but cost-efficient health care" in this network good when the same incentives in other HMOs and IPAs have been called incentives to not provide the appropriate level of care to patients? Are we to believe that CIGNA and Allied have discovered a whole new strain of physician? More importantly, does CIGNA have the ultimate prospective, concurrent and retrospective utilization review system and the ability to make these physicians toe the line?

The reduction in per-capita cost for health care you report in your editorial could be attributed largely to the dramatic reduction in out-of-network benefits or in part because Allied's costs were higher than the norm to begin with. For example, Hewitt Associates reports that a 1989 survey found that the average annual per employee health cost was \$2,766, yet Allied started at \$3,200 according to your article.

I don't know the facts in the Allied situation more than anyone else. However, after serving on the board of directors of four HMO/IPAs and having negotiated contracts with physicians, I do know that one does not solve the health cost problem by getting hundreds of individual physicians to stand in line and reduce their utilization, hold the line on fees and suddenly change practice patterns so that hospitalization drops by 34%.

Every day I see IPA and other HMO-type networks increasing their premiums at rates equal to or greater than fee-for-service. If CIGNA has found the formula to have its trend less than everyone else, how about sharing it with the rest of the country? If not, there may be some interesting developments at the end of the initial CIGNA-Allied contract period.

Finally, what has been the impact of all this on the employees of Allied? Talking with some Allied employees I can tell you—they ain't happy campers. But how can that be, and who cares anyway? After all, as you put it, they participate in a plan that is a "shining example." And, of course, they have had their behavior (and their doctor) changed for them by their employer.

You criticize the employer that "shifts costs rather than manages them," yet you ignore the impact on the entire Allied benefit picture of the cost-shifting through "incentives" for employees.

If this concept is truly the answer, more power to all parties involved. I have yet to see one element of this structure that makes it so unique as to be able to sustain the results reported to date. If I am wrong, I apologize to the innovators at Allied and CIGNA. Many of us out here would like to see all the facts and figures.

Richard D. Quinn

President
Personnel Research Associates
Verona, N.J.

How will responses differ in two nightclub fires?

To the editor: The article in the Jan. 22 issue about the January fire in the "Flying Discotheque" in Zaragoza, Spain, that killed 43 people is even more topical in light of the fire in New York last week, which killed double the number of people (see story, page 1).

It will be interesting to see how the judgments of the jurisdictions involved

compare, especially as the Zaragoza property appeared to have complied with fire regulations, whereas the New York club appeared to have been lacking in this and other respects.

J.T. Burke

Vp/General Manager
BRI Management Services (Cayman) Ltd.
Grand Cayman, Cayman Islands

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Managing Editor: James M. Burke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

CHICAGO: Stacy Adler (Associate Editor)

Jeanne M. Bartels (Graphics Editor)

Karen Brown (Assistant to the Editor)

Linda J. Collins (Agent/Broker Editor)

Meg Fletcher, A.R.M. (Associate Editor)

Sara J. Harty (Editorial Assistant)

Mark A. Hofmann (Associate Editor)

Colleen Johnson (Copy Editor)

Nancy Johnson (Copy Editor)

Marilou Jones (Directory Editor)

Laura Mazzuca (Agent/Broker Topics Associate Editor)

Roger Schillerstrom (Editorial Cartoonist)

Timothy Stanton (Copy Editor)

Paul Winston (Copy Desk Chief)

Christine Woolsey (Associate Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)

Carolyn Aldred (Associate Editor)

LOS ANGELES: Joanne Wojcik (Bureau Chief)

Louise Kertesz (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Judy Greenwald (Associate Editor)

Collin Nash (Editorial Assistant)

Michael Schachner (Associate Editor)

WASHINGTON: Adrienne C. Locke (Associate Editor)

Advertising Director: Martin J. Ross (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/

Classified Sales)

Elmer Kerstowski (Production Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Kathryn Premetz (District Manager)

Cynthia Bykowski (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising

Manager)

Director of Communications: Ronnie I. Drachman

(New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 01-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

KEITH E. CRAIN

Vice chairman

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Senior Vp-operations

ROBERT C. ADAMS

Vice president-production

H.L. STEVENSON

Corporate editor

PENELOPE A. GEISMAR

Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174; Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. \$2.00 a copy. \$75 a year in U.S. Canada and all other foreign add \$32 for surface mail. Europe and Middle East only add \$88 for air delivery. First-class mail to U.S., add \$77; to Canada add \$87. Bermuda only, \$157 per year expedited delivery. WILLIAM STRONG, vp-circulation. SHEILA GORMLEY, circulation manager. LISA RIVERS, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

Member of Business Publications Audit of Circulation

BPA

ABP

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill., 60611.

Ready to say Uncle?

Frustrated by the failure to hold the line on soaring health care costs, many business leaders are calling for some type of national health plan. Who can blame them?

As it stands, we now spend *131% more* per citizen on health care than Japan. For every \$2 of operating profits, U.S. corporations pay close to \$1 for health benefits.



At the CIGNA companies, we believe a national health plan is not the answer. But we do agree a fundamental change is needed. And we've responded with Integrated Managed Care.

Unlike earlier cost-containment measures, which were effective but too narrow in focus, it targets a company's entire medical expense.

Through a long-term partnership with each of our clients and local providers of medical services, it helps to both check skyrocketing medical costs and deliver quality care. One of our clients, for example, projects a savings of \$200 million over three years.

For information write the CIGNA Companies, Dept. RC, 1600 Arch Street, Philadelphia, PA 19103. You'll find we have many interesting things to say. Uncle isn't one of them.

We get paid for results.SM **CIGNA**



If managing local affairs from afar worked, there might still be a British Empire.

King George III and a few of his royal descendants would probably agree, some things just can't be properly run from a distance.

You need to be there to understand the terrain. To hear the local concerns. And to take charge of the situation at the hint of revolt.



A lesson from history books that also applies to working with provider networks in any multi-state managed care program.

With our managed care programs, your employees get efficient delivery of health care coverage, no matter where they live. And you get the benefits of national administration from a single point.

Because once there are contracts with local doctors and hospitals, someone needs to be there to manage the networks

expertly. To understand what access means to people locally. To work face to face with providers on the quality of care. And to intervene in any problems well before your employees or key providers become disgruntled.



What's customary in New York isn't necessarily their cup of tea in Kansas City.

We know, because for the past 60 years we've had more experience managing provider networks than anyone else. Blue Cross and Blue Shield Plans are located in communities throughout the country, with experts who manage the local health care delivery system first hand.

Experience has taught us you can't build a cost-effective provider network without being selective with doctors and hospitals. So we have contracting guidelines that consider their credentials, performance, and patient access. We also consider local factors like physician practice structures, referral patterns, and the local perception of the word, "nearby."

And because we have over 15 million people who currently receive care under our national managed care programs, we have the leverage to maintain effective provider relationships. That

gives us better rates and cooperation in cost containment programs.

All of which adds up to a program that delivers more cost-effective health care through a provider network your employees can feel comfortable using. To illustrate its success, our most recent managed care survey showed 95% member satisfaction.

And while managing local provider networks is our forte, our experience in organizing these networks into programs for over 100 major national employers is unparalleled.



The last thing you need is to put down an employee revolt over a provider network that's here today but gone tomorrow. With our 60 year's experience at managing provider networks firsthand, your employees can be assured the network will be there when they need it.

So if your company has employees in more than one state, and you're looking for a specialist who can expertly manage your program across the country, just call 1-800-426-2583.

After all, if managing provider networks from a distance was such a good idea, we might all be taking high tea with crumpets in the afternoon.



**Blue Cross.
Blue Shield.**

Registered marks Blue Cross & Blue Shield Association.

Match family benefits to worker needs

By MICHAEL SCHACHNER

Developing and implementing family management benefits can be relatively easy if employers first determine which benefits would best suit workers' needs, benefits consultants say.

Consultants suggest that smaller employers arrange focus groups of 10 to 15 workers to talk about specific family benefits that they feel would help them deal with the daily pressures of work and family responsibilities.

If large employers find that arranging focus groups is unwieldy, they should survey employees about current and desired benefits, consultants say.

However, small employers also may want to conduct employee sur-

veys, consultants say.

The surveys should address whether the employer already provides adequate family management benefits, whether employees' work schedules allow employees ample time to tend to family matters and whether employees believe that management's attitude is supportive of family needs.

Benefit managers also should survey their company's managers about their thoughts on work and family benefits.

"Employers need to know how division managers feel about the work and family needs of their workers," said Carol Moenning, a benefit consultant with Hewitt Associates in Lincolnshire, Ill.

Managers' "needs might be different" from employees' needs, Ms.

Moenning said.

"Line managers worry about getting the job done while at the same time being flexible," pointed out Lee Boyd, manager of corporate/employee relations at New York-based Colgate-Palmolive Co.

Benefit managers also should investigate what benefits other employers are offering, then survey workers about the benefits the company is considering, said John Hickey, a partner with Kwasha Lipton in Fort Lee, N.J.

Employers also have to analyze what they want to accomplish by instituting the new benefits, consultants pointed out.

"You need to know what exactly you want the programs to do," Ms. Moenning said.

"Do you want them to meet the

needs of the employees or change the corporation's attitude and history?" she asked.

Mr. Hickey agreed: "You have to analyze the corporate work environment and then implement the right programs based on this."

When a firm has decided what benefits would be most appropriate, it must be sure that the cost of incorporating benefits does not exceed the potential advantages to the company, according to Ms. Moenning.

After a company's employee benefits department has conducted all of its surveys, performed its feasibility studies and determined which benefits could help their employees balance their work and family responsibilities better, benefit managers next must elicit upper management's support, consultants emphasized.

Without upper management's earnest support, the new programs will not work in the long run, Ms. Moenning asserted.

She explained that in that scenario, upper management's attitude will filter down to lower management, who will discourage employees from utilizing their family benefits.

The best way to encourage middle and low-level management to accept family benefits is through education, according to Kathryn Wall, a consultant in the Parsippany, N.J., office of employee benefits consultant A. Foster Higgins & Co. Inc.

"Lower management has to be sold on the fact that people have other responsibilities besides work," said Ms. Wall. For example, managers must "know that people will always have to leave work temporarily," she said.

And, once benefits are implemented, a thorough communications campaign is essential on what is available and why.

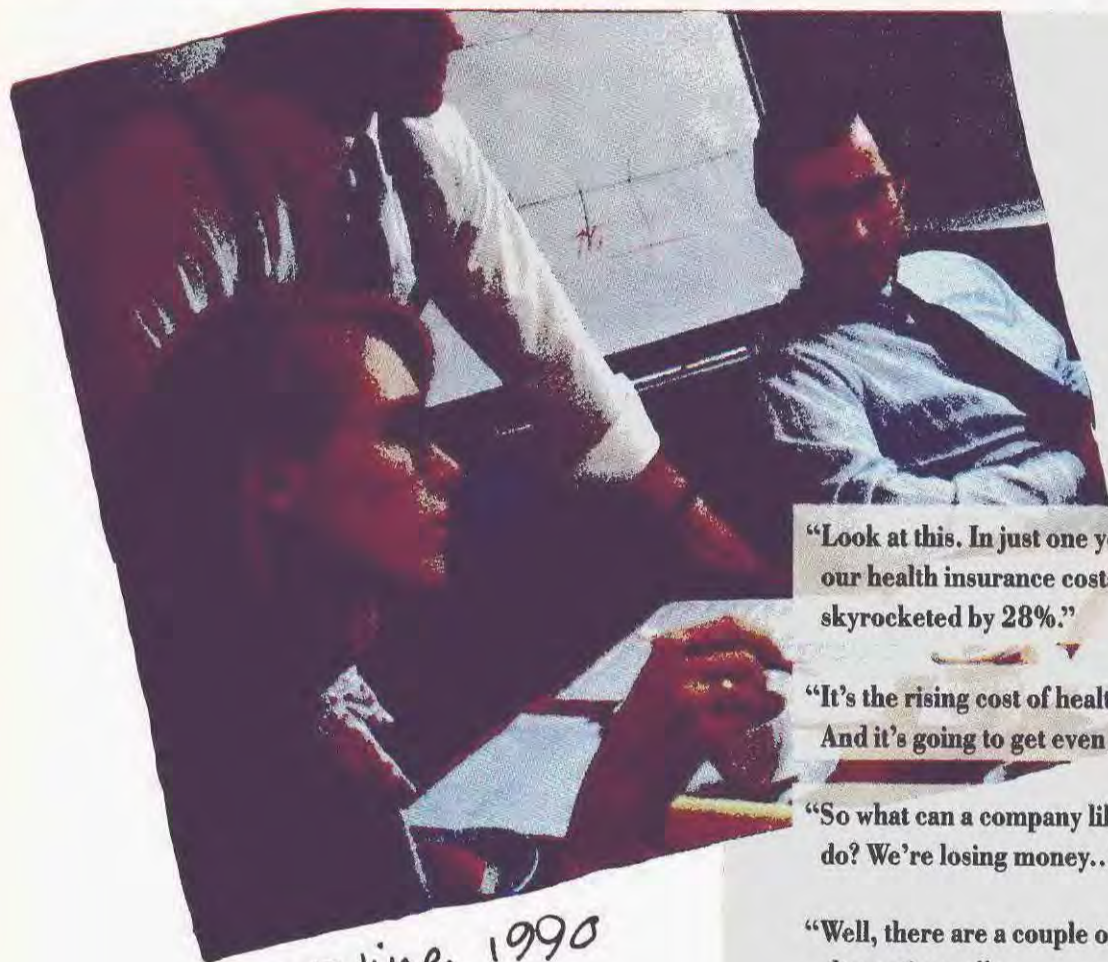
"The world's greatest programs aren't worth anything if employees don't know about them," Ms. Moenning observed.

However, communication should not be a one-shot effort, according to Ms. Wall.

"Communication must be on-going, because people tend to know only about the benefits they need at a particular time. Constant communication acts as a reminder, which people need from time to time. Communication also helps reinforce the fact that the employer is being responsive to employees' needs," Ms. Wall said.

But, most employers have not developed a means to measure the success of newly created family benefits, Ms. Wall pointed out.

"The concepts are so new that I don't think anyone has determined how to measure the value of work and family benefits other than to sit back and see if they improve productivity and reduce absenteeism," Ms. Wall said. ■



"Look at this. In just one year our health insurance costs skyrocketed by 28%."

"It's the rising cost of health care. And it's going to get even worse."

"So what can a company like ours do? We're losing money..."

"Well, there are a couple of alternatives..."

Dateline 1990

Finally there's a health benefits plan designed to give companies and employees a healthy break. **Healthy Choice**, from State Mutual.

Consider this: State Mutual has carefully selected qualified doctors and hospitals to create a nationwide preferred provider network and has made it available to employer groups of 10 or more.

Under the plan, employees in most major cities have the option of choosing a preferred provider and maximizing the benefits available to them. Or, if employees prefer, they can visit a physician who is not in the network and still receive benefits for covered services. It's all designed to provide cost savings plus quality coverage.

Healthy Choice is flexible, too, with a wide selection of managed health care plans, each with utilization review and a variety of deductible and coinsurance options.

Healthy Choice also offers employers complete communications programs, so that benefits and health care options are clearly explained to employees.

Find out more about the benefits of **Healthy Choice**. Call **1-800-437-5200**, Operator 500.

State Mutual COMPANIES

State Mutual Life Assurance Company of America
440 Lincoln Street, Worcester, MA 01605

Clear Answers for Complex Times.

From The Reprint Department Of:

Business Insurance

Reporting weekly for
corporate risk, employee benefit
and financial executives

Reprints/Permission

If you want copies of articles appearing in *BI* to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the *BI* Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in *BI* and would like a photocopy — send your request along with \$3.00 per copy / per article and a self-addressed envelope to the *BI* Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.



There's no limit to the promises dental insurers can make. Only to those they can keep.

At Delta Dental we keep our promises. Unlike many of our competitors, we focus on true cost management, rather than simply shifting the cost to your employees. Though we never promised the moon, last year alone we delivered savings of over \$100 million to our groups and subscribers. □ How? Through safeguards which include fee reviews, dental office audits, dentist-consultant reviews, and post-treatment reviews, the Delta Dental Cost Management Program offers controls in a way other insurers can't begin to match. □ But Delta's cost management is only one facet of a unique three-point system that also includes plan design flexibility and 106,000 dentists in the nation's largest participating network. □ It's a program only Delta Dental offers. That's why we now cover more than 20 million people in 23,000 groups and pay more than \$2 billion a year for dental care. To learn more about how your group can benefit from Delta Dental, call 1-800-441-3434 today.

 **Delta Dental**
America's Leader In Dental Health Plans.

Colgate wants to be 'family friendly'

Firm offers emergency child care, mortgage assistance

By MICHAEL SCHACHNER

NEW YORK—Colgate-Palmolive Co. employees in the New York City area can get professional emergency child care at their homes under a pilot program put together by six New York companies.

The emergency child care assistance program is just one of the family management benefits Colgate has adopted over the past two years to help employees balance work and family responsibilities.

The company has also set up a mortgage assistance program, an employee assistance program and a program allowing unpaid leaves for up to three months to care for children or family members. Leaves include continued benefits and job protection guarantees.

Family management benefits were instituted after a company survey of 2,000 New York-based employees in 1988, which was designed to find out how they could better balance work and family problems.

Lee Boyd, Colgate's manager of corporate/employee relations, said approximately 1,200 employees re-

sponded to the survey, which posed questions such as: "How much does day care cost?" "How often does your child care provider fail to meet responsibilities?" And, "How many days of work per year do you miss to care for children and older relatives?"

"We did the survey because we knew (work and family benefits) were becoming an issue, and basically because it was the right thing to do," Ms. Boyd explained.

"These programs are designed to improve morale," she said. "It's also a good recruiting tool. The workforce today is looking for companies that are 'family friendly.'"

'These programs are designed to improve morale,' Ms. Boyd says. 'It's also a good recruiting tool.'

One eye-catcher among the array of family management benefits is the emergency child care program, which provides home day care when, for example, a child suddenly takes ill or when a scheduled day care provider is not able to perform regular duties.

That program began last fall when two local child care providers contracted with a consortium of Colgate and five other companies: Consolidated Edison Co. of New York Inc.; Time-Warner Inc.; the accounting firm Ernst & Young; National Westminster Bank USA; and the law firm Skadden, Arps, Slate, Meagher & Flom.

Emergency child care is available from four to 10 hours a day for up to three consecutive days per employee.

The program is designed to provide at-home care for a mildly ill or convalescent child; or when a regular care provider is ill; or when the employee has an unexpected work change.

Ms. Boyd says Colgate pays the entire cost of the program, which runs about \$11 per hour. Some other consortium members require employees to pick up a portion of the daily fees, she noted.

She said about six employees have used the program so far.

"That's not a lot of people, but it's such a unique program that we feel it is important," she said.

Utilization rates have been low, Ms. Boyd said, because "employees are very leery of leaving their children with someone they don't know. That's most mothers' main concern with the program."

Colgate also initiated unpaid leaves of absence of up to three months for men or women caring for a newborn or adopted child or a sick family member.

Health benefits are continued and employees are guaranteed the same or a similar job on their return, Ms. Boyd said. She added that employees can take the leave on top of paid disability leave.

One benefit missing from Colgate's program is on-site child care. Ms. Boyd said she looked into creating an on-site facility in New York, but "employees said they didn't want to haul their kids each day on the subway or bus to 300

Park Ave. We had a feeling it wouldn't be well-accepted and it wasn't.

"On-site day care centers are not a solution to everything, even though they are perceived by many to be. They only help a small population at a company—those with small children," Ms. Boyd said.

She added that Colgate also studied the feasibility of an on-site day care center at its Piscataway, N.J., research facility, but found insufficient commitment to justify the investment.

Amidst all the changes, Colgate has not yet calculated the cost of the programs, said Ms. Boyd.

"We aren't overly concerned with cost-effectiveness because we would have made these changes anyway. So, we aren't going through a heavy-duty cost justification phase," she said.

Some other family management benefits may be forthcoming, she said. Colgate is currently analyzing flexible work schedules. However, she said that permitting employees to work non-traditional hours could be a struggle.

"(Flexible hours) is a real culture change, especially for line managers worried about how to get the job done and at the same time be flexible," said Ms. Boyd. ■



Crestar expands family care benefits

By MICHAEL SCHACHNER

RICHMOND, Va.—Chairman Richard Tilgham's proclamation last October that Crestar Financial Corp. was embarking on a commitment to be sensitive to employees' work and family concerns could have been dismissed as more empty corporate rhetoric.

However, the Richmond, Va.-based banking company has made good on several promises to help workers with family problems and vows to create several more "family management" benefit programs, says Employee Benefits Manager Beryl Ball.

Ms. Ball said Crestar, which operates 240 branches in Virginia, Maryland and Washington, D.C., developed a "generic" strategy

called "Directions" last August after surveying 1,000 of its 6,400 employees to determine how workers felt about their current benefits and what new benefits they considered important.

"Nearly 90% responded, which immediately let us know that they had a lot of interest in telling us how they felt," Ms. Ball commented.

"We asked many questions about their responsibility for family members. Through this survey we found out that they wanted flexible benefits, child-care programs, long-term care insurance and company support for child and elder care," Ms. Ball said.

According to the survey:

- Half the employees said they are responsible for children or el-

derly dependents and that 74% believe they will have such responsibilities within five years.

- Some 42% of the employees said that within the last six months

More family management benefits are on the horizon at Crestar Financial Corp., Ms. Ball says.

they have had to arrive at work late or leave work early to care for a child or elderly dependent.

- A third of the employees reported that they have had to miss

one or more days in the last six months to care for a child or elderly dependent.

To help employees balance work and family needs, Crestar expanded its employee assistance program to include multiple sessions with a professional family counselor.

Crestar's EAP had been simply an assessment and referral program. Employees visited an analyst up to three times and were then referred to treatment centers, she said.

With services provided by St. Louis-based Personal Performance Consultants Inc., the expanded program deals mostly with personal problems—"Parenting, marital stress and financial trouble are all covered"—rather than alcohol

and substance abuse, said Ms. Ball.

Crestar will pay for up to eight employee counseling sessions, she added.

She said the company also implemented a "single-plus-one" plan that allows employees with a spouse or only one dependent to pay lower contributions to the bank's self-insured medical program than employees with larger families.

Under the new plan, employees continue to pay about 30% of the cost of the program through monthly contributions. Employees with only one additional person covered, however, are no longer subject to family premiums based on about 3.5 covered lives, Ms. Ball said.

"We knew before that some employees only had two people covered under the plan, but there was no price that addressed that," Ms. Ball said.

The plan affects approximately 20% of the 4,500 Crestar employees who are in the company's self-insured health care plan and "should provide about 15% to 20% savings over what they paid before," she said.

Because the changes are new, Ms. Ball said, Crestar has not yet been able to measure the success of the programs, but she said she is sure that they will produce positive results.

Ms. Ball said the new focus has not been overwhelmingly expensive. About \$5,000 has been spent on an in-house video on the new programs, to conduct open enrollment for the new health plan and for consulting fees, she said.

While the new benefits are a step forward, the banking firm already had offered some benefits that helped employees care for their families, including pretax health care spending accounts and a child-care resource and referral service.

But based on the employee survey, "we still felt our employees wanted more. In banking, we are labor-intensive and the payoff from these programs comes from recruiting and retaining quality people," Ms. Ball said.

Crestar also hopes to realize bottom line benefits, reduced turnover and absenteeism and increased productivity, Ms. Ball commented.

Now, more family management benefits are on the horizon at Crestar, Ms. Ball said.

Flexible working hours may be next for employees. In a pilot program, six employees work 30 hours per week at the bank and 10 more hours at home with computers linked to the bank's system, she said. "It's going very well so far. We may be expanding it."

The bank is completing a feasibility study on a flexible benefits plan and drawing up blueprints to incorporate unpaid leaves of absence for parents with new children, she pointed out.

"Currently, we have no leaves for family-oriented matters. What we have is short-term medical leave for pregnancy, which would be no different than an employee breaking a leg," Ms. Ball explained. Leave time is "based on service."

The company is praised as a "groundbreaker" by Nancy Quigley, a Wyatt Co. consultant in Washington, D.C., who has worked on the Crestar programs.

"The involvement of medium-sized companies in the work and family area is just like the movement toward flexible benefits by employers in the 1980s. Flex was first done by large employers and then it trickled down to smaller and medium-sized companies," Ms. Quigley said. ■

THE MOST EXPENSIVE GOWNS AREN'T FROM CALVIN KLEIN, BILL BLASS, OR YVES ST. LAURENT.

Do you believe this?

Last year, the average cost of a designer gown was about \$3,000. But the average cost of a hospital gown and stay was about \$4,800*.

And you thought high fashion was expensive.

Hospitals and doctors aren't solely responsible for driving health care costs up. Utilization, new technology and catastrophic claims all contribute to the rising cost of employee health benefits. Which, incidentally, are expected to increase this year an average of 16.5%.**

Is there any way to control these ever-rising costs?

At NWNL Group, our experience shows us the answer is yes. But the solution is not to give you a low rate just to get your business, and a big increase a year later to

make up for it. Instead, we ask you to make some tough but fair choices about your benefits program.

We'll help you identify what those choices are and we'll show you how they could affect your plan. For example, our catastrophic case management program could save you thousands of dollars.

Our special booklet—*Case Management: What Works, What Doesn't*—will tell you more about this approach to cost control. For a copy, call or write Rick Naymark, NWNL Group, Box 20, Minneapolis, MN 55440, (612) 342-7137.

Considering what your costs are, you can't afford any gaps in your coverage.

 **NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY**

*Based on NWNL national study in 1989. **A. Foster Higgins & Co. NWNL Group is a division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the state of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of The NWNL Companies, Inc.).

Savings plan distributions spent, not saved

By ADRIENNE C. LOCKE

Most defined contribution pension plan participants who leave their jobs do not roll over their plan distributions into a tax-favored retirement savings plan.

And, despite the need for individual savings to bolster retirement income, few employers attempt to persuade employees switching jobs to place their defined contribution plan distributions into another type of qualified

retirement savings plan, consultants and employers say.

Plan participants generally use distributions from 401(k), employee stock ownership and other savings plans to make major purchases—a house or car—or to pay off debts, despite the disadvantageous tax bite, according to sources.

Older plan participants, though, are more likely to roll over their defined contribution plan distributions into another retirement plan.

Some companies will not counsel participants on how they should manage their defined contribution plan distributions because the employers are reluctant to invest the time and money to counsel employees leaving the company, said Doug Edwards, a consultant at A. Foster Higgins & Co. Inc. in New York.

And, some employers do not want to get trapped into advising former employees for fear of opening themselves up to possible lia-

bility, pointed out Tim Hankins, a Wyatt Co. consultant in Los Angeles.

In addition, employers discourage eligible plan participants who are changing jobs from leaving their funds in their former employers' defined contribution plans by eliminating loan privileges and offering less attractive investment options.

Experts say that while additional penalties for using defined contribution plan distributions be-

fore retirement and greater restrictions on participants' access to their funds could encourage more participants to roll over their distributions to retirement savings plans when they leave their jobs, such rules would discourage participation in these plans.

In general, when a participant in a defined contribution plan leaves a job, the employer distributes the participant's fund accumulated through employee and employer contributions in a lump sum.

The participant has 60 days to roll over the funds into another defined contribution plan, an individual retirement account or another qualified retirement savings vehicle.

If the funds are rolled over, taxes on the distribution are deferred. And if the funds are not touched until the participant is at least age 59½, he can use five-year forward averaging when funds are withdrawn.

However, for participants who do not roll over the distribution to a qualified retirement savings plan, the distribution is added to regular taxable income, which can put the employee in a higher tax bracket. In addition, the distribution is subject to a 10% excise tax.

Still, most plan participants do not roll over their distributions.

Lower-paid and younger workers often use the money to pay bills or as a down payment on a house or a car, Foster Higgins' Mr. Edwards said.

Younger participants also often use it to pay for a child's education, Wyatt's Mr. Hankins said.

"What they can purchase with their own money today far outweighs their needs for retirement," said Frank Roque, a Hewitt Associates consultant in Lincolnshire, Ill.

Those participants may also find it difficult to perceive the need for retirement savings, Mr. Edwards said.

And many employees who spend their defined contribution plan distributions believe they can replace those funds with other retirement savings at a later date, Mr. Hankins pointed out.

Overall, only 11% of plan participants have rolled over pre-retirement defined contribution plan distributions into a qualified retirement savings plan, according to an analysis of U.S. census information from 1988 by the Washington, D.C.-based Employee Benefit Research Institute.

EBRI's analysis, released in January, is based on the responses of 8.48 million defined contribution plan participants who received more than \$48.1 billion in lump sum distributions during their lifetime.

EBRI also found that:

- 34% of respondents spent the money on such items as a car, a family member's education or expenses incurred while unemployed.
- 48% of respondents put their money in some type of non-retirement savings account, invested it, or paid off a mortgage, loans or other debts.
- 5% of respondents invested some of the money in a savings vehicle and spent the remainder.
- 2% of respondents were not sure how they used their plan distributions.

EBRI also found that older workers were more likely roll over their plan distributions than younger workers.

For example, of the defined contribution plan participants age 16 to 24 who left their jobs, only 4% rolled over their plan distributions into a retirement vehicle. Forty-five percent deposited their dis-

Continued on page 18



In employee benefits administration, one company has a different school of thought.

At AT&T American Transtech, our experience in employee benefits administration runs deep. And we know what companies need most are innovative solutions.

That's why we developed our "benefits engineering" process. By carefully analyzing your benefit program up front, we can match our services to your needs. Which

makes administration easier than ever before. Not to mention more economical.

For instance, our 800 service allows employees to make plan transactions and inquiries in just seconds. Since data is processed on-line, the potential for errors is reduced and the need for forms is virtually eliminated. And our

telephone voice-response technology lets your employees receive information without operator assistance, at any time of the day or night.

For full details on our wide variety of benefit administration services, call 1-800-344-8327.

When it comes to tailoring a program for your company, we're oceans apart from the competition.



PARAGON



GROUP VARIABLE UNIVERSAL LIFE

**AN OPEN LETTER TO AMERICA'S
EMPLOYEE BENEFIT MANAGERS:**

Let your people grow, financially

Now, for the first time in the history of American business, your employees have an opportunity to own a high-value protection investment that delivers tax-deferred earnings, group economies of scale...and is fully employee paid via payroll deduction. It is Paragon's remarkable new Group Variable Universal Life (GVUL). Designed with the cooperation of a major investment brokerage firm, it provides quality life insurance protection plus exceptional long-term asset development...and it is 100% employee owned.

WHEN OUR NEW GVUL was offered to investment broker employees, surely the toughest prospects for any group insurance/investment package, they bought in record amounts.

The average annual premium was a whopping \$1,500—more than triple the industry average (\$463) for employee-sponsored salary deduction policies, according to the most recent (1988) Buyers Study conducted by the Life Insurance Marketing and Research Association (LIMRA). Average coverage per life was \$117,000, over twice the industry average (\$47,640) listed in the LIMRA study.

The extraordinary appeal of GVUL is that it combines low-cost group life insurance with six historically strong mutual fund options, which are available at the lower administrative fees usually reserved for the largest institutional investors.

MORE MONEY IN, MORE MONEY OUT

Investment returns are maximized because a substantially larger portion of each

premium dollar goes into the tax-deferred cash fund investment. Group costs for distribution, administration and insurance rates are kept exceptionally low. And the savings are poured into mutual funds which, in turn, are invested at the direction of the employee.

All fund options are part of the prestigious American Funds Group managed by the Capital Research and Management Company, with over \$20 billion under management world-wide.

TWO PLANS IN ONE

Group VUL and its companion, Group Universal Life (GUL), which offers one of the industry's highest guaranteed interest rates, are part of the same employer-sponsored payroll deduction program. Together, they satisfy the protection-savings-investment goals of most employees.

In the end, the appeal of GVUL and GUL could be that there are no limits when or how you can withdraw funds for personal use. The money is there for any purpose: college, a second home, new car, retirement,

a world cruise—without any IRS penalties or restrictions.

GET THE PARAGON ADVANTAGE

For high-value employee benefit options that leverage group buying power, let us send you a brochure on the amazing new Group Variable Universal Life...or facts about our complete line of employer-sponsored life insurance products. Call Jim Murphy, Vice President, Sales, at 1-800-727-0124, or write him at Paragon Life Insurance Company, Dept. BI, 101 South Hanley, St. Louis, MO 63105.



PARAGON

LIFE INSURANCE COMPANY

A Subsidiary of General American Life Insurance Company

Distributions

Continued from page 16

tributions into some type of non-retirement savings account, invested it, or paid off loans, debts, or mortgages; 47% purchased big-ticket items or paid expenses incurred while unemployed; and 2% invested some of the money and spent the remainder.

The remaining 2% of respondents were not sure how distributions were spent.

By contrast, 28% of plan participants age 55 and older rolled over their lump-sum distributions into a retirement vehicle; 42% deposited the money in a non-retirement savings account, invested it, or paid off loans, debts or mortgages; 23% purchased big-ticket items or paid expenses incurred while unemployed; and 6% invested some of the funds and spent the remainder.

One percent were not sure what they did with their distributions.

Experts underscore the importance of adding individual retirement savings to employer-provided pension benefits and Social Security benefits.

But most employers offer little guidance to defined contribution plan participants who are leaving their jobs other than providing information about what the employee can do with the distribution as required by the Retirement Equity Act of 1984, said Hewitt's Mr. Roque.

"The employer is passing on the responsibility to the employee to make the decision on how he or she wants to use the money," he said.

"We're not going to tell people what to do with their money, because we feel former employees are intelligent enough to make their own informed decisions," said Desmond Cahill, 401(k) supervisor at Apple Computer Inc. of Cupertino, Calif.

Mr. Cahill said Apple established its 401(k) plan as a retirement vehicle and hopes "people are using it for that purpose." But, it is up to the plan participant to decide whether to use it for that purpose.

"We don't try to counsel" former employees to save their lump sum distributions for retirement when they terminate employment, said Nikey Morey, 401(k) plan manager at Rochester, N.Y.-based Bausch & Lomb Inc.

Most employers' defined contribution plans accept rollovers from other qualified defined contribution plans and can manage the transfer without much administrative difficulty, said Harry Gross, a partner in New York with For: Lee, N.J.-based Kwasha Lipton.

Dave Greenberg, supervisor of defined contribution plans at Colgate-Palmolive Co. in New York, said cash rollovers are not difficult, but handling rollovers that include stock from an employee stock ownership plan can be an administrative nightmare.

Colgate, in fact, does not accept rollovers that include stock, so the plan participant first must sell the stock, which could hold up the rollover beyond the 60-day deadline.

Plan participants also can leave their funds with their former employers' plans, but many employers discourage former employees from doing this, according to some consultants.

Plan participants who have accumulated \$3,500 or more can elect to keep funds in their former employer's defined contribution plan.

Plan participants who want to save their funds for retirement could choose this option if their former employer's plan offers more favorable investment choices than those offered by rolling over the funds into their new employer's plan, Mr. Gross explained.

But most employers do not want plan participants who are leaving the company to leave their account

balances behind, because keeping track of former employees is next to impossible as well as costly, Wyatt's Mr. Hankins said.

While employers cannot prohibit eligible former plan participants from leaving their funds in their former employers' plans, employers can create many disincentives for doing so.

For example, most companies cancel the loan privileges of plan participants who leave their jobs but keep their plan funds with the company, consultants say.

At Bausch & Lomb, a former employee leaving plan funds with the company will not lose the right to choose an investment option but

will lose loan privileges, Ms. Morey said.

Many companies also offer less attractive investment options to former employees.

For example, while federal regulations governing the administration of 401(k) plans prohibit an employer from handling a former employee's funds to his or her detriment—such as placing the funds in a non-interest-bearing account—the employer can limit its time and expense in handling such funds, Mr. Gross said.

In many instances, the funds of former employees are placed in easily managed money market or fixed-interest accounts, which ty-

pically earn lower rates than other investment options available to active employees, he said.

In addition, some employers, such as The Dow Chemical Co. of Midland, Mich., dictate that a former employee who does not remove his or her funds from a Dow defined contribution plan within a year can only withdraw the funds at age 65.

"This is one of the reasons why the majority of employees move their money," said Larry Bollinger, the company's U.S. director of benefits.

Restricting access to funds would especially discourage participation among lower-paid work-

ers, who would be uncomfortable about having limited access to their own contributions, said Gordon Yee, 401(k) plan administrator at Beatrice/Hunt-Wesson Inc. in Fullerton, Calif.

"The more restrictions in place on the plan, the harder it will be to get the lower-paid worker to contribute," agreed Mr. Greenberg of Colgate-Palmolive.

Because some employees view these contributory defined contribution plans as a long-term savings vehicle and not as a retirement plan, no one will want to participate if access to funds becomes too difficult, said Wyatt's Mr. Hankins. ■

THE H O M



OLD PROS ON

EBIS capabilities to increase in '90s

By CHRISTINE WOOLSEY

Leading employee benefit information systems vendors say the "user-friendly" hardware and software in the 1990s not only will make benefit administration more accurate and efficient, but will be designed so users will never outgrow their EBIS.

Among the electronic wonders benefit managers can expect from vendors:

- Systems that unleash the power of a mainframe computer at the

desktop personal computer level.

- Relational data bases that will allow benefit plan administrators to examine employee information that previously was stored in different systems. For example, health insurance and workers compensation records could be called up in the same data base.

- Image processing and optical scanning devices that will record claims data electronically without manual input.

Independent EBIS vendors are

seizing upon a business strategy developed by International Business Machines Corp. in Armonk, N.Y.

The strategy, called Systems Application Architecture or SAA, will result in increasing standardization among different benefits administration systems, said Bruce Kaurene, senior director of technical research in the health systems management division of Erisco Inc. in New York.

Though the changes will be virtually transparent to users, Erisco, a subsidiary of Dun & Bradstreet

Corp. in New York, "will be spending thousands of hours and dollars moving toward IBM's new strategic position," Mr. Kaurene said.

"We're now building applications that are standard across the world," he said. As a result, EBIS users will have access to and control over information in data bases that were previously only accessible by compatible computer systems.

Most EBIS vendors initially designed proprietary software that could be used only with specific

hardware, but "with SAA, IBM is forcing (vendors) to" develop similar systems and common applications, he said.

"Users will benefit from this since one all-encompassing software package will be the culmination of not just one software company, but the expertise of many," said John Bonk, director of research and development at California Interactive Computing Inc. in Northridge, Calif.

In addition, as the decade progresses, benefits personnel will have to know less and less about the technical aspects of an EBIS, experts say.

Because more packages incorporate English language programming and because many applications will become universal, users won't have to become acquainted with the intricacies of different vendors' software.

And EBIS software will be able to "move between different size hardware and/or vendors, which means the user won't outgrow his software," Mr. Bonk predicts.

One key reason for the progress is new operating systems that make the power of a mainframe available at the desktop PC level, vendors say.

"Systems that have traditionally been mainframe-based and proprietary to a particular vendor, especially in the insurance industry, will begin to adopt (universal) operating applications, Mr. Bonk said.

"PCs now have the power to do virtually any process," he continued. "The mainframe and minicomputers are becoming the main data base storage area and the PCs are becoming user work stations."

Some vendors are already using the new hardware.

SW Systems Inc. of Goleta, Calif., began using a "a true desktop mainframe" last year, said President William Whitmore. "The mainframe coexists with a PC operating system. So users can run PC programs that weren't compatible with mainframe systems," such as Lotus 1-2-3 and PC-based word processing programs.

"At any given time (the system) can operate as a mainframe or a PC," he said. It can be "booted up" like a PC, "but can be switched to operate as a mainframe processor."

With these more powerful systems, "virtually every data manipulation and reporting task can be designed and performed by the user, rather than relying on the data processing department" or an outside expert, Mr. Bonk pointed out.

Moreover, the new systems are given tasks that previously required two or more systems or programs—for example, one program to access data and another to generate a report. Users now can simply move from screen to screen when switching between programs.

This "cooperative functionality" allows an EBIS user to call up data from a mainframe source and generate a report using the system's PC capabilities at the same time, explained Karen Sammond, product manager at San Francisco-based Tesseract Corp., a Prudential Insurance Co. of America subsidiary.

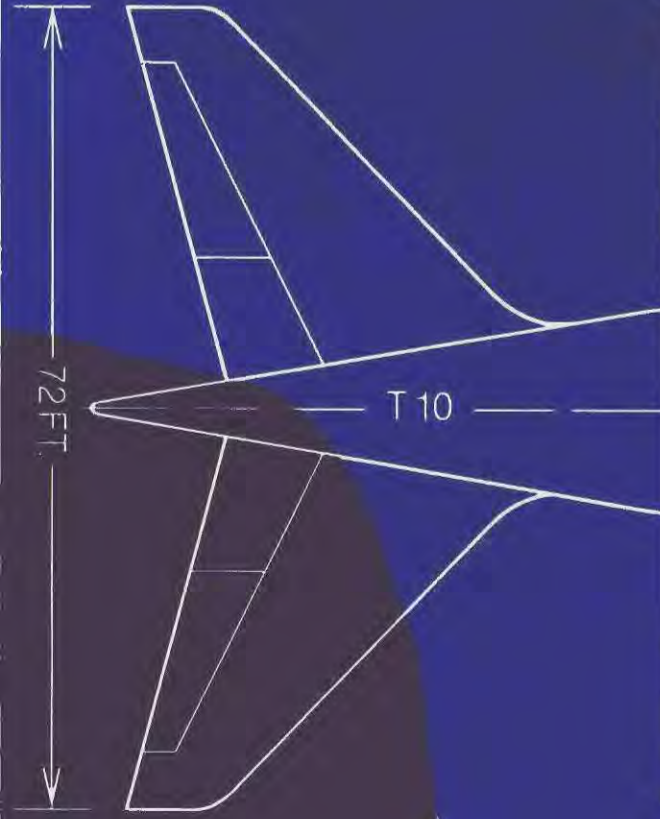
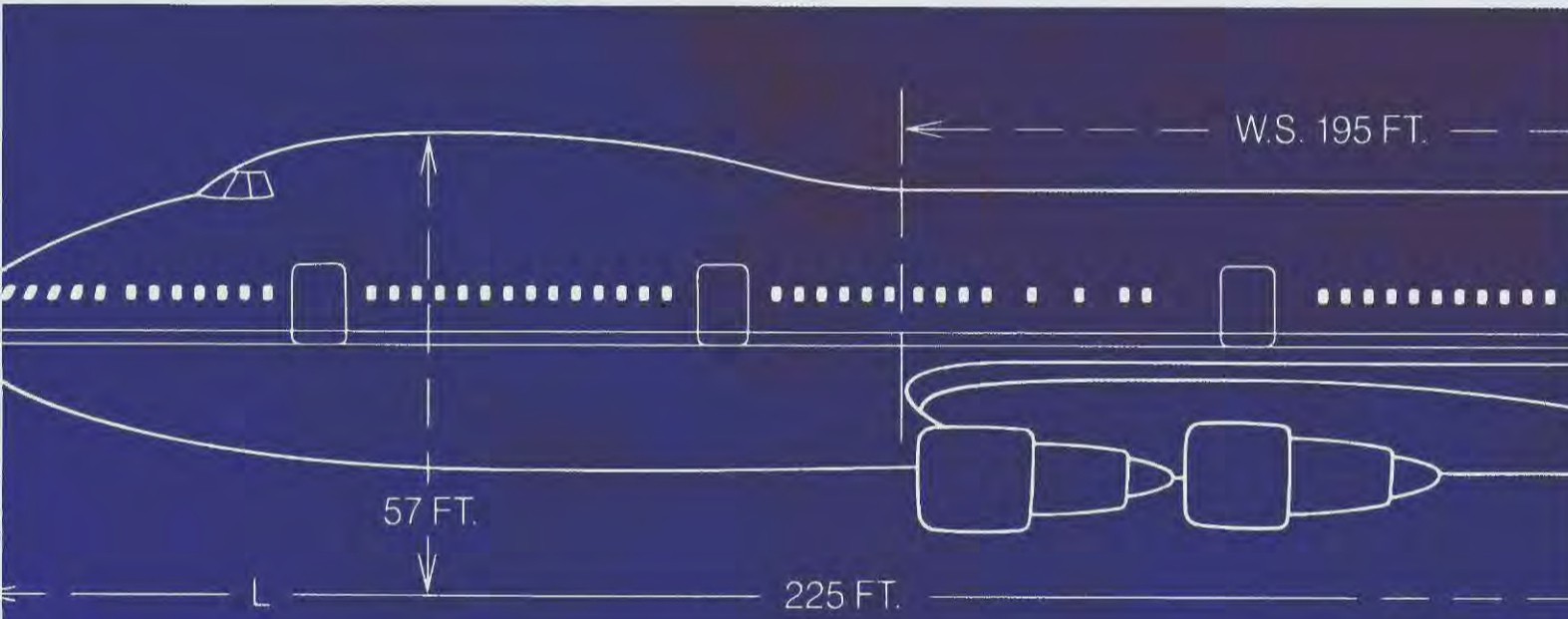
For example, a benefits director could alert supervisors of employees who may need pension or retirement counseling by generating monthly reports on all employees near age 65. A system would access data from a mainframe, generate the report and electronically distribute it to supervisors, she said.

"The whole concept of interactivity between" PCs and the mainframe host system is really taking off, she said. "The whole intent is to move (processing) to the end-user environment. It will become a self-sufficient environment and that's important, especially in the world of benefits that's so fast-paced."

Erisco's Mr. Kaurene pointed out that "administrators will have more

Continued on next page

E T O D A Y



A man with jumbo clients.

When your clients include the world's largest airframe manufacturer, you *better* know about planes. And Jaime Mendez does.

Before joining The Home, and entering the insurance business a dozen years ago, Jaime was in the Air Force.

Today, he's Assistant Vice President of the Major Accounts Property Unit in our San Francisco office.

And when he isn't underwriting jumbo jets, he's underwriting jumbo banks, high-tech firms and hotels. All, Fortune 1000 companies.

These days, The Home is concentrating on *larger, more complex risks* like these. And to do so, we're building a whole new Home around people like Jaime.

Talented, experienced people, who know their business from the ground up.

The Home underwrites Commercial Lines, Major Accounts, Specialty Lines and upscale Personal Lines.

Home Insurance
A subsidiary of **AMBASE CORPORATION**

A N E W T E A M

Health claims systems popular with benefit managers

System Vendor	Number sold directly to employers	Year first installed at employer	Types of claims administered
Benefit Plan Administration System Tesseract Corp.	90	1982	Health, dental, vision, drug
ClaimFacts Erisco Inc.	59	1980	Health, dental, vision, drug, LTD, STD
FACTS FACTS Services Inc.	40	1982	Health, dental, vision, LTD, STD
QicClaim Resource Information Management Systems Inc.	31	1988	Health, dental, vision, drug, LTD, STD
ClaimsWork SW Systems Inc.	25	1979	Health, dental, vision, drug
ASA/CAS II Claims Admin. System Advanced System Applications	24	1982	Health, dental, vision, drug, LTD, STD
FASTRAK Computations Inc.	22	1981	Health, dental, vision, drug, LTD, STD, Life
GenMed California Interactive Computing, Inc.	14	1979	Health, dental, vision, drug

Source: BI survey of vendors

BI/John Smither

EBIS advances

Continued from previous page
information at their fingertips and can do their jobs easier, faster and better."

New EBISs also will allow benefit managers and claims administrators access to previously off-limits data bases, vendors say.

A "clearinghouse" of employee information from multiple sources could reside in one department, explained CIC's Mr. Bonk. An EBIS user generating a report on an employee's health insurance and workers comp claims will be able to access information from both areas.

"As competition among third-party administrators increases, more people will want integrated systems," said Robert S. Graham Jr., president of FACTS Services Inc., a vendor in Coral Gables, Fla.

"One set of employee data will be easier to work with," he said. Claims systems will soon expand "enough to

cover the full spectrum of employee benefits," he said.

Vendors say clients are no longer satisfied with systems that merely process claims.

"Claims administration is not a simple procedure anymore because you've got all the PPOs and managed care," pointed out Ellen Lockwald, manager of market development at Resource Information Management Systems Inc. in Naperville, Ill., noting that employers increasingly are looking for data analysis capabilities.

Some vendors say that automation advances eventually will allow patients, providers and payers to share information electronically.

"Data bases will become relational," catering to "patients, providers and administrators—all of whom demand information in today's managed health care environment," said James Donnelly, senior director at Erisco in New York.

"Having a well-established network of data will mean you have to share information with people around the country," he said. However, "to be successful, we really need standardization" of computer codes and claims information.

Mr. Bonk said EBIS vendors in the 1990s "will develop alliances with other vendors that specialize in highly vertical markets and will provide joint marketing efforts."

In fact, CIC already is developing software that will transfer data to systems run by Coopers & Lybrand-Actuarial, Benefits & Compensation Group, which markets its own EBIS products. Thus, a user will be able to tap the features of both vendors' systems using the same data.

And Computations Inc., a vendor in Marietta, Ga., markets a product that can hook into utilization review vendors' systems. "When you buy our system, you have automatic hooks to" three top UR vendors, said Theresa T. Tanton, senior vp of marketing, planning and communication at Computations.

Benefit managers' ability to access information from various sources may lead to the electronic transfer of health claims information among employers, UR firms and claims administrators, experts say.

Such transfers could be eased by optical character recognition, or OCR, whereby a computer translates printed letters and stores them in a data base.

For example, a hospital could send a bill to a self-insured employer, whose optical scanner would immediately store the information in its data base. That information could be sent to other vendors, if needed.

"It's just like the supermarket checkout," said FACTS Services' Mr. Graham. "You just run a wand across an employee's Social Security number (on the claim form) and his name and record will come up on your computer screen." Then run the wand over specific information and the system will input that data.

These systems could save benefits administrators a significant amount of time and money, experts say.

With a shrinking labor pool, "the 1990s will be a time to replace people with technology," pointed out Erisco's Mr. Donnelly. "Any employee benefit manager is well aware of the changing workforce in the '90s—there won't be a lot of people available. The costs associated with the administration of employee benefits are of tremendous concern."

But while automation technology has been evolving rapidly over the last three or four years, the price of OCR systems, which can be hundreds of thousands of dollars, will impede their use, vendors say.

"It's great to be pie in the sky, but you have to ask who is going to pay for this," said Mr. Kaurene.

Optical character recognition "is very expensive," said Terry L. Kirch, chief operating officer at RIMS. "The people using (the technology) have to have a lot of money—only the largest companies could afford it." ■

Crawford's Light Duty Return-to-Work program saves indemnity dollars.

Another bright idea from Crawford & Company!

If you're in the dark about what Crawford & Company can do to help you introduce a formal light duty program in your company and reduce your Workers Compensation costs, call (404) 847-4470 or mail the coupon below.

When Crawford & Company introduced its Light Duty Return-to-Work program, its first client company was recognized by the National Association of Rehabilitation Providers in the Private Sector as the Employer of the Year for this innovative program. Our client returned its injured employees to work quickly and productively. You can, too.

Crawford earns your confidence . . .
one assignment at a time.



Send me information on your new
Light Duty Return-to-Work
program to reduce my Workers
Compensation costs.

Name _____

Title _____

Company _____

Address _____

Phone _____

John H. Potter, Assistant Vice President
5620 Glenridge Drive (Zip 30342)
P.O. Box 5047
Atlanta, Georgia 30302

It takes more than a claims-payer to control costs in a self-funded health benefit program.

Per Employee Health Benefit Costs
*Projected by A. Foster Higgins Co.

1989
\$2748

1985
\$1724

1980
\$1049



You chose self funding as a means of increasing control. Today, with complex factors driving health care costs higher, you need "Cost Control Through Claims Management" . . . our comprehensive range of services specifically geared to the self-funded employer.

Information Management . . .
Where the data gathered in the claims administration process is made available in clear, concise plan and utilization reports. Tools you will need to remain informed and in control.

Plan design . . .
Where our experience will help you establish responsible levels of coverage, cost sharing and utilization controls . . . keys to reducing claim abuse and increasing employee awareness.

Claims administration . . .
Where the flexibility of our QicClaim® systems will meet your specific regulatory and billing requirements. And our knowledge of your plan, quality control and personal service will add value to your benefit program.

And more . . .
Prompt service, personal contact and a thorough knowledge of our local insurance and health care marketplace . . . valuable resources which set us apart from the crowd.

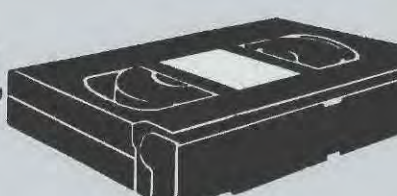
Find out why all TPAs are not alike.
Return the coupon to the NAEBA member nearest you and receive a FREE 10-minute video "Cost Control Through Claims Management." See for yourself why growing companies from coast to coast depend on an independent NAEBA member to self-fund their employee health benefit program.

QicClaim is a registered trademark of Resource Information Management Systems. Neither the NAEBA or any of its members is a representative of QicClaim. Members use the QicClaim line of health claims processing software developed by RIMS. © 1989 National Association of Employee Benefit Administrators. All Rights Reserved.

FREE VIDEO

Company _____
Your Name _____
Title _____
Address _____
City _____ State _____ Zip _____

"Cost Control Through Claims Management"



- ALABAMA**
ACE Benefits Management Service, Inc.
700 Sunhill Road, Suite 101, Birmingham, AL 35215
Wendy McDavid 205/856-7525
- ARIZONA**
Mutual Administrators
P.O. Box 50200, Phoenix, AZ 85076-0200
Robert King 602/438-8851
- CALIFORNIA**
Jordan Jones Administrators
P.O. Box 180128, Sacramento, CA 95816
David L. Fen 916/442-9071
- St. Joseph's Orthopedic Care**
1805 N. California Street, Suite 303
Stockton, CA 95209
Mary Ellen Williams 209/466-6664
- F.B.A. & M. Corporation**
P.O. Box 5079, Westlake Village, CA 91359
Vern Gossler 805/497-4581
- ELI-P Insurance Services**
1684 W. Shaw Ave., Fresno, CA 93711
Gustavo O. Valentin 209/431-4636
- Healthcare Management Services**
3741 Wilton Place, Suite 202
Long Beach, CA 90807
Janice Houff 213/595-7085
- Health Associates**
2787 Bristol St., Costa Mesa, CA 92626
Frank Heller 714/549-7052
- COLORADO**
Mountain States Administrators
2520 S. Parker Rd., Suite 500, Denver, CO 80210
Cherice Gray 303/389-4500
- National Benefit Administrators, Inc.**
P.O. Box 1270, Colorado Springs, CO 80901-1270
Ed W. Weber 719/636-3382
- Benefit Plan Administrators, Inc.**
187 Jackson Street, Boulder, CO 80302
Bill Hildner 303/442-1000
- InterCare Benefit Systems**
3500 Greenwood Plaza Blvd., Suite 105
Englewood, CO 80111
Roxanne Marotte 303/770-5710
- CONNECTICUT**
The Parkins
P.O. Box 9508, Meriden, CT 06470
Mary Stokes 203/426-8161
- Associated Plan Administrators, Inc.**
4133 Whitney Avenue, Hamden, CT 06518
Frank R. Brown 203/287-1272
- Investment Group Brokerage Corp.**
369 N. Main Street, Marlborough, CT 06047
Robert N. Sapiro 203/295-9583
- Health Plan Administrators, Inc.**
120 Box 312
300 Shelton Road, Rocky Hill, CT 06310
Dorothy C. 96813
Roy Hutchins 203/794-1703
- FLORIDA**
Self Funding Administrators, Inc.
P.O. Box 4099, Miami, FL 33109-0099
12550 N.W. 42nd Street, Suite 2511
800/432-8679 (Toll-Free FL)
800/221-1362 (Outside FL)
- Brown and Brown, Inc.**
P.O. Drawer 1732, Daytona Beach, FL 32015
Greg Brewer 904/252-9601
- GEORGIA**
Conec Health & Welfare Employer Benefits, Inc.
P.O. Box 9956, Savannah, GA 31412
James A. Garrison 912/236-1551
- IDAHO**
MCA Benefit Corporation
705 North Pacific Parkway, Idaho Falls, ID 83401
Larry Mitchell 208/529-4060
- ILLINOIS**
Keeple & Company, Inc.
P.O. Box 1946, Peoria, IL 61659-1946
Michael O'Keefe 309/673-7530
- Management Services, Inc.**
115 N. Main St., Suite 400, Champaign, IL 61820
Doris Dickert 217/551-9233
- Singer Administrators Services, Inc.**
121 E. 127th St., Northbrook, IL 60062
Anthony J. Casso 708/291-1230
- The Travelers Plan Administrators of Illinois, Inc.**
1250 W. Northwest Hwy, Suite 600
Palatine, IL 60067-1803
Stephen J. Resnick 708/934-7772
- Alma Benefit Systems, Inc.**
227 S. Riverside Plaza, Suite 1500
Chicago, IL 60606-8001
Brenda Schenker 312/906-8080
- HMS Services, Inc.**
8755 W. Higgins Road, Chicago, IL 60631
William J. Tolco 312/693-5410
- HOUSTON**
1000 Higgins Rd., Suite 200, Park Ridge, IL 60068
Charles J. Lohney 708/682-7020
- Financial Insurance Service Consultants, Inc.**
500 E. Duval Rd., 2nd Floor
Naperville, IL 60563-1358
Douglas Rothary 708/505-8000
- Insurance Administrator Center, Inc.**
1480 Renaissance Drive, Park Ridge, IL 60068
Robert L. Tarsner 708/297-2020
- INDIANA**
Pyramid Benefit Services, Inc.
P.O. Box 1017, South Bend, IN 46604
Cory Gupton 219/232-2993
- Administrative Procedures, Inc.**
P.O. Box 1800, Lafayette, IN 47902-1800
Thomas F. Dorer 317/429-1577
- Benefit Systems, Inc.**
9102 N. Meridian, Suite 200, Indianapolis, IN 46260
Ronald C. Sanders 317/573-2004
- First Benefit Corporation**
6081 St. Rt., 9N, Anderson, IN 46015-0819
Greg Bat 317/642-1199
- Health Care Administrators, Inc.**
Suite 230, Three Meridian Plaza
10335 N. Meridian Street, Indianapolis, IN 46250
Edmond W. Foley, Jr. 317/843-2092
- Key Benefit Administrators, Inc.**
P.O. Box 45210, Indianapolis, IN 46205
Bill Morris 317/255-3822
- IOWA**
Self Insured Services Company
P.O. Box 389, Des Moines, IA 50301
Iris Willy Schmitt 319/556-1456
- The Administrators**
202 Francis Johnson & Shaw City, IA 51101
Mark Heller 712/277-2161

- LOUISIANA**
Total Benefit Services, Inc.
2100 North Ave., Suite 500
New Orleans, LA 70112
Walter Brantner 504/586-3150
- Associated Health Plans, Inc.**
4415 Shores Drive, Metairie, LA 70006
Arthur Bouchard 504/885-9355
- South Coast Health Plans**
P.O. Box 80339, Baton Rouge, LA 70899
Charles D. Cox 504/927-7212
- MAINE**
Benefit Management Plans, Inc.
P.O. Box 3859, Portland, ME 04103
John Jones 207/772-1244
- MASSACHUSETTS**
Benefit Administrators of New England
100 Longwood Place, Suite 202, Rockland, MA 02370
Neil Cohen 617/982-1851 or 800/523-0090
- MICHIGAN**
New World Benefit Services, Inc.
P.O. Box 9030, Niles, MI 48120
Ruth Johnson 616/684-6700
- Administrative Systems Research Corporation**
2449 Carmel Court, S.E., Grand Rapids, MI 49506
Tudor A. Stacy 616/957-1751
- Midwest Benefits Corporation**
2552 W. 12 Mile Road, Suite 3000
Southfield, MI 48034-8416
Ronald J. Kim 313/951-0200
- MINNESOTA**
Employee Benefit Plans, Inc.
255 North Sublette St., Minneapolis, MN 55426
Jack Foley 612/546-4350
- MISSISSIPPI**
MHA Diversified Services, Inc.
P.O. Box 16707, Jackson, MS 39216
Bill Santoro 601/882-7332
- Benefit Administrator Services, Ltd.**
401 E. Capitol St., Suite 113, Jackson, MS 39201
Tom Brown 601/989-1285
- MISSOURI**
Woodsmall Benefit Services, Inc.
2480 Pershing Rd., Five Crown Center
Kansas City, MO 64108
Mike Brown 816/421-7788
- DBL Services, Inc.**
315 1/2 St., Suite 700, St. Louis, MO 63101-0330
H. Stephens 314/241-8665
- Siection Benefits, Inc.**
2211 W. 127th St., Suite 148, St. Louis, MO 63101
M. D. Lewis 314/991-0878
- MONTANA**
Northwest Administrators
P.O. Box 3105, Great Falls, MT 59403
R.C. Hap Johnson 406/761-5000
- Company Claims Administration, Inc.**
P.O. Box 2387, Billings, MT 59104
Helen K. Mason 406/245-3575
- NEW HAMPSHIRE**
Kenall Benefit Services
P.O. Box 1840, Rochester, NH 03867
Robert W. Page 603/332-5800
- NEW JERSEY**
Rasmussen Agency, Inc.
60 Eisenhower Blvd., East Orange, NJ 07018
Nicholas J. Sylvester 201/675-3940
- NEW YORK**
Atlantic Administrators, Inc.
871 Harlem Rd., Buffalo, NY 14215
David Baker 609/537-1428
- OHIO**
Professional Claims Management
P.O. Box 15276, Canton, OH 44706-5276
Robert J. Aronhald 216/494-7278
- Professional Risk Management, Inc.**
P.O. Box 1049, Youngstown, OH 44501
Jim White 216/726-5800
- Benefit Claims Administrators, Inc.**
215 10th Street, Tolson, OH 43083
Russell L. Stuten 419/255-1400
- Employee Benefit Management Corp.**
3789 Rines Rd., Columbus, OH 43207-0956
Ray Smith 614/766-5800
- GIA/Benemex**
General Insurance Exchange Agency, Inc.
P.O. Box 1849, Steubenville, OH 44224
John M. Toland 216/688-4322
- The I.P.P. Parry Corporation**
P.O. Box 45071, Cleveland, OH 44145
James P. Parry 216/871-6800
- OKLAHOMA**
Vibes Brokerage Services, Inc.
319 N.W. 9th Street, Oklahoma City, OK 73102
Kristen Green 405/235-4610
- Mutual Assurance Administrators, Inc.**
P.O. Box 22095, Oklahoma City, OK 73123
Rich Carlson 405/722-0444

- PENNSYLVANIA**
Comprehensive Benefits Service Company, Inc.
Whitehall Business Park
740 East Lancaster Pike, Suite 200
Ephrata, PA 19347-2801
Doreen Simons 215/524-9500
- Diversified Group Administrators**
P.O. Box 930, Pottsville, PA 17877
Shirley Keener 412/746-0700
- Baby, Inc.**
350 Ridge Avenue, Pittsboro, PA 15212
Rita B. Livingston 412/237-2020
- Benefit Consultants Corp.**
Corporate Office
1195 Washington Ave., Bridgeport, PA 19016
Alice Sush 412/257-8000
- SOUTH CAROLINA**
Pharmacia Administrators, Inc.
P.O. Box 6937, Columbia, SC 29224
William F. Shimpfner 803/741-0457
- TENNESSEE**
Pittman & Associates, Inc.
One Crescent South, Memphis, TN 38111
Arnold H. Pittman 901/233-2140
- Corporate Systems Administration, Inc.**
Dallas Services, 405 S. Johnson City, TX 75207
Tom Reass 616/282-3420
- TEXAS**
Insurance Benefit Services, Inc.
P.O. Box 21869, Houston, TX 77218-6969
Mark Cook 713/575-0260
- Third Party Administrators**
P.O. Box 4530, Houston, TX 77210-4532
Norm DeSchlager 713/690-0044
- The Travelers Plan Administrators of Texas, Inc.**
4020 McGee Dr., Suite 280, Dallas, TX 75244
Diane Christensen 214/788-2555
- Boys Chapman**
P.O. Box 9201, Austin, TX 78769
T.J. Chapman 512/454-2681
- UTAH**
JASING
1065 South 500 East, Suite 202
Salt Lake City, UT 84117
Scott A. Shepherd 801/266-3271
- VIRGINIA**
Benefit Plan Administrators, Inc.
601 Smithwood Road, Lorton, VA 22071
Arnold P. Mautner 703/345-2741
- WASHINGTON**
General Administrators
10627 W.E. Bell Place, Kirkland, WA 98043
Scott Smith 206/822-9843
- WISCONSIN**
Preferred Administrative Services, Inc.
3 Semole Centre
5910 Semole Centre Ct., Madison, WI 53711
Gene Jensen 608/273-1776
- Employee Benefit Claims of WI, Inc.**
P.O. Box 17200, Milwaukee, WI 53217
John H. 414/866-3765
- National Benefit Consultants, Inc.**
P.O. Box 18035, Green Bay, WI 54307-8035
Bob Hergenroder 414/498-2500

Voice response

Continued from page 3

Various benefits messages are available. Employees, for example, could press "1" for information on health plans, "2" for dental plans or "3" for retirement plans.

More complex systems can call up personalized information, like the medical plan options the employee has chosen or his or her 401(k) plan balance.

For several years, employees at some firms have had access to personalized benefit information through a computer terminal. But telephone voice response systems allow employees to receive benefit information anywhere at any time.

"The reason for the excitement surrounding telephone voice response is it overcomes access limitations," said Tom Kratochvil, an A. Foster Higgins Co. Inc. consultant in New York. "The only requirement is that you need a

touch-tone phone.

"An employee is not on the employer's time clock and a question could be raised and answered at the point it occurs to the employee," even if it occurs after working hours, he said.

"The use of voice response is really the technology of the '90s," said Ken Hunt, vp and national director of defined contribution products at benefit consultant Noble Lowndes U.S.A. in East Orange, N.J. "More and more employers will see telephone voice systems as a great way to communicate with employees."

Explaining benefits over the telephone "could end up being cheaper than meetings, slide shows and videos that take employees away from their work," he said.

"I predict by 1993 about 80% of the Fortune 500 will have some touch-tone system in place," said Gil Jacobs, a systems consultant for The Wyatt Co. in Washington,

D.C. "It's really exploding because of the cost-effectiveness, reliability and availability."

Among the appealing features of these automated inquiry systems is that they free benefit personnel to handle more complex tasks.

sponse system in February for 3,300 employees.

PHH and Alexander Consulting Group Inc., the benefits consulting unit of Alexander & Alexander Services Inc. in New York, developed PC-based software appli-

'The use of voice response is really the technology of the '90s. More and more employers will see telephone voice systems as a great way to communicate with employees,' says Ken Hunt of Noble Lowndes U.S.A.

"Our main objective was to free up human resource staff to do other things besides answer questions," said Janet L. Quigley, manager of benefits programs at PHH Corp., a Hunt Valley, Md.-based diversified services company that installed a telephone voice re-

sponse system in-house, she said.

An informal survey of human resource representatives found that employees most commonly ask about eligibility and basic medical care coverage, Ms. Quigley explained.

So modules, she said, now answer questions like "What is my medical deductible?" or "How do I make sure my new baby is covered under my plan?"

Ms. Quigley pointed out that PHH "employees are all over the country and in different time zones and we wanted them and their dependents to have access to information 24 hours a day."

Some PHH locations have no human resources staff and the phone system allows employees at remote sites to receive needed benefit information when they want it, she said.

Another advantage of the message system is that it assures that employees "are getting consistent information," she said.

Ms. Quigley would not comment on the system's cost, other than to say it was easy to justify to upper management. "Our goal was not to have to eliminate or hire additional human resource people. It was a productivity improvement issue," she said.

Costs of touch-tone interactive voice response systems vary greatly, depending upon the size of the company and the desired functions. Consultants say that basic systems can be developed for as little as \$12,000, including hardware and software (see story, page 26).

"The cost-effectiveness is really determined by what the system is replacing," noted A. Paul Protos, a partner with Coopers & Lybrand-Actuarial, Benefits & Compensation Group in Philadelphia. Interactive systems must be weighed against "the time it takes a person to answer the phone, get the question, search for the answer and get back to the employee," he said.

"Every client has a different objective," pointed out Brenda Sural, defined contribution consultant at Hewitt Associates in Lincolnshire, Ill. Some want to cut administrative costs and others to increase plan participation or replace other communication programs, she added.

"When you find out the goal, you can measure cost-effectiveness. But sometimes cost-effectiveness measures won't be in hard dollars" but in time and effort saved, Ms. Sural said.

With prices dropping, consultants say employers are more interested in automated voice response systems.

Because the systems are so affordable, many employers are looking to install a telephone system rather than other, more expensive interactive technology.

"The obvious virtue of the (telephone system) is it's ubiquitous," said Tom Sundell, manager of interactive consulting at William M. Mercer Meidinger Hansen Inc. in Chicago. "Any remote location at a reasonable cost can be hooked up to the system."

"In 1989 the marketplace was being taught about voice response. In 1990 and 1991, we'll see more employers putting it in," said Rich Wilson, manager of interactive communication at Alexander Consulting Group in Baltimore.

"The majority of Fortune 500 and equivalent companies are already using touch-tone telephone systems in another part of their business and are in the midst of studying" benefits applications, said Mercer's Mr. Sundell.

Employers have delayed installing the systems because "the technology was new and they wanted to hear success stories from large organizations. And there are always budget constraints in human resource departments," Mr. Wilson said.

As costs continue to fall and the versatility of applications increases "you'll see more employers putting (voice response systems) in," Mr. Protos said.

Continued on page 24

MANAGING THE RISK

Stop-Loss, Utilization Management and Case Management Programs from American General Group

Although self-funding your employee benefit plan has numerous advantages, there is one disadvantage. You now are vulnerable to the risk of large losses and adverse claims experience. American General Group can help you minimize this risk.

While our specific and aggregate stop-loss programs limit your overall plan liability, our utilization management and case management services help to reduce the actual cost and number of claims.

And few carriers can match American General Group's expertise in managed health care or commitment to superior service. Just look at what else we have to offer to self-funded groups:

- Life
- AD&D
- Claims Administration
- PPO development and administration

For more information on American General Group—what we sell and what we can do for self-funded groups of 100 or more—contact the office nearest you:

Executive Offices / Central Region
3988 North Central Expressway
Dallas, Texas 75204
(214) 841-1000

Eastern Region
1301 Gulf Life Drive, 5th Floor
Jacksonville, Florida 32207
(904) 390-7043

Western Region
1610 Arden Way, Suite 165
Sacramento, California 95815
(916) 649-6580

**American General Group
Insurance Company**





Have You Got The Right Answers To All Of Today's Benefits Questions?

Corroon & Black knows that designing an effective Benefits and Compensation program covering everything from compensation, health, life, and disability to retirement, is more than any single expert can deal with.

And in the struggle to recruit and retain the best and brightest work force, Benefits and Compensation must be viewed as a vital part of your company's strategic planning.

Which is why Corroon & Black's approach has proven so valuable to so many companies.

Working as a team, using the most sophisticated analytical tools in the business, we provide you with a comprehensive overview of your

benefits and compensation programs.

The recommendations we provide result in the best possible programs at the most advantageous cost.

This approach helps you integrate your programs into your immediate and long-term strategic plan.

Corroon & Black.

You've got the problem. We've got the answers.

 **CORROON & BLACK**

For a free brochure or more information
please call Tom Ucko (800) 242-2495

Voice response

Continued from page 22

Xerox Corp. was a forerunner in adapting telephone voice response technology to employee benefit programs.

Walter Maurer, manager of benefits services at the Rochester, N.Y.-based giant, said he initially considered the idea in 1979 but "both the hardware and the software were too expensive and it wasn't cost-effective."

By 1985 the company installed hardware that would let PCs operate telephone voice response software and "we were up and running by April 1986," he said.

Xerox spent \$50,000 on hardware and, without consultants or outside experts, developed its own system to handle inquiries from its 55,000 employees.

And "the software was menu-driven, like Lotus 1-2-3, so we found we didn't need a technical

person to run it—just a person who is acquainted with data processing," Mr. Maurer said.

Initially, the system handled simple inquiries about defined contribution pension plan benefits, like the size of account balances.

When Xerox introduced a loan provision in its profit-sharing plan in July 1986, the system was expanded.

Mr. Maurer found that "for every 1,500 loans, we needed to hire a person to administer them. So we put in Xerox-FACTS," a voice response system that allows employees to take out loans against their defined contribution plan over the phone.

After entering his or her Social Security and PIN numbers, an employee punches in the desired amount and term of the loan. Xerox-FACTS then calculates the payments.

Should an employee decide to go ahead with the loan, the system

prints a confirmation and truth-in-lending forms are sent to the employee.

Xerox now processes about 100 loans per week through its phone system, Mr. Maurer said.

Because it maintains no manual

'Employees seem to like the phone—they're not afraid,' says Janet L. Quigley of PHH Corp.

system to handle loan requests, Xerox "didn't have to go around the country and train human resource people" to administer the program, he said.

The company plans eventually to use the system for benefit enrollment purposes, said Mr. Maurer.

In fact, with the growing popularity of flexible benefit plans, more companies are becoming interested in installing telephone voice response systems that allow employees to enroll in benefit options by phone.

"Within the flexible benefits community, more than 50% of our larger clients (those with 10,000 or more employees) are moving to a phone system this year to record enrollment," said Wyatt's Mr. Jacobs.

"I get a call a week from Fortune 100 companies that are interested in this technology," said Xerox's Mr. Maurer.

Many consultants say that benefit plan enrollment can be one of the most cost-efficient applications for voice response systems.

An employee can eliminate paper enrollment by entering his or her choices on the telephone keypad. Choices are then recorded in company computers which automati-

cally update employee records.

A printed confirmation is mailed directly to an employee's home.

"As an enrollment tool, the big advantage is the systems do real time editing," Wyatt's Mr. Jacobs said. For example, the system "knows" when an employee is ineligible for a particular health maintenance organization and will tell him to make another choice.

"A lot of time is spent by administrators tracking down forms and correcting errors like these," Mr. Jacobs said. "A 20% error rate isn't uncommon for manual" enrollment, he added.

PHH, which begins implementing a flexible benefits plan May 1, will enroll employees through its interactive phone system, Ms. Quigley said.

The telephone system provides general information about the flexible benefits package.

"We're asking employees to make more choices and to be more educated about the choices they make, and we felt the voice response system would be a good tool to help them," Ms. Quigley said.

A video "would have had a shelf life of about a year," but updating information on the phone system is simple and convenient, she said.

Ms. Quigley expects phone enrollment to be successful because "a lot of our employees seem to like the phone—they're not afraid of it. And they say they want to do a task or get information at their convenience," without playing "telephone tag" with the human resource department.

Bell Atlantic Network Service Inc. in Arlington, Va., has totally switched to automated enrollment for its flexible benefits, including medical, dental, vision and savings plans, said Judy Bryant, director of employee relations communications.

Bell Atlantic began using TelExpress in May 1988 for management and then non-management employees.

Except for a computer-generated form sent to employees and to the payroll department, enrollment was paperless. The benefits department has only an electronic record, Ms. Bryant explained.

The system now uses five personal computers and 20 phone lines to handle 52,000 enrolled employees. Additional lines are planned as the company develops further applications for the system, said Ms. Bryant.

But, Bell Atlantic's system is not perfect.

"People were waiting until the last minute to enroll. They'd get a busy signal and that's very frustrating," said Ms. Bryant.

In general, though, it has been a success: Of 28,000 management enrollees, only 611 didn't sign up by phone.

"We've gotten over the hump of getting employees acclimated to the system," but are still trying to stagger enrollment to relieve bottlenecks, she said. "Somehow we could give incentives for enrolling in the first week, for example."

Despite minor drawbacks, the system "has been very cost-effective. Before we went to mechanized enrollment, we had to bring in a lot of people" to four different benefit offices to handle enrollment, Ms. Bryant said.

Now enrollment is centralized in one office run by "just a handful of people," she said. "To the extent we can continue to offer service in an effective way, the automation helps us even with our goal of downsizing."

Consultants, however, point out several problems in using telephone voice response systems for benefit plan enrollment and other complicated transactions.

Security "is a concern everyone brings up, especially in an enrollment."

Continued on next page



Matchmaker, Matchmaker...

Patience and intuition.

With just these tools, she arranged the lives of whole generations.

You can't call her anymore. And that's too bad, because if you're looking for the perfect managed care company, the first thing you discover is that finding a perfect match off the shelf is perfectly impossible.

So Cost Care has gone into the matchmaking business. When you need a perfect match, tell us what it looks like, and we'll make it for you. We've got the materials to do it. Flexible, modular programs, a fully integrated mainframe database, digital telephone switching system... you can have the exact mix of programs you want, with the management reports you need, your own WATS line—even the fee structuring that makes the most sense for you.

Patience, intuition, and almost ten years of know how. If you're still out there, still looking for that perfect managed care company, give us a call.

Have we got a match for you.

COST CARE

Managed Care for the 90's

(800)537-3970

Continued from previous page ment system," said Alexander Consulting's Mr. Wilson.

"Right now people are getting comfortable with PIN numbers," Mr. Protos of Coopers & Lybrand said. "But you can do a lot of damage if you go into someone else's account and move things around or change their coverage."

Mr. Protos said fear of security breaches has in some cases acted as "a sea anchor to voice response systems."

In fact, one reason Pillsbury Co. has not added transaction applications to the voice response system it currently has in place is because "our legal department was not comfortable" with the idea, said Jennifer Olsen, manager of benefits communication at the Minneapolis-based food company.

Responsibility in cases of unauthorized benefit changes remains unclear, according to consultants.

"It will be interesting to see what happens when the first breach of security occurs," Mr. Wilson said.

Experts also see other limitations to interactive enrollment and transaction applications.

For example, only numbers can be entered so, for example, a life insurance beneficiary's name could not be recorded by touch-tone phone.

And, telephone systems also have limited ability to compute future benefit levels—like the size of an employee's 401(k) plan balance 10 years from now—and other "what if" scenarios.

"Employees don't have anything visual in front of them and most people would have difficulty retaining more than 25 pieces of information in their head," said Mr. Protos.

"So as you get into the level of complexity, you have to realize how far an employee can go before losing track of what he or she is doing," Mr. Protos added.

Other consultants agree: "For 401(k) modeling, in which you're changing variables, employees could end up writing everything down—it gets crazy," said Mr. Wilson.

Technological limitations will limit use of telephone voice response to general benefits communications, rather than administration, some experts say.

"The telephone system is not a panacea. It has a specific function and that is to make more productive the person who is answering the routine benefits questions," Mr. Protos said.

R.T. Whitman, a partner at Fort Lee, N.J.-based benefit consultant Kwasha Lipton, said: "You have to understand that this is largely a redundant and add-on service. It's not giving people new information. It's just giving it to them in a different way" and allowing more convenient access.

And implementing the voice response phone systems does not always go smoothly.

Kathryn M. Melia, benefits manager at Oryx Energy Co. in Dallas, has received mixed reviews about Oryx's voice response system from employees.

"For a lot of employees, this is exactly what they need. Our accountants and finance people have taken to this very quickly. But many others—the older and hourly employees—aren't used to it," she explained.

Oryx installed the system in December 1989 to allow the company's 3,400 employees to access information about their 401(k) and employee stock ownership plans. Callers can also request forms detailing individual year-to-date contributions or withdrawal amounts.

"It's been a difficult transition," Ms. Melia said. Part of the problem is recovering historical informa-

tion about employees' benefits before Oryx's spinoff in November 1988 from its former parent, Sun Oil Co. of Radnor, Pa.

With a smaller staff after the spinoff, Ms. Melia said she hoped the interactive system would handle nearly all calls about benefits. But "many employees are still trying to figure out what happened in the summer when Sun Co. was still handling their benefits" and those employees "prefer dealing with a person," she said.

The system currently consists of four phone lines with two in reserve and receives 350 to 400 calls a week on average. "On that basis, we'd need two or three people in house to answer those calls," so the system is saving Oryx time and money, she said.

But about 200 calls a month require research by a human resource professional and those calls "sometimes take a half an hour or more," she said. ■

Does Your Benefits Program Benefit Your Bottom Line?

Only one PPO stops hospital costs from rising at a feverish pitch. MedicalControl. Using our proprietary computer system, we pool the purchasing power of employers across the country to freeze rates at hospitals, and negotiate discounts...reducing costs as much as 20-30% annually.

Our NetOne national provider network details line item charges. So you can better control every benefits expenditure, from aspirin to X-ray. Our compensation is derived only from actual savings realized.

MEDICALCONTROLLINC.

For more information, call 214/352-2666 or write MedicalControl at 9649 Webb Chapel, Dallas, TX 75220.

EMPLOYEE BENEFITS BULLETIN: MAKE CNA YOUR PARTNER IN GROUP HEALTH CARE

CNA helps you hold down the cost of quality health care.

You can be confident of high-quality, cost-efficient health care for your employees with our Preferred Provider Organization, one component of the Managed Care Program from the CNA Insurance Companies.

With some PPOs, bigger is better. We concentrate on quality. Our providers are stringently screened before they're selected: facilities are assessed for their reputation, location, and ability to attract medical specialists and research personnel; medical staff credentials, hospital accreditation, affiliations and cost effectiveness are reviewed and evaluated to ensure

that our providers warrant the "preferred" name.

And, our integrated, patient-specific Utilization Review Program assures that all medical services are appropriate.

Finally, our Quality Assurance Program continuously evaluates and monitors our providers' performance and efficiency, to make sure that your employees continue to get the best care.

For the convenience of multi-site companies, our network locations include 40 major metropolitan areas.

For more information, call your CNA representative.



CNA

For All the Commitments You Make®

Group Benefits from CNA: Life & Health • AD & D • Vision • Dental • LTD • Flexible Benefits Programs • Pensions • Long Term Care • Managed Care
Coverage is underwritten by Continental Assurance Company, one of the CNA Insurance Companies/CNA Plaza/Chicago, IL 60685

Voice response phone system prices decline

Voice response technology—the ability to take digital information and translate it into a spoken language—originally was developed in the late 1970s.

However, it was not until 1985 that computerized voice technology used the telephone—rather than a computer terminal—as the mode of communication, said Gil Jacobs, systems consultant for The Wyatt Co. in Washington, D.C.

The first telephone voice response systems were used primarily in the banking and mutual fund industries.

For example, bank customers could enter account numbers over the telephone to check account balances.

And telephone voice response systems adapted very well to mutual funds, many of which had to communicate investment performances and balance information to hundreds of investors per day.

Most early telephone voice response systems operated on large mainframe computers and were very expensive, costing \$300,000 to \$400,000.

“They were so expensive and difficult to implement that few people used them,” Mr. Jacobs said.

About two years ago, the cost of telephone voice response systems dropped dramatically with further advances in automation. “Larger (mainframe) systems were brought down in price to about \$100,000” and software was developed to run telephone-based systems on personal computers, Mr. Jacobs said.

Lower prices made these systems accessible to more users.

“A system that three years ago cost \$100,000 is more likely to be in a \$30,000 to \$40,000 range today,” he said.

The price of a voice response system depends on whether an employer installs hardware to run the system in-house or accesses a vendor's service, pointed out Neil A. Burger, partner in charge of interactive voice response services in the New York office of Coopers & Lybrand.

Two or three years ago vendors were quoting \$25,000 for hardware and software that handled employee benefit inquiries from 12,000 to 15,000 employees, Mr. Burger said.

But that figure is now down to about \$12,000, he said.

“There are really two price components when building a system,” he explained. Hardware, software and installation costs are coming down, but “designing the applications is where the cost comes in.”

Also factored into the costs are the number of phone lines available, the average length of a call and whether or not a toll-free number is used.

The complexity and sophistication of telephone voice response systems vary. In general, systems used by employee benefit departments can perform five basic functions:

- Access to general information. These systems, known as inquiry systems, can provide answers to standard employee questions, like the size of health plan deductibles and the types of procedures covered by a health plan.

- Access to employee-specific information. These systems can retrieve and communicate individualized employee information like the size of an employee's 401(k) plan balance.

- What-if scenarios and modeling. These systems can calculate what an employee's 401(k) plan balance will be after a period of time based on variable contribution levels and rates of return.

- Data entry for transactions. These systems can record benefit enrollment information from employees or allow them to switch among benefit options.

- Employee surveys. These systems enable employees to answer questions posed by the employer.

—By Christine Woolsey

Vendors offer demonstrations by phone

Touch-tone telephone voice response system applications vary according to the needs of individual employers, but several benefit consultants provide prospective clients with demonstration lines that present a sample of their systems' basic applications:

- Coopers & Lybrand-Actuarial Benefits & Compensation Group.

The consultant's Benefits Information Line provides callers with sample general information about benefit programs, specific information about individual types of benefits and allows callers to make plan changes.

The telephone number is 800-245-3366.

Coopers & Lybrand's Policyholders Insurance Information Line allows callers to receive personalized information about specific coverages.

The telephone number is 800-446-0268.

- The Wyatt Co.

Wyatt's Benefit*Connection demonstration line offers examples of how the system can be used for

flexible benefit plan enrollment, information on savings plans, information on retirement benefits and examples of how the system can be used to survey company employees.

The telephone number is 800-462-9865.

- Alexander Consulting Group Inc.

Alexander's demonstration line offers samples of three applications: inquiries about savings plans, employee enrollment in flexible benefit plans and electronic benefit statements, in which the telephone system produces an annual benefits statement at the caller's request.

Dial 301-363-5522, then punch 111# and 2222# as prompted.

- William M. Mercer Meidinger Hansen Inc.

Mercer's TouchSource demonstration line provides an overview of three different applications: savings plan information, pension plan information and employee surveys.

The telephone number is 800-288-6423.

—By Christine Woolsey

YOU SHOULD KNOW WHERE YOUR INSURANCE COMPANY STANDS.



Transamerica Insurance helps customers meet their insurance needs every single day. And even though we've become a very large insurance

company, we still concentrate on the things we do best—like entertainment insurance, workers' compensation and specialized programs for

Benefit planning

Continued from page 3

Benefit managers may have been misled by consultants and insurers, said Laird Post, group practice leader in the Seattle office of TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc.

Employers have "been told by consultants or insurance companies over the years that if they just do this little thing, that all their problems are going to be solved. The employers have been burned not getting those expectations met."

Mr. Boland contends that many chief financial officers share the blame. "Health care costs, for all their notoriety, are still not taken as seriously by CFOs as other cost factors in a corporation."

Many more employers will be forced to consider their long-term benefit strategies in light of proposed Financial Accounting Standards Board rules for retiree health care

benefits, experts say.

FASB would require employers to begin phasing in recognition of their accumulated retiree health care liabilities and the cost of accruing liabilities on their financial statements in December 1991 (*BI*, Feb. 20, 1989).

That proposal will make employers look far into the future and a lot of companies will change their benefit plans by 1992, said Joseph G. Charles, group director of governmental and industry relations at Ryder System Inc. in Miami.

Indeed, this proposal and soaring medical expenses mean health care is no longer simply an employee benefits issue, said Mr. Boland. "It is now a CFO issue and it has to be dealt with by the board."

"If you're a \$500 million company and it turns out that your unfunded liability for your retiree health care cost is going to be \$50 million, all of sudden you are a \$450 million company," he explained.

And, as benefit managers increas-

ingly look to the long term, some are extremely frustrated by soaring health care costs, Mr. Boland said.

"Part of the conventional wisdom says that, 'My God, we have tried everything. We tried HMOs, we tried utilization review, we tried PPOs.

'I want to see corporations roll up their sleeves' and ask tough questions, says Peter Boland.

We've tried every single buzzword that's come out. And they are just buzzwords," he said.

Ms. Gray of the Conference Board agreed that employers "have seen a lot of strategies meet with only marginal success."

For example, some benefit man-

agers now feel that second surgical opinions are of little value because of the high concurrence rate between physicians, she said.

But, even with all of those measures, total health care costs shot up 16.7% in 1989 to an average of \$2,748 per employee from \$2,354 in 1988, according to a A. Foster Higgins & Co. Inc. survey (*BI*, Jan. 29).

Managed care options like HMOs and PPOs are among the few long-term options benefit managers have in fighting rising costs, many agree.

"There's not a lot of other things out there you can do," said Robert J. Blendon, chairman of the department of health policy and management at the Harvard University School of Public Health. "I don't know what long-term strategies there are apart from having your employees participate in HMOs and managed care."

Mr. Post urged benefit managers to "go beyond" cost-shifting and try "to address the underlying cost of the program—what the doctors are

charging, what the hospitals are charging—and do what you can to influence and control that."

By asking for provider data, benefit managers can determine which doctors tend to order unnecessary tests or perform questionable surgeries, he explained.

With that information, employers can avoid those physicians and work with the ones that are providing the best care at reasonable costs, he pointed out.

Claims administrators or insurers that handle claims and put together profiles on providers may have already analyzed this data. Choosing cost-effective providers might be as simple as reviewing their findings, he said.

Mr. Boland agreed that "corporations do not hold health care plans and delivery systems to the same standards as they do other vendors of other goods and services."

"I see much tougher questions and evaluations done on computer services and raw materials and all kinds of other goods and services than I see being done on health care plans," he said.

"That's crazy," Mr. Boland said. "I want to see corporations roll up their sleeves" and begin asking tough questions, he said.

"Providers are not dumb people. They know more about how to squeeze prices than a lay person does," according to Mr. Boland.

For example, to recoup discounted fees, medical procedures are sometimes "upcoded" to a more expensive category, he explained. And there is a greater "intensity of services. A lot more things are being done for each patient."

To counteract such measures, employers need to know what savings the system has had in similar industries and what kind of reports are available from providers. "These are very standard questions that are not being applied to health care," Mr. Boland said.

Stanford's Mr. Enthoven also said employers should be "focusing their purchases on cost-effective systems with the potential to become efficient and competitive."

For example, he suggested that employers divide up health care providers into competing units.

In such a case, separate arrangements could be developed with each provider rather than funneling all the business to one, he said. "You structure different plans and get them to compete," he explained.

Some employers are investing in their own clinics and medical centers to deliver medical services at a lower cost than other providers, giving employees financial incentives to use the company-owned facilities (*BI*, March 5).

Another factor contributing to higher health care costs is that employers have given workers too much leeway in choosing their health care providers as well as "lots and lots of health care options and medical plans to choose from," Mr. Boland asserted.

Such arrangements lead to "guaranteed access to mediocrity," he said.

When offering such an array of choices, many benefit managers are not giving "information to employees to make informed, knowledgeable choices about which health plan to choose or even which doctor to choose," Mr. Boland said.

"Just giving them choice for the sake of giving them choice is no real benefit for the employee. I think there is a responsibility of the corporation to carefully screen and evaluate the different health care options," he said.

Health plan options should be trimmed sharply and benefit managers should "go after your more cost-effective physicians," Mr. Boland said.

As a result of dealing with a large number of providers that includes ineffective providers, managed care has

Continued on next page



© 1989 Transamerica Corporation

groups from veterinarians to theater owners.
We not only want you to know where we stand,
we care where we stand with you.

**TRANSAMERICA
INSURANCE GROUP**
THE POWER OF THE PYRAMID IS WORKING FOR YOU.™



INSURANCE FOR BANK AUTOMOBILE LEASING

Allied with major carriers, we have extensive experience with this difficult-to-place insurance. We make it easier for you with a quality bank auto leasing insurance program that provides broader coverages at substantial savings.

- Lessors Excess Liability
- Lessors Contingent Liability
- Lessors Contingent Physical Damage
- Interim Car Coverages • Residual Value Insurance

We invite your inquiry and your business.
Write or call Ron Ruane.



PAIGE-RUANE, INC.

Suite 616 - The Woods • P.O. Box 6745
Wayne, PA 19087
(215) 254-9890 • FAX # (215) 254-9893

Reliance Specialty Programs, Inc.



Benefit planning

Continued from previous page
not worked as well as it should because one of its "unintended side effects has been to subsidize poor quality doctors," Mr. Boland contended.

"Basically what you're doing is paying all doctors the same for very, very different results," he said.

Mr. Boland contends there "hasn't been an emphasis on long-term relationships with providers. There's still an emphasis on shopping risks."

While provider shopping means a break on the cost of coverage in the first year, there may be a price hike of 40% in the second year, he noted. "The price breaks are illusory."

However, Harvard's Mr. Blendon cautions that restricting access can trigger confrontation.

"In some places, you're going to have a strike over it," he said. "Limiting care is an option but it is very difficult to do."

Another problem affecting long-

range planning is that some benefit managers worry too much about accommodating workers, according to Dallas L. Salisbury, president of the Employee Benefit Research Institute in Washington, D.C.

"There is a very clear line to be drawn between designing your programs strategically and designing programs in response to what you think employees want," he said.

Benefit managers should not "equate what the employee wants with what is necessarily in the employee's or the company's best interest," he observed.

Mr. Salisbury also warned that some employers act "on what actually are myths of the future."

"There's a myth that workforce mobility has been increasing," he said. "So there's a myth that we've got to design for mobility when mobility has not really been changing."

Another myth is that the percentage of women in the workforce is growing dramatically, Mr. Salisbury

says. In fact, that percentage remained relatively stable from 1983 to 1988 and "for the next 10 years, the projections are for relative stability," he said.

But, "what will be changing is the types of jobs many of those women are in. You will have more women who have been in a long career and will have moved into management levels in a company."

Mr. Salisbury advised benefit managers to "take a look at what they see as their own workforce trends and their own corporate philosophies" regarding employee benefits.

For example, a company designing a retirement plan should consider whether the plan creates early retirement incentives or whether it will entice workers to leave the company "at the worst possible time," Mr. Salisbury said.

However, one company said employee input is integral to its benefit decisions.

David Kempken, director of employee benefits at Chrysler Corp., said the automaker views "employee choice in terms of benefit design needs as critical in being able to adapt to the evolving workforce."

The automaker has just put in a complete flexible benefit plan for active, not-represented, salaried employees, he said.

"We see an evolving benefit package with flex being a way to give employees a variety of choices as well as giving the company the ability to manage some of the expenditures," Mr. Kempken said.

Regarding Chrysler's union workers, the company continues "to look for ways with the UAW to modify programs to meet the changing needs of that population vis-a-vis the competitive environment," he said.

Complex benefits planning is much easier with the proper people in charge, said Fred Hamacher, vp of compensation and benefits at Dayton Hudson Corp., the Minneapolis-based retailer.

Mr. Hamacher said hiring staffers with health care industry experience has made benefit planning less worrisome for his company.

Filling a position several years ago with a staffer experienced in health care was "probably the smartest thing I ever did," he said.

Such expertise allows the company "to do a lot of our own internal case management," and experienced staffers are able to locate "good case managers on the outside if we need them in certain parts of the country."

In addition, benefit managers also have to keep an eye on Congress when considering the long-term implications of benefit plans, according to Joseph Rosman, partner and national director of the managed health care consulting practice of Coopers & Lybrand in Chicago.

And, Cathy Certner, director of public policy for the Washington Business Group on Health, said benefit managers cannot ignore their responsibility to explain some long-term plans to workers.

"The best thing to do in a long-range way is to constantly be working with your workforce so they understand what's happening in terms of the health care field and how they can be a part of whatever changes you are going to make," she said. "And then, as the changes present themselves, you've got a workforce that's better educated and more able to accept some of those changes."

However, Mr. Post pointed out that "there's still too many things out there that employers can't control" in the health care field.

"They don't have a lot of power" over costs associated with technological changes or Medicare cost-shifting to the private sector, he explained.

Stanford's Mr. Enthoven suggests employers "get involved with the health care organizations in their planning."

"Join their boards. That's what's needed to be strategically thinking about the long-term," he advised. ■

Look who's turning legalese into legal ease for hundreds of thousands of employees nationwide.



Joel Hyatt, Founder

Companies all across the United States are making it easier for their employees to deal with some of their most stressful personal legal problems.

They're offering their employees a Hyatt Legal Plan — the low-cost employee benefit that takes the fear out of legal fees and legalese.

A Hyatt Legal Plan means legal ease for your employees, because it puts the power of our attorneys to work on some of the most stressful legal problems. Divorce. Wills. Accidents. Buying a home. Traffic matters. Stress-related problems that distract employees from their work.

Hyatt Legal Plans make it easy for your employees to see an attorney. Your employees simply call our 800 number. They're directed to our most conveniently located office. And with nearly 170 Hyatt offices with evening and Saturday hours and more than 700 specially selected participating law firms — we're very convenient. And with no claim forms, no deductibles, no confusing legalese — we're very easy to use.

Our legal plan means legal ease for you, too. We do all the administration, with no hassles to your benefits department. A Hyatt Legal Plan can be custom-tailored for your company and your employees. From basic to comprehensive. Employer-funded to employee-paid by voluntary deduction. A Hyatt Legal Plan is a perfect addition to a flexible benefits program.

Discover why more companies choose Hyatt Legal Plans than any other legal benefit available.

You'll be in good company when you offer the legal ease of a Hyatt Legal Plan. Just ask Joel Hyatt, Founder and Senior Partner of Hyatt Legal Services and President of Hyatt Legal Plans, Inc. You have his word on it.

Hyatt Legal Plans

1215 Superior Avenue
Cleveland, Ohio 44114
(216) 694-4400

Call or write today for more information. Jim Snyder, Hyatt Legal Plans, 1215 Superior Avenue, Cleveland, Ohio 44114, 1-216-694-4400.

Firms look to flex to control costs

By JAMES M. BURCKE

Employers increasingly are looking at flexible benefit programs as cost containment tools rather than simply a way to meet employees' diverse needs.

Employers in three recent studies confirm that flex plans effectively contain health care costs, largely because they make cost shifting more palatable to employees and facilitate the introduction of managed care programs.

However, flex plans growth, which had been steady for the past decade, slowed in 1989, partially due to uncertainty over the fate of the Section 89 non-discrimination rules for welfare benefits plans. Section 89 was repealed late last year (*BI*, Nov. 13, 1989).

While consultants and some employers for years have touted flex-plans as a health care cost containment strategy, it wasn't until recently that a larger number of employers began to view flex plans primarily as a cost control tool.

For instance, in a survey released last month by consultant A. Foster Higgins & Co. Inc., 37% of employers with flexible benefit plans said the primary objective of their plans was "cost containment," compared with 31% who said the primary goal was "to meet the diverse needs of our employees."

By contrast, 35% of respondents in a 1989 Foster Higgins survey cited employees' diverse needs as the main goal of their flex plans, while only 33% said cost containment was the primary objective (*BI*, April 3, 1989).

Employers looking to hold down costs through their flex plans are not disappointed, the surveys point out.

Foster Higgins said employers with flex plans reported \$2,635 in per-capita total health care costs in 1989, or 7% less than the \$2,831 total reported by employers without flex plans.

And, based on 1988 data, health benefit costs comprise 8.7% of payroll for employers with flex plans, compared with 9.7% of payroll for other companies.

Twenty-eight percent of employers with flex plans believe the plans reduced health care costs, Foster Higgins says, while 68% said costs are unchanged and 4% said flex plans actually increased costs.

Meanwhile, a recent survey by benefit consultant Hewitt Associates reported that average per-capita health care claims costs rose 14.9% in 1988 for employers with flex plans and 22% for employers without them.

According to Hewitt, employers' own health care costs—excluding employee deductibles and other contributions, increased only 12.9% in 1988.

Forty-seven percent of the respondents told Hewitt that flex plans helped contain costs, while 13% said they did not and 40% said it was too early to tell.

And, in an as-yet unreleased survey by The Wyatt Co., employers that have measured savings from flex plans report a 9% annual reduction in overall benefit costs. However, Wyatt does not specify whether these savings are attributed to health care or other types of benefits.

According to Wyatt, 39% of the companies surveyed said their flex plans saved money, 18% said they did not and 43% said they could not tell.

There are several reasons why flex plans appear to be helping control employers' health care costs.

Of the employers surveyed by Foster Higgins that have quanti-

However, new plan formation slows

fied health care cost savings following implementation of a flex plan, 58% attribute the savings to employees' selection of cost-efficient plan options, while 38% believe that cost savings are generated from increased employee cost sharing through higher premium contributions, deductibles or copayments.

Employees in a flex plan will often choose managed care or other cost-saving options to generate "flex credits" with which they can purchase benefits that they normally could not obtain. This, of course, can cut employers' health care outlays.

In addition, many employers redesign their health care programs when switching to a flexible benefit plan to include more employee cost sharing.

Some 71% of employers switching to flex plans make some health plan design change, says George Faulkner, a Foster Higgins consultant in Princeton, N.J., and co-author of the flex plan study.

According to Foster Higgins, when implementing a flex plan: 51% of employers increased employee premium contributions for dependent health care coverage; 48% raised health care deductibles; 40% increased premium contribu-

tions for individual coverage; 36% hiked annual out-of-pocket maximums; 31% added some form of utilization control; and 28% switched to a comprehensive major medical plan from separate hospitalization and medical insurance programs.

Similarly, 83% of employers told Hewitt they made design changes when introducing flex plans.

According to Hewitt: 47% increased deductibles; 33% increased premium contributions for dependent coverage; 30% raised annual out-of-pocket maximums; and 28% increased premium contributions for individual coverage.

"However, flex shouldn't simply be used as a mask or a sweetener for imposing greater cost sharing," Foster Higgins' Mr. Faulkner warns.

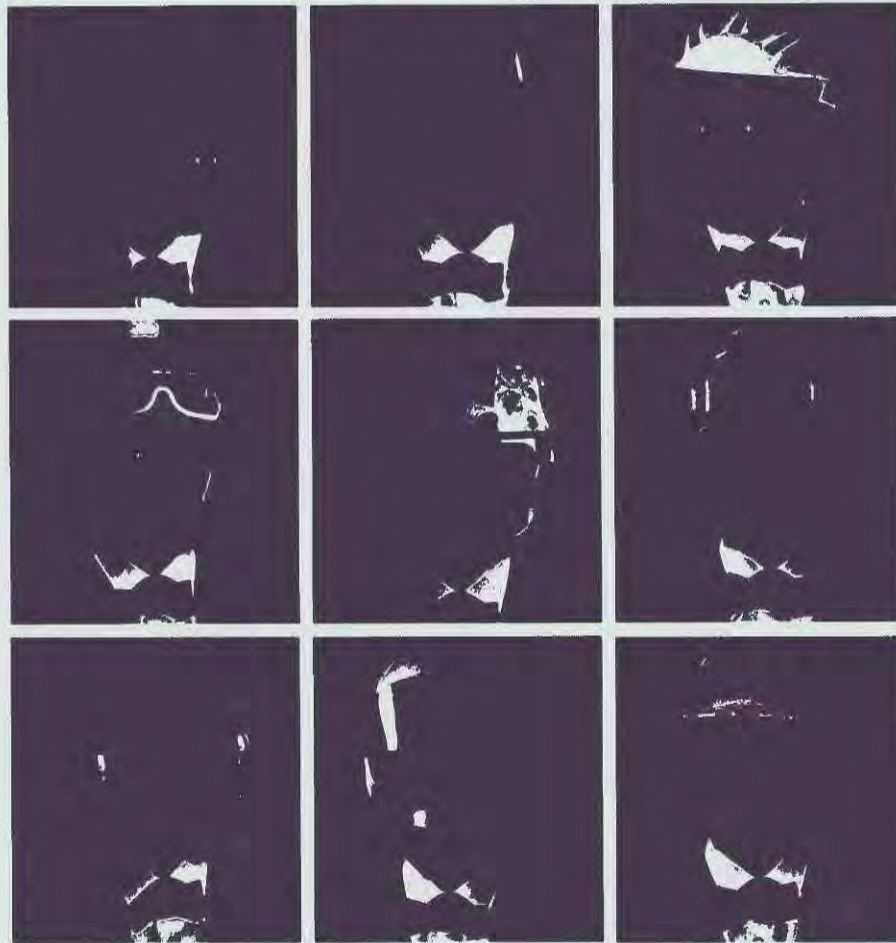
"Employers must have other objectives in mind. Cost containment can be one, but flex plans also can be used for better meeting employee needs, enhancing recruiting capabilities, consolidating diverse plans and so on," Mr. Faulkner said.

Hewitt also found that 52% of employers added specific cost management features when they implemented a flex plan.

Among those features: second surgical opinion requirement, added by 32%; pre-admission testing, by 29%; mandatory outpatient

Continued on next page

SAME COMPANY. DIFFERENT HATS.



**At K&K and Lincoln National,
we wear the hats, but you're the one who's covered.**

For over 35 years, K&K, an affiliate of Lincoln National Corporation, has been the Number 1 resource for Sports, Leisure and Entertainment insurance. K&K is a "specialty-market" with the unique ability to work directly with clients, brokers, risk managers and consultants. Our programs give you more than expertise, enthusiasm and innovation; they give you Lincoln National's \$23 billion edge. Lincoln National Corporation has earned its reputation as a leader in life, health, property-casualty, reinsurance and investment products.

Separately, K&K and Lincoln National are each a proven winner. Together, we're a team that works for you. Give us a call at (219) 427-3000.



K&K INSURANCE GROUP, INC.

1712 Magnavox Way
P.O. Box 2338
Fort Wayne, IN 46801

An Affiliate of Lincoln National Corporation

**LINCOLN
NATIONAL
CORPORATION**

Flex plans

Continued from previous page

surgery for certain conditions, 29%; case management features, 27%; pre-admission certification, 27%; concurrent utilization review, 22%; coverage for hospice care, 20%; coverage for home health care, 19%; and limited weekend hospital admissions, 19%.

Another reason for the savings was that employers with flex plans are more likely to offer managed care programs like health maintenance organizations and preferred provider organizations than those without the programs.

Foster Higgins reports that 81% of employers with flex plans offer HMOs, compared with 77% of employers without flex plans. In addition, 37% of employers with flex plans offer PPOs, compared with 34% of the employers that do not offer a flex plan.

However, while some employers say they have saved money on health care by switching to a flex plan, 43% of the employers surveyed by Foster Higgins said they could not determine whether their flex plans have helped control costs. Foster Higgins points out that about a third of the flex plans surveyed were only about a year old, so it could be too early to gauge savings.

Although flex plans are being increasingly viewed as a successful cost containment strategy, the number of employers adopting flex plans abruptly stalled last year, according to Foster Higgins. Of 943 surveyed organizations with 1,000 or more workers, 23% offered flex plans in 1989, up from 22% in 1988. In 1987, only 18% of the surveyed employers offered flex plans.

That lack of growth is even more surprising because, in the 1988 Foster Higgins survey, 11% of employers without flex plans said they were planning to implement a flex plan in 1989.

Of 23 employers that earlier had said they would set up a flex plan in 1989 and then failed to do so:

- Five employers subsequently decided that a full-scale flexible benefits plan was not necessary to achieve their objectives and instead established only flexible spending accounts or added provisions to allow employees to make pretax contributions for eligible benefit expenditures.

- Five concluded they did not have the software to administer a flex plan and felt it would cost too much to develop or acquire.

- Five were concerned with the problems of communicating a flex plan.

- Four decided to hold off because of uncertainty over Section 89 non-discrimination rules.

- Four had special reasons for not implementing a flex plan in 1989, such as unforeseen budget constraints or a Chapter 11 bankruptcy filing.

However, of the 23 employers that did not implement a flex plan in 1989 as planned, 11 still intend to implement a flex plan, Foster Higgins reports.

All told, 8% of the employers responding to the latest Foster Higgins survey said they planned to implement a flex plan in 1990, and another 20% said they are considering adopting a flex plan at some point.

Mr. Faulkner says "there might be a spurt of growth" in flex plan formation this year, now that uncertainty surrounding Section 89 and Internal Revenue Service rules regarding health care flexible spending accounts has been alleviated. The IRS rules, which went into effect in January, require employers to reimburse employees within a reasonable period after a claim is filed against an FSA, even if there are insufficient funds in the employee's FSA to cover the reimbursement (*BI*, March 6, 1989; Jan. 30, 1989).

Mr. Faulkner added, though, that "the rapid growth in the big picture

is slowing down."

"There's still going to be growth, but it is going to start slowing down a little bit," he said, explaining that "there is a fairly steady percentage—about 50%—who don't think flex is for them. It has not changed much over time."

Other findings in the two flex plan surveys include:

- Health care plans are the most common benefit to be included in a flexible benefit program, according to the Hewitt survey.

Indemnity health care plans were included in 97% of all flex plans, Hewitt said, followed by dental plans in 87%, HMOs in 82% and vision plans in 20%.

Among life insurance benefits, 80% of flex plans included employee life insurance benefits; 63% included dependent life insurance benefits; 56% included employee accidental death and dismemberment programs; 31% included dependent AD&D plans; and 7% included survivors' income

plans.

Fifty-four percent of flex plans offered long-term disability plan options, while 15% offered short-term disability plan choices.

And, 92% of the employers with flex plans surveyed by Hewitt also

Flex plan growth 'is going to start slowing down a little bit,' says George Faulkner.

offered flexible spending or reimbursement accounts, while 28% offered 401(k) plans as part of their flex plan; 28% allowed the trading of vacation days; and 3% tied other retirement plans to their flex plan.

- Average employee contributions to health care flexible spending ac-

counts rose 20% to \$670 in 1989 from \$557 in 1988, Foster Higgins reported, while average employee contributions to dependent care FSAs rose 11% to \$2,395 last year from \$2,155 in 1988.

Hewitt reported that average employee contributions to health care FSAs rose 6% to \$573 in 1989 from \$542 the previous year, while average contributions to dependent care FSAs rose 8% to \$2,539 in 1989 from \$2,349 in 1988.

- An average of 18% of eligible employees participate in health care FSAs, while 6% of eligible employees participate in dependent care FSAs, Foster Higgins said.

Hewitt reported that 19% of eligible employees participate in health care FSAs, while 3% of eligible employees participate in dependent care FSAs.

- 70% of the health care plans among surveyed employers with flex plans are self-insured, compared with 65% of the health plans among

employers without flex programs, according to Foster Higgins.

- 45% of employers with flex plans have added no additional employees to administer the flex plan, Hewitt says. Only 9% have added three or more employees because of increasing plan administration burdens.

Copies of "Flexible Benefit Programs," are available for \$100 from Survey and Research Services, A. Foster Higgins & Co. Inc., 212 Carnegie Center, CN5323, Princeton, N.J. 08543.

Copies of "1989 Survey of Flexible Compensation Programs and Practices," are available for \$100 from Catherine Schmidt, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000.

Limited copies of the Wyatt flex plan survey will be available free of charge later this month by writing Wyatt's Research and Information Center, 1850 M St. N.W., Suite 400, Washington, D.C. 20036.



The Whole Account ConceptSM makes

With the Whole Account Concept, one call and you get access to the best minds in reinsurance. You'll get a team of experts who can create a program that's customized to meet your needs. And give you answers to your toughest reinsurance questions.

Now *all* of the services of American Re are available to

all of our clients—worldwide. Now, when you work with one person at American Re, you work with the whole company. Whether your needs are in Facultative, Treaty, Underwriting, Claims, Actuarial, Financial, or Data Processing—we can construct a targeted program that's right for you.

Directory of benefit system vendors

A

Advanced System Applications

1 ASA Plaza, Box 385,
Bloomington, Ill. 60108;
708-893-9055

Year founded: 1977.

Parent company: Policy Management Systems Corp.

Software products:

• **ASA/CAS II Claims Administration System:** Unbundled hardware and software; mainframe; year of first installation, 1982; 31 total installations, 24 in employee benefit departments; functions include health claims administration, multiple claims edits, benefit payment calculation, dental claims processing; generates correspondence; can be

used to administer claims under COBRA.

• **ASA/CAPS Claims Administration & Payment System:** Unbundled hardware and software; mainframe; year of first installation, 1978; 41 total installations, one in an employee benefit department; functions include administration and adjudication of claims covered under medical, dental, vision and other types of plans; administers cost containment programs, including precertification, second surgical opinion, concurrent review and PPO programs.

• **ASA/CAPSule Health Claims Reporting System:** Unbundled hardware and software; mainframe; year of 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.

Staff: 690 total, 575 professionals.

Clients: 13 employee benefit department clients.

User support: User groups and meetings, telephone assistance available 15 hours per day, company magazine, client advisory board.

1989 gross revenues: \$49 million total; \$3.5 million from employee benefit information systems; 31% from sale of software, 69% from services.

Branch offices: Marina del Rey, Calif.

Principal officers: James E. Smith, senior vp; Robert Sizemore, executive vp.

The Alexander Consulting Group

125 Chubb Ave., Lyndhurst, N.J.
07071; 201-460-6600

Year founded: 1898 (parent company).

Parent company: Alexander & Alexander Services Inc.

Software products:

• **Cobra Compliance Software 2.1:** \$1,595; unbundled hardware and software; personal computer; year of first installation, 1986; 700 total installations, 500 in employee benefit departments; system can be used to administer claims under COBRA; can be used to communicate benefit programs to employees.

• **First Resource:** \$1,500; unbundled hardware and software; personal computer; year of first installation, 1984; 400 total installations, all in employee benefit departments; system processes information on employee benefit plans and personnel and can be used to administer claims under COBRA; can be used to communicate benefit programs to employees.

• **Flexible Spending Account Soft-**

ware: \$6,500; unbundled hardware and software; personal computer; year of first installation, 1988; three total installations, all in employee benefit departments; system maintains records of employee and employer contributions to flexible spending accounts; records nature and amount of reimbursement requests; generates checks, management reports and explanations of benefits; can be used to communicate benefit programs to employees.

• **Benefits Eligibility & Participation Analyzer:** \$5,000 for base system, \$3,500 per module; unbundled hardware and software; personal computer; year of first installation, 1990; one total installation, in an employee benefit department; system processes information on employee welfare benefit plans. Additional modules available for enrollment, confirmation and other functions; can be used to communicate benefit programs to employees.

Staff: 1,800 total, 956 professionals.

User support: User groups and meetings, telephone assistance available eight hours per day, client training and consulting.

1989 gross revenues: \$160 million total.

Branch offices: 50 offices in the United States.

Principal officers: A.M. D'Alessandro, chairman/chief executive officer; C. Douglas Preston, president/ chief operating officer; Donald Cleveland, executive vp/ chief operating officer-Alexander & Alexander global operations.

Continued on next page

How to use directory

The directory of employee benefit information systems lists companies that produce and supply proprietary software products to employee benefits 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 (mainframe, minicomputer, microcomputer or personal computer), the year of the first installation, the total number of installations to date, the number of installations to date in corporate employee benefit departments and the functions the product performs (including whether the product 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).

Information on **staff, clients** who purchased software systems in 1989, continued **user support** available, locations of **branch offices** and **1989 gross revenues** follows. Names and titles of **principal officers** 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 the data supplied by vendors.

this your ultimate answering machine.

With conventional reinsurers your business can get channeled into one division where you only get off-the-shelf products. At American Re, we've removed these barriers to give you solutions that are virtually limitless. All you have to do is call. The Whole Account Concept from American Re. More than you ask for.



**AMERICAN
RE-INSURANCE COMPANY**

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241 609-243-4200

Atlanta, Bogota, Boston, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Minneapolis, Montreal, New York, Philadelphia, Princeton, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto

Continued from previous page

ALTA Health Strategies Inc.

2610 Decker Lane, Salt Lake City, Utah 84119; 801-973-7300

Year founded: 1960.**Software products:**

- PC COBRA: \$2,500; unbundled hardware and software; personal computer; year of first installation, 1986; 340 total installations, all in employee benefit departments; system is designed to administer claims under COBRA.

Staff: 2,010 total, 589 professionals.**Clients:** 340 employee benefit department clients. Sold systems to 27 clients in 1989.**User support:** User groups and meetings, telephone assistance available nine hours per day.**Branch offices:** Atlanta; Baltimore; Boise, Idaho; Boston; Dallas; Denver; Houston; Milwaukee; Philadelphia; Phoenix, Ariz.; Orlando, Fla.; Los Angeles, San Francisco and Santa Ana, Calif.; St. Louis.**Principal officers:** W. Terry Nof-

singer, president; Robert Shomer and Keith Kinghorn, executive vps; Lane Summerhays, senior vp-finance; Robert Short, senior vp-administration; Carvel Whiting, senior vp-information systems/services; James A. Kenworthy, senior vp-provider networks; Paul Kral, senior vp-national accounts; Linda Gerbig, senior vp-managed care operations.

APEX Data Systems Inc.

6464 E. Grant Road, Tucson, Ariz. 85715; 602-298-1991

Year founded: 1977.**Software products:**

- COGNAC*PLUS: \$7,500-\$25,000; unbundled hardware and software; personal computer; year of first installation, 1988; 26 total installations, seven in employee benefit departments; system adjudicates health, dental and disability claims including flexible benefit and cafeteria plans; verifies and tracks eligibility, generates letters, analyzes cost containment records, administers claims under COBRA, generates management reports; can be used to

communicate benefit programs to employees.

Staff: 11 total, six professionals.**Clients:** 10 employee benefit department clients. Sold systems to two clients in 1989.**User support:** User groups and meetings, telephone assistance available nine hours per day, on-site support and training, enhancement releases, personalized modification of system.**Principal officers:** Dwight W. Babcock, president.**Armada Software**

13737 Artesia Blvd., Suite 206, Cerritos, Calif. 90701; 213-404-0549; 213-926-0553

Year founded: 1983.**Software products:**

- Speed Claims/RVS: \$50,000; bundled hardware and software; minicomputer; year of first installation, 1983; nine total installations, two in employee benefit departments; functions include medical bill reviews; can be used to communicate benefit programs to employees.

- SpeedClaim/Pharmacy: \$50,000; bundled hardware and software; minicomputer; year of first installation, 1983; nine total installations, two in employee benefit departments; functions include review of pharmacy and hospital bills; can be used to communicate benefit programs to employees.

- Employee Health Benefits: \$50,000; bundled hardware and software; minicomputer; year of first installation, 1983; nine total installations, two in employee benefit departments; functions include scheduled health benefit reviews; can be used to communicate benefit programs to employees.

Staff: 14 total, six professionals.**Clients:** Nine employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to seven clients in 1989.**User support:** User groups and meetings, telephone assistance available nine hours per day.**1989 gross revenues:** More than \$300,000 total; more than \$300,000 from employee benefit information systems; 10% from sale of hardware,

80% from sale of software, 10% from services.

Branch offices: Austin, Texas.**Principal officers:** Christian Arndt, president; N.E. Arndt, vp.**B****BASI (Business Administration Services Inc.)**

16 Knight St., Norwalk, Conn. 06851; 203-853-6584

Year founded: 1983.**Software products:**

- The BASI Administrator: \$6,500; unbundled hardware and software; personal computer; year of first installation, 1984; 100 total installations, 90 in employee benefit departments; functions include administration of defined contribution plans; can be used to communicate benefit programs to employees.

Staff: 11 total, nine professionals. **Clients:** 90 employee benefit department clients. Sold systems to eight clients in 1989.**User support:** Telephone assistance available nine hours per day, on-site consultation and training, custom modifications of system.**Principal officers:** Burton Stevens, president; Gary Oberst, executive vp.**BGS&G Cos. Inc.**

44-46 Baltimore St., Cumberland, Md. 21502; 301-777-1500

Year founded: 1965.**Software products:**

- Bene*Pak: \$995; unbundled hardware and software; personal computer; year of first installation, 1988; 27 total installations; functions include communicating the cost of life insurance, health insurance, retirement benefits and other benefit options to employees.

Staff: 120 total, 25 professionals.**Clients:** 27 employee benefit department clients; 75% with gross revenues less than \$200 million, 20% \$200 million-\$500 million, 5% \$500 million-\$1 billion. Sold systems to seven clients in 1989.**User support:** Telephone assistance available eight hours per day.**1989 gross revenues:** \$20,004 from employee benefit information systems; 20% from sale of software, 80% from services.**Principal officers:** J. Glenn Beall Jr., chairman; John E. Geare, vice chairman; Ronald J. Screen, president; Robert H. Garner, Page Shanklin and Marc E. Zanger, vps.**Benefit Concepts System Inc.**

396 Wampanoag Trail, East Providence, R.I. 02915; 401-438-7100; 800-522-2009

Year founded: 1985.**Software products:**

- Benefit Continuation Management System: \$1,595; unbundled hardware and software; personal computer; year of first installation, 1985; 300 total installations, all in employee benefit departments; functions include administration of claims under COBRA; can be used to communicate benefit programs to employees.

- Reimbursement Account Management System: \$2,995; unbundled hardware and software; personal computer; year of first installation, 1988; 50 total installations, all in employee benefit departments; functions include administration of Section 125 flexible spending accounts; can be used to communicate benefit programs to employees.

- Flexible Benefit Management System: \$7,495; unbundled hardware and software; personal computer; year of first installation, 1989; 12 total installations, all in employee benefit departments; functions include administration of cafeteria plans; can be used to communicate benefit programs to employees.

Staff: 16 total, seven professionals. **Clients:** 400 employee benefit department clients. Sold systems to 100 clients in 1989.**User support:** Telephone assistance available nine hours a day.**Principal officers:** John W. Hoder and Frank J. Hoder III.

Continued on next page

When Aultman Hospital asked for help in controlling benefits costs, RIMS told them to do it themselves.

That was three years ago. Now they do it for 50 others.

Aultman Hospital was faced with escalating benefits claims administration costs as well as fiscal business constraints caused by Medicaid and Medicare cuts. They wanted a claims administration software package that would let them control immediate expenses and focus on a business plan for a profitable future. That's when they found Resource Information Management Systems, Inc. (RIMS).

RIMS told Rick Haines, vice president of alternative delivery systems at Aultman Hospital in Canton, Ohio, that the best way to maintain control over benefits costs was to turn to self-administration of those claims.

Then RIMS showed him how the QicClaim® system was designed with the flexibility to allow Aultman Hospital to also manage the claims function

for other corporations — with unlimited growth capabilities.

That's all it took. Aultman bought QicClaim in 1985 to manage their own 3,000 employees' claims benefits. Now they also administer 300 physicians in a PPO that keeps their hospital beds full...and they operate their own TPA — AultCare — to handle claims for nearly 50 other companies. Today, with RIMS' software, Aultman is doing it themselves. Their claims management division is a thriving operational center handling over 30,000 lives. With a goal of 5,000 employee lives a year, they have so far superseded their goals.

RIMS systems are designed to meet the most exacting benefits plan and managed care administration requirements. From pre-admission

certification to provider network management to Section 89 compliance testing, RIMS lets you custom-tailor the system to meet your needs.

And with RIMS' QicClaim/2 product line, you can even choose your own hardware environment...mini-computer, mainframe cooperative or the increasingly favored PC network. Flexibility, simplicity, speed and total control over the claims operation make RIMS the profitable choice — for your corporation, PPO, TPA or HMO.

Keep your health claims administration under control with RIMS. Call toll-free 1-800-999-0009 for more information on QicClaim and new QicClaim/2.

RIMS RESOURCE INFORMATION MANAGEMENT SYSTEMS, INC.

The Leader in Benefits Administration Software

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Paying your producers

Agents must weigh compensation plans with profit margins

By LINDA J. COLLINS

Agencies and brokerages face a double-edged sword in their attempts to attract and retain good producers.

While they have to offer attractive compensation packages to make and keep good producers happy, they also have to carefully manage compensation so that it reflects services delivered and does not threaten profitability, experts warn.

Producers are being offered vested ownership in their books of business, travel and entertainment expenses, car allowances, educational expenses and other perks as part of their compensation (see story, page 32F).

But keeping good producers happy cannot come at the expense of an agency's profits, experts warn.

"You need to focus on the overall costs of the compensation package to make sure they are not out of line," stressed Robert H. Hilb, president of Hilb, Rogal & Hamilton Co. in Glen Allen, Va.

That focus is the "single most important" trend in producer compensation, said Robert E. Kurdziel, president of both

agency management consultant Kurdziel & Associates and agency Risk Management Group Ltd. in Atlanta.

"Many agencies and brokerages are beginning to recognize they are paying producers more than they had thought, he added.

"We are seeing the beginnings of a re-examination and restructuring of the agency compensation system," said Patricia A. Borowski, vp of government and industry affairs for the National Assn. of Professional Insurance Agents in Alexandria, Va.

The issue of producer compensation has grown in importance for agencies and brokerages as portions of producers' traditional workload have increasingly been shifted to inside sales and service staffers. That movement, which began in large agencies more than a decade ago, is becoming increasingly widespread, according to Ms. Borowski (see story, page 32E).

And, when agencies or brokerages set up internal sales and service departments, they also must determine how to compensate those employees when they sell additional lines of business to existing clients or bring in new business.

At the same time, there has been a shrinking labor pool, forcing agencies and brokerages to search for new producers outside the insurance industry and to "compete compensation-wise with other industries," Ms. Borowski said.

"There is no magic formula here. A compensation plan has to be fine-tuned and individualized to the agency itself," said Timothy J. Cunningham, senior consultant with Hales & Associates Inc. in Oak Brook, Ill.

"It may be reasonable, depending upon the size of the agency and the type of people it employs, to have more than one compensation plan. The larger the firm, the easier" it is to offer more than one plan, Mr. Cunningham said.

Michael J. Segal, president of Near North Insurance Agency Inc. in Chicago, characterized producer compensation as "one of the most frustrating aspects of agency management."

There "needs to be several types of compensation structures" combining subjective and objective criteria, he asserted.

Subjective criteria should focus on a producer's overall attitude. For example, Mr. Segal said: "Do experienced producers help younger people learn the business? Do they help other people with accounts? Are they following all agency procedures?"

Objective criteria would include how much new business producers generate, how much they retain and how many policies they sell to the same client, Mr. Segal explained.

"We measure all of those things and try to balance the objective cri-

teria with the subjective criteria," he said.

It is important to consider more than just the amount of business produced in structuring a compensation program, agreed Larry Marsh, president of Marsh, Berry & Co. Inc. in Mentor, Ohio.

"Most agencies make the mistake of creating a compensation plan where all they do is give. They should ask the producers for something too," such as good premium collection and a strong focus on their clients' loss ratios, Mr. Marsh said.

But, consultants, agents and brokers also stressed that producers on average are being paid a smaller percentage of premiums today than a decade ago.

Producers' commissions historically have been about 40% of the total commissions they generate for the agency or brokerage.

But "the average agency today would lose money paying 40% of commissions," pointed out John H. Jaques, founder and principal of consulting firm John H. Jaques Inc. in Novato, Calif.

The consultant recommends—and says he is seeing a movement toward—a compensation structure of about 40% of commission for new business and 25% of commission for renewals. Based on an average five-year account retention, compensation would be an average of 28% to 30% of commissions, according to Mr. Jaques.

Paige Proctor, president of Eaglemark Consulting Group in Bloomington, Ill., said he increasingly finds compensation structures with 40% of commissions for new business and 25% to 30% of commissions for renewals, "depending on the benefits the producer receives" and the amount of support services the agencies provide to their producers.

But, Chuck Coyne, a senior consultant with Business Management Group in Hartford, Conn., observed that some agencies are still paying 40% to 45% on new and renewal business, including personal lines, and as a result are "walking away, many times, with little or no profit."

Noting that an agency must make a 10% profit, not including any contingency commissions from insurers and interest income, Mr. Coyne feels that "the average agency should be paying an average of 30% to 35% of commissions."

Hales & Associate's Mr. Cunningham said that "30% of commissions is a good rule of thumb, assuming normal producer support is given by agency personnel and perks and benefits are provided."

The compensation plans of several agents and brokers contacted by *Business Insurance* fall within that range.

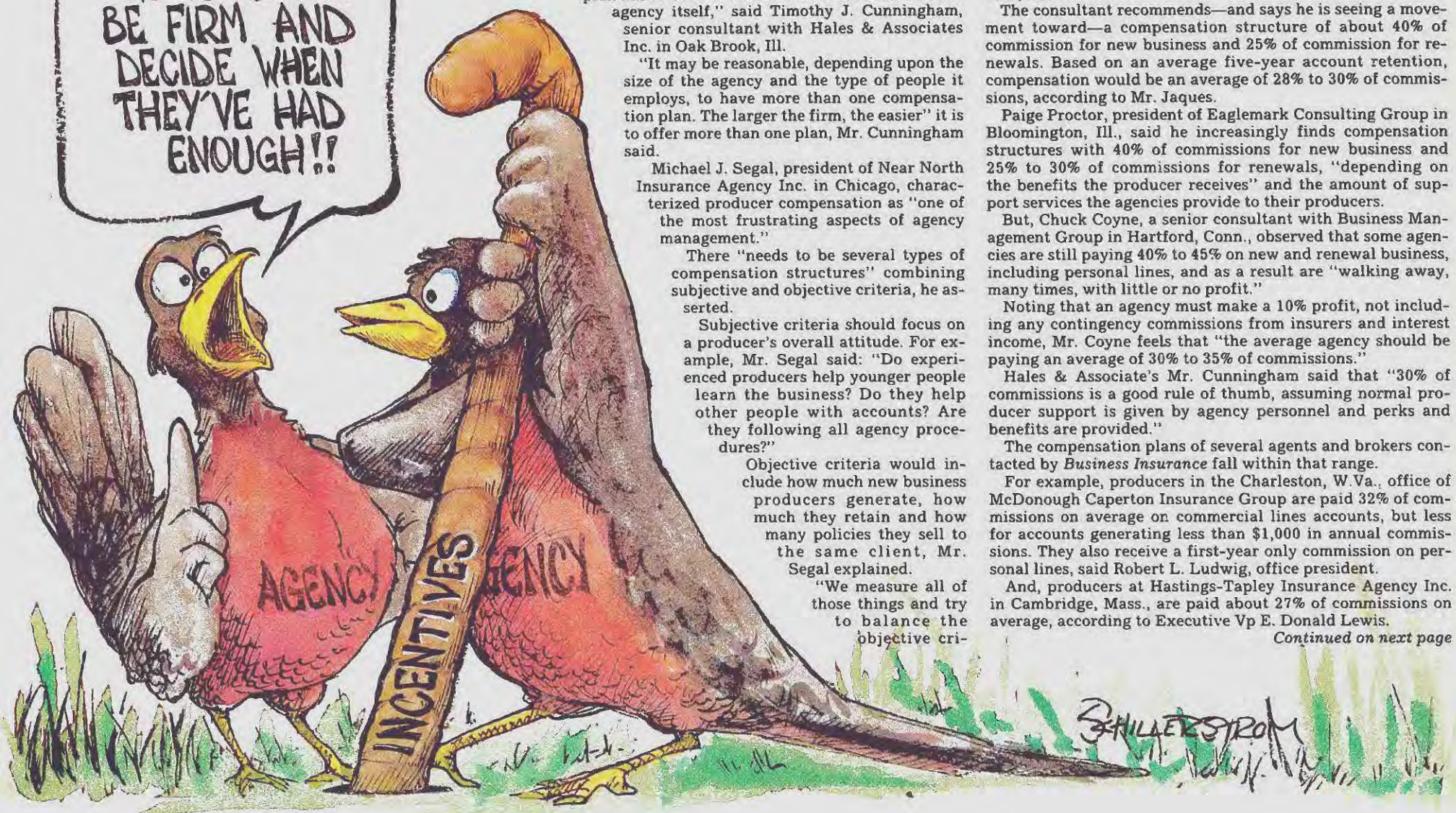
For example, producers in the Charleston, W. Va., office of McDonough Caperton Insurance Group are paid 32% of commissions on average on commercial lines accounts, but less for accounts generating less than \$1,000 in annual commissions. They also receive a first-year only commission on personal lines, said Robert L. Ludwig, office president.

And, producers at Hastings-Tapley Insurance Agency Inc. in Cambridge, Mass., are paid about 27% of commissions on average, according to Executive Vp E. Donald Lewis.

Continued on next page



WE'VE GOTTA BE FIRM AND DECIDE WHEN THEY'VE HAD ENOUGH!!



SHILLERSTROM

Compensation plan

Continued from previous page

Consultants emphasize examining the economic impact of a producer compensation plan before putting it into effect.

"Frequently, an agency hires a producer before someone has really worked out the numbers," said consultant Charles S. Watson, president of Watson Associates in Hartford, Conn.

But, without proper planning, brokerages and agencies can lose money hiring even successful producers, he cautioned.

Mr. Watson, who owned an agency for 25 years, suggested that agencies determine which of several compensation plans is most feasible by projecting their "profit and loss impact" for five years.

Mr. Jaques said owners or managers should examine what they can afford to pay a producer, what competitors are offering and the producer's asking price.

They also should consider the overall profit margin they want to achieve, Mr. Jaques said.

After looking at all of those fac-

tors, "they can work backwards to arrive at a compensation program" that is acceptable to both parties, he explained, noting that he is seeing a growing number of agencies and brokers using this approach.

In structuring compensation plans, agencies and brokers have to factor in market cycles, said Joseph E. Brown, president of the retail division of Poe & Associates Inc. in Tampa, Fla.

For example, in a soft market, when agencies' and brokers' premium revenues drop, the income of producers paid totally or in part on commission will fall. But an agency or brokerage still must raise the pay of its support staff, he said.

Business Management Group's Mr. Coyne said "the trend of late is to make sure agencies arrange a compensation plan that takes care of three key objectives." Those objectives are to:

- Generate profits.
- Attract and retain good quality producers.
- Motivate those producers to seek new business.

"We find that many agencies are paying too high a compensation to

their producers, which is negatively impacting their bottom line, and they are not motivating their producers to seek new business," Mr. Coyne said.

"True producers"—aggressive sales people who generate the most revenue—will not be satisfied unless the agency or brokerage has "a system in place that recognizes excellent performance," said Watson Associates' Mr. Watson.

A booklet at Hastings-Tapley contains the goals of its compensation plan, Mr. Lewis said.

He explained that goals include that the plan:

- "Supports the agency's strategic business plan."
- "Is competitive within the insurance industry and industry in general."
- "Reimburses producers for new business production and renewal servicing."
- "Provides incentives for producers to write business profitably."
- "Provides long-term growth and benefits to the producers and the agency."

But, agents, brokers and consultants offer considerably different opinions on how to best structure a

compensation arrangement that works well for both producers and employers, which emphasizes the dilemma agencies and brokerages face in this area (see related story).

Furthermore, some larger agencies and brokerages use several compensation plans depending on producers' experience, skills and performance and the types of business they are marketing (see story, page 32E).

"The compensation program you have for your agents depends greatly upon the types of clients they are marketing to," said consultant Mell Vaughan, president of American Brokerage Corp. in Hartford, Conn.

"The economics of the insurance industry change with the type of business and size and complexity of accounts, and the role of the producer also changes," Mr. Vaughan said.

For example, when a team of producers and account executives—as opposed to a single producer—is assigned to work on a commercial account, "the producer would tend to be compensated less as a percentage of the revenues because other people are performing some of the functions," Mr. Vaughan said.

On mid-sized accounts, or those generating from \$50,000 to \$500,000 in annual premiums, producers would typically perform more duties themselves and should "receive a greater percentage of the commissions," he said.

Personal lines and small commercial lines accounts, however, might be serviced solely by an internal sales and service department. Producers may then receive only a first year finder's fee for bringing in the business, Mr. Vaughan said.

The dilemma is in "trying to sort out the commissions to the services actually performed," said Poe's Mr. Brown.

Large organizations have "the people who can open doors," or those who actually sell the business; the "numbers people," or those who perform the technical work; and those who service accounts, Mr. Brown pointed out.

"You have to allocate commission income to the people who provide those services, and you have the problem of shared commissions when more than one producer is involved on the account," Mr. Brown explained. ■

Agencies use varying compensation plans

By LINDA J. COLLINS

Opinions on what type of compensation arrangement works best for an agency or brokerage vary widely, just like the compensation plans used by agencies.

Some agencies and brokerages, for example, put a premium on generating new business by offering high first-year commissions. That approach, they say, discourages producers from growing too dependent on current clients.

But current accounts, argue other experts, are just as important—if not more so—than new business. Producers, they say, cannot be encouraged to neglect existing accounts.

Robert E. Kurdziel, president of consultant Kurdziel & Associates and president of Risk Management Group Ltd., an Atlanta agency, defends the former view.

"We pay more for new business because so much more effort is involved," he said.

Catherine C. Oak, senior consultant with Russell Miller Inc. in San Francisco, agrees: "We suggest a higher new and lower renewal commission structure to encourage new business production."

Others, arguing that such a system may encourage agents to neglect their existing clients in pursuit of new business, advocate compensation programs based upon the growth of a producer's overall book of business.

"Existing clients are as important, if not more important, than new clients, and I don't believe in systems where new business is paid a higher percentage than renewal business," said consultant Mell Vaughan, president of American Brokerage Corp. in Hartford, Conn.

"I do believe an agency should encourage growth by paying a bonus. But it should base the bonus on the overall growth of the producer's book of business," he added.

Charles S. Watson, president of Watson Associates, a Hartford, Conn., consultant, recommends a combination of the two methods.

"I do believe it is better to have a higher new business commission, but I also recommend a quota for increasing the total book of business—both new business and renewals. Otherwise the producer could lose as much business as he or she is taking in," Mr. Watson stressed.

However, certain producers may focus almost exclusively on producing new business. After bringing the account in the door, they may turn it

over to another producer or an account executive who services it and adds additional coverages.

"Most agencies have heavy producers who are like rain-makers," said Michael J. Segal, president of Near North Insurance Agency Inc. in Chicago. "Production never stops."

After landing accounts, they may turn the business over to someone else to flesh out and service, Mr. Segal added. Those "hybrids" are also very important to an agency, he said.

However, others believe that ongoing contact between the producer and medium to large commercial clients is crucial to account retention.

Clients paying annual premiums of at least \$50,000 "have the right to have their agent there. Those accounts need to be re-worked and re-marketed every year, and if you have heavy competition or the market is tight, you need your best people on the front line," said Mr. Vaughan.

Consultants, agents and brokers also differ on how in-house licensed customer service representatives or account executives who sell and service personal lines or small commercial lines accounts should be compensated for their sales functions.

Some argue that these internal sales people are not motivated by cash incentives and advocate paying them straight salaries.

The personality profiles of CSRs "are such that they are very comfortable with a salary," said consultant John H. Jaques, principal of John H. Jaques Inc. in Novato, Calif.

Instead of being motivated by incentive pay to make new sales, "their productivity increases when their jobs are made easier to perform" through such tools as automated rating systems, interface capabilities with insurers or the availability of prepared sales scripts, he said.

"I don't tend to recommend a bonus system for CSRs," said Watson Associates' Mr. Watson. "They have more of a team personality than an individual personality and that's not a hot button for them."

"They look more for feedback, instruction and structure and would be more responsive to a team award than an individual award," he added.

But others say that while paying CSRs or account executives a base salary is appropriate, incentives also should be given to round out existing accounts and sell new business.

"You should have incentives for CSRs to sell new business or add policies to existing accounts—something simple like a flat-dollar amount

or a lower commission percentage than that paid producers," said Russell Miller's Ms. Oak.

"The key is to have the incentives in place so that those who are incentive-conscious can take advantage of them," she added.

American Brokerage Corp.'s Mr. Vaughan, stressing that there is a lot of competition for talented CSRs, recommends that they be offered some type of incentive arrangement—in addition to salary—to "marry them" to the agency.

However, every employee should be sales-oriented and agencies should not even hire a CSR who is not motivated to sell, contends Don Jones, principal of Don Jones Inc., a St. Petersburg, Fla., consultant.

He prefers using internal "personal risk managers"—whom he says are "more sales-oriented with a commitment to becoming identifiable to clients"—to purely service-oriented CSRs, and recommends incentive compensation for these staff members.

Because of this diversity of opinions, agencies and brokerages design compensation plans suited to their own goals, client base and operating style.

The diversity that exists among the producer compensation arrangements established by the following agencies and brokerages illustrates this point:

Andreini & Co.

Andreini's compensation plan "basically pays producers 25% of commissions for new business and 20% for renewal business," said John Andreini, president of the San Mateo, Calif.-based brokerage.

Business generating under \$2,500 in annual commission income is handled internally by licensed CSRs who are paid a salary, plus bonuses for new business production, he said.

Every producer either receives a company car or a car allowance based on his business production. All producers will eventually be converted to a car allowance because "the liability to the company" of maintaining a fleet of autos "is tremendous, and we would just as soon not carry that liability," he said.

The brokerage reimburses producers for travel and entertainment, but monitors those expenses to make sure they remain reasonable, Mr. Andreini said. Educational expenses and expenses for trips to conventions or seminars are also paid.

As producers "climb up the ladder, we take on membership ex-

penses" to business or social organizations, he added.

Andreini offers a profit-sharing plan and a contributory 401(k) plan to all employees.

Wm. Assman Agency Inc.

The three producers at the Winnetka, S.D., agency each manage a department: personal lines, commercial lines or agribusiness.

"Each manager/producer is paid on a flat salary basis plus a quarterly commission on their entire department's business, whether they wrote it or not," said Sam Meyer, president and manager.

Each also refers business to the other departments, he added.

All three producers hold both property/casualty and life/health licenses, and each has a personal agent's contract with a life insurer. The agency holds a general agent's contract with that insurer.

Producers "receive 100% of the agent's commission on the life business they produce, and the agency receives an override from the general agent's contract," Mr. Meyer said.

Producers receive a full benefits package and are reimbursed annually for up to six hours each of property/casualty and life/health certified coursework.

They receive mileage expenses and one agency-owned vehicle is available. They are also reimbursed for travel and entertainment expenses that meet agency criteria.

Association dues are paid in full, but club memberships are not covered, Mr. Meyer said.

Producers are held responsible for the bad debts of their clients if they do not follow agency collections procedures. If a producer is found responsible for an error and omissions claim, he is responsible for half the agency's deductible, though "we haven't had an E&O claim for 65 years," Mr. Meyer noted.

Financial Insurance Services Corp.

The Fairfax, Va.-based agency has "several different types of compensation plans for CSRs and producers," said Assistant Vp Richard Bourne Jr.

CSRs, who "cross-sell and handle complete client contact for simple commercial lines and personal lines accounts, receive a salary plus bonus" tied to the overall book of business, Mr. Bourne said. They are rewarded individually for "special" performance.

Seasoned producers are paid either a salary plus commission or a

straight commission, "based on individual negotiations."

The commission is the same for new and renewal business and some producers negotiate a vested ownership in their books of business, though there is no standard formula, Mr. Bourne said.

New producers are paid a salary plus a performance bonus.

"Producers with additional responsibilities for management or administration would get a salary for those extra duties," Mr. Bourne explained.

Educational expenses are fully paid for in-house producers and CSRs. The agency pays expenses for seminars and conventions it considers appropriate.

Producers individually negotiate car allowances, but must receive prior approval for travel and entertainment expenses, Mr. Bourne added.

The agency also offers a profit-sharing plan and pension plan to all employees.

Forbes Troxel Insurance Agency Inc.

Experienced producers are paid a draw against commissions. They receive 65% of commissions for new business and 35% of renewals on commercial lines accounts and a 75%/10% cut on personal lines accounts, said Zack M. Troxel, president of the Dallas agency.

Producers are considered independent contractors and auto, travel and entertainment expenses are not covered. The agency does pay medical and dental benefits to producers earning more than \$25,000 a year, and pays a share of those expenses if they earn less.

The agency also pays some sales expenses, such as phone, postage and office supplies, Mr. Troxel said.

Producers get annual continuing education allowances of up to \$1,000, based on production.

After three years, producers are given the option to buy into the agency under a formula spelled out in their employment contract, he said.

At that time, producers also become 30% vested in their renewal commissions. "This continues 10% for each year, until at the end of 10 years they are 100% vested," Mr. Troxel said, explaining that when producers leave the agency or retire they can receive up to 10 years of commissions on their accounts that renew with the agency.

Continued on next page

Continued from previous page

Producers are held responsible for one-half of the agency's deductible if their error results in an E&O claim. They are also held liable for their clients' bad debts that exceed 60 days.

New producers are paid on a salary-plus-production basis.

In-house customer service representatives, called risk managers, are salaried and receive a 3% monthly bonus based on the net increase in the volume of business they handle.

When risk managers bring in new personal lines business, they are given 75% of the first-year commission and 10% of renewal commissions. They also receive bonuses for every expiration date they obtain, Mr. Troxel said.

Hasting-Tapley Insurance Agency Inc.

Producers receive a salary plus bonus, based upon their prior year's revenues, at the Cambridge, Mass., agency. They are credited about 20% more for the new business they generate than for renewal business, with compensation averaging about 27% of commissions generated, said Executive Vp E. Donald Lewis.

Referral fees are given for business referred between the life/health and commercial departments.

The agency does not credit producers for commercial accounts generating less than \$500 in annual commissions, and gives a smaller credit than normal for commercial accounts that generate less than \$5,000 in annual commissions, he said. Those small commercial accounts are handled by an internal producer who is paid a salary plus bonus.

Producers earn a first year finder's fee for personal lines referrals, which are handled by salaried CSRs.

Hastings-Tapley's employee benefits package includes a 401(k) plan.

Producers are given an auto allowance and a "graded expense account" based on production, Mr. Lewis said. The agency sets an annual educational expense budget, and also pays for memberships in business or civic organizations.

Hastings-Tapley offers a deferred compensation program for producers who have been with the agency for at least three years. That compensation is paid out over 10 years when a producer retires, leaves the agency or dies. Producers leaving before retirement are penalized, Mr. Lewis said.

Hilb, Rogal & Hamilton Co.

Producers are compensated differently office-by-office, but total compensation equals about 30% of commissions generated, said Robert H. Hilb, president of the Glen Allen, Va., brokerage.

Some offices provide auto expenses and pay for club memberships, travel and entertainment or other incentives, Mr. Hilb said. All employees receive a full benefits package, including profit-sharing and 401(k) plans, he said.

Mack & Parker Inc.

The Chicago-based agency pays seasoned producers commissions on any business that is turned over to them by the agency.

And producers are paid commission plus an annual year-end bonus of 10% on business they produce, said Martin P. Hughes, executive vp.

Producers receive no commissions on commercial lines accounts that generate less than \$2,500 in annual commissions, he said.

Commercial lines CSRs—referred to as account managers—are paid a salary plus an annual bonus based 50% upon the performance of their own book of business and 50% on department and agency performance.

The agency pays a one-time finder's fee of 10% of commissions to any employee who brings in personal lines business. That business is handled by salaried CSRs.

Producers are given auto allowances and the agency pays "all rea-

sonable business expenses. All producers have the opportunity to join a social club," though country clubs are not included, Mr. Hughes said.

The agency provides educational programs and a profit-sharing plan for all employees.

Producers are penalized for the bad debts of their clients, he added.

McDonough Caperton Insurance Group

"The majority of our sales people are on a straight commission basis," said Robert L. Ludwig, president of McDonough Caperton's Charleston, W.Va., office and regional managing partner.

Producers receive a draw on commissions with bonuses paid at the end of the year.

There is a "slight variance in our commission formula—new business pays 2% to 4% more than renewal—it

Continued on next page

There are many yardsticks by which an Excess & Surplus Lines Company is measured A critical one is:



NAI

Service!

Wholesale brokers who deal with Investors say that we provide the best quote and policy insurance service in the E&S business. That's why they've dubbed us "the fastest gun in the East." Our people are committed to providing superior service to our producers. They have invested their time, skills, and reputation with Investors.

Another reason —

YOU can invest in Investors!

III G INVESTORS INSURANCE GROUP

100 METRO PARK SOUTH, CN-007
LAURENCE HARBOR, NEW JERSEY C8878
(201) 566-1800/(800) 243-6869
FAX (201) 566-0181

Exclusively Through Professional Wholesale Brokers



WITHOUT THE RIGHT E&O COVERAGE, THEY'LL EAT YOU ALIVE.

Face it. You're a prime target for a lawsuit. In 1968, one in 50 agents was involved in a lawsuit. Today, it's one in eight. And could be one in four, depending on where you live.

Having E&O coverage can't stop you from being sued. But the right E&O coverage can protect you from spending a fortune. Or prevent the business you've worked hard to build from closing its doors forever.

Your E&O coverage is the most important policy you'll ever buy. So don't play games with it. Get PIA's Errors & Omissions Insurance Program. Quite simply, it's one of the most comprehensive policies available to independent agents. From First Dollar Defense with no deductible to Full Prior Acts coverage, you get protection you won't find just anywhere. And unlike many other E&O programs, it's been a consistent force in the marketplace for over 25 years.

So if you're going to swim with the sharks — and these days who doesn't — make sure you get out alive. Call PIA or complete this coupon. We'll show you how you can protect yourself without taking a big bite out of your budget. Do it today!

Underwritten by the Utica Mutual Insurance Company.

I NEED PROTECTION!

Show me how I can get it with PIA's E&O Insurance Program underwritten by Utica Mutual Insurance Company.

Name _____

Agency Name _____

Address _____

Zip _____

Phone () _____

E&O Policy Expiration Date _____

Clip and return to: PIA's Errors & Omissions Dept.,
PIA Services Inc., 400 N. Washington St.,
Alexandria, VA 22314*

1-388BI



400 N. WASHINGTON ST.
ALEXANDRIA, VA 22314 703/836-9350

*In Wyoming contact: Nelson Insurance Agency,
P.O. Box 311, Powell, Wyoming 82435

Agent/Broker Topics

Compensation

Continued from previous page averages to about 32% of commissions, said Mr. Ludwig. A producer and an account executive on a larger account split the commission income.

McDonough Caperton pays first-year-only commissions on new personal lines business and that business is turned over to salaried CSRs. The broker has a formula through which CSRs can receive bonuses for new business production, but not all offices follow this procedure.

Producers are paid only about half of their typical new and renewal commission split for commercial lines accounts that generate less than \$1,000 in annual commission income. Those accounts are turned over to a small accounts department, he said.

"We pay all reasonable associated business expenses for travel and entertainment and 26 cents per mile for

auto usage. We promote education very heavily and pay all associated expenses," he said.

The agency gives employees a cash award for attaining CPU or CLU designations and pays their expenses to attend the national conferment ceremonies. The agency also has profit-sharing and contributory 401(k) plans. Producers are penalized for bad debts.

Near North Insurance Agency

The Chicago-based agency "believes strongly in a salary with a matrix for incentives on an annual basis," said President Michael J. Segal.

"I don't necessarily believe the best way to handle all producers is by a percentage of commissions. You can run into substantial problems because sometimes it is hard to determine who is in charge of the ac-

count," he explained.

Producer salaries are based on several objective and subjective factors, including new business generated, retention levels, amount of cross-selling, how well they follow agency procedures and how much help they are willing to provide to co-workers.

Near North provides full benefits, a car phone and auto expenses, or a car if extensive travel is involved. It also covers travel and entertainment expenses, which the agency reviews monthly, according to Mr. Segal.

Personal and commercial lines account executives are paid a salary, with a subjective bonus based upon new business production and account retention. The agency has no official penalty for bad debts or E&O claims, but they would affect the subjective bonus, Mr. Segal added.

Poe & Associates Inc.

The Tampa, Fla.-based brokerage

modified its producer compensation plan at the beginning of the year to "make it easier for everyone to understand," said Joseph E. Brown, president of the retail division.

"The system is based on growth of the producer's book of business and the overall commission volume serviced," Mr. Brown said.

Two categories of producers are not paid according to this system. New producers are paid a salary. And, specialty producers who market to a type of account that requires considerably more or less effort and/or expense to produce and service have a special compensation arrangement that takes these factors into consideration, Mr. Brown noted.

Expense allowances for producers range from \$5,000 to \$10,000 per year, depending upon their book of business. Travel, entertainment, mileage and club memberships come out of that allowance. Education ex-

penses are usually paid by the broker.

Poe offers a 401(k) plan, and an employee stock purchase plan which discounts the market price of the broker's stock, said Mr. Brown.

Producers generally must pay a portion of their clients' bad debts and of the deductible on any E&O claims for which they were responsible, Mr. Brown said.

Risk Management Group Ltd.

The Atlanta agency pays producers on a two-tiered commission schedule, with a higher rate for new business production.

"We have a different commission structure in place if the producer chooses to avail himself of our sales center," said Robert E. Kurdziel, president. He explained that since the sales center furnishes producers with leads and appointments, a portion of those commissions would be used to support the sales center.

Both external producers and internal personal lines producers are paid a base salary plus commission. CSRs are on salary, but receive bonuses for producing new business. Producers' auto and car telephone allowances are based on meeting sales goals, Mr. Kurdziel said. The agency also pays some local travel and entertainment expenses in addition to educational expenses.

Producers are responsible for the first \$1,000 of any E&O claim if they have not followed agency procedures.

Shealy Insurance Group Inc.

The Columbia, S.C., agency now pays producers a draw against commission, although all producers will eventually be paid a straight commission. They receive 40% of commissions for new business and 25% for renewal business, said S. Keisler Shealy, Jr., president.

Beginning in their third year of employment, producers gradually become vested in their book of business up to a maximum of 40% by the end of seven years, Mr. Shealy said.

Producers are given an auto expense allowance, and travel and entertainment expenses are reimbursed. Memberships in civic groups and educational expenses are paid.

Producers are responsible for the bad debts of their clients if they do not follow agency collections procedures, and for half of the deductible if their actions cause an E&O claim, Mr. Shealy said.

Salaried CSRs receive a finder's fee or first-year commissions on business they bring into the agency. All employees receive a benefits package, including profit-sharing benefits.

Shelton & Connelly Inc.

The Clearwater, Fla.-based agency pays its three producers 25% of commissions on business that they are asked to handle but did not generate for the agency, said President John P. Connelly.

Producers are paid 50% of commissions on new business they generate themselves, as well as 40% of the second-year commissions and 25% to 30% of subsequent years' commissions, he said. When Mr. Connelly asks a producer to help him with one of his accounts, they split commissions 50/50 as long as Mr. Connelly remains with the account. In those situations, the third and subsequent year commission drops to 20% to 25%.

Producers get "a very limited travel and entertainment budget" and a monthly car allowance of \$250. The agency pays the average cost of personal auto insurance for each producer. Educational expenses and convention and seminar costs are also paid and producers receive a benefit package.

Producers are responsible for bad debts if they didn't follow agency procedures, according to Mr. Connelly.

May

Advertising/Sales Promotion IMS Conference Report

What strategies are used by successful agencies to promote their firms? Returning from the recent Insurance Marketing Services Conference, BI will report on how agents can improve their marketing and advertising efforts to generate more business.

Issue: May 7
Ad Closing: April 24

June

Niche Marketing

Want to increase your business? You've got to find that niche that sets you apart from your competition. BI will look at how niche marketing works for agents and brokers, how they can specialize by type of coverage they offer as well as by targeting their clients demographically or by nature of business.

Issue: June 4
Ad Closing: May 22

July

NAIB Conference Report

What hot topics will be discussed at the National Assn. of Insurance Brokers conference...the volatile property/casualty market...insurer solvency...or, the industry's image? Joining executives from leading insurance brokerage firms at this meeting, BI editors will report on the state of the industry and issues vital to both brokers and agents.

Issue: July 2
Ad Closing: June 19

Agent/Broker Topics is a unique editorial product — a demographic section within the pages of the undisputed leader in the commercial insurance industry: **Business Insurance**.

Because of BI's unique position in the marketplace, Agent/Broker Topics offers an unparalleled advertising opportunity. Once each month issues of BI containing Agent/Broker Topics are sent to and read by an exclusive audience of agent/broker subscribers. These readers ... an audience undiluted by other functions ... rely on BI for news and trends affecting and influencing decisions made by corporate insurance buyers ... their customers. And they rely on this demographic section for information directly affecting their own business operations.

To you, as an advertiser, these agent/broker readers represent a wealth of purchasing power for insurance products and services. No other publication offers you such a unique selling proposition.

**Business
Insurance**
a publication of Crain Communications Inc

220 East 42nd Street, New York, NY 10017-5806
(212) 210-0228

740 Rush Street, Chicago, IL 60611-2590
(312) 649-5276

6404 Wilshire Boulevard, Los Angeles, CA 90048-5500
(213) 651-3710

Agent/Broker Topics

Customer service staffs free up producers

By LINDA J. COLLINS

Many agencies and brokerages are creating separate departments to handle personal lines and small commercial accounts, freeing up their producers to look for larger business.

Rather than rely on producers to bring in new personal lines business, the departments hire licensed customer service representatives to sell and service personal lines.

Larger agencies and brokerages are beginning to set up similar departments to handle small commercial lines accounts, say consultants.

Many of those agencies and brokerages have found small commercial lines accounts often do not generate enough commissions to cover the cost of a producer handling them, say consultants.

dent of Eaglemark Consulting Group in Bloomington, Ill., if a typical producer listed all his accounts from highest commission generators to lowest and drew a line a quarter of the way down the list, "everything below that line would probably produce only about 16% of his income."

He said that "some agencies are now turning service responsibilities on these (small commercial) accounts over to CSRs" and eliminating producer commissions on them.

Producers are thus freed to work on the larger accounts that generate the most money.

By reducing or eliminating commissions and using salaried CSRs on small commercial accounts, agencies and brokerages see profits rise.

"I strongly advocate the use of CSRs for personal lines and small commercial accounts," said Mell

Vaughan, president of American Brokerage Corp. in Hartford, Conn.

Because good CSRs are in great demand, the consultant recommends "marrying the CSR to the agency" through incentives to develop new business and cross-sell accounts.

CSRs should be offered "some sort of compensation for rounding out accounts," agreed Mr. Proctor.

Consultant Don Jones with Don Jones Inc. in St. Petersburg, Fla., another strong believer in the internal departments, said he prefers "personal risk managers" to CSRs.

PRMs, he said, are much more sales oriented than the typical CSR and have a "commitment to becoming identifiable to their clients."

Mr. Jones recommended that agencies or brokerages utilize personality testing in hiring PRMs to look for those characteristics.

Finding PRMs who are motivated to sell new business "eliminates the turnover and burnout" that occurs

when a CSR who is not sales oriented is forced to sell new business, Mr. Jones explained.

Big brokers silent on compensation

Finding one or two compensation packages that work well throughout a national brokerage is a difficult, if not impossible task, regional brokers and consultants say.

Several regional brokers and local independent agents discussed producer compensation with *Business Insurance* (see story, page 32B), but several of the Top 10 brokers would not do so.

One Top 10 brokerage executive, who asked not to be identified, said compensation plans vary widely because revenues depend on account complexity and other factors besides producer skill and effectiveness.

ceive a negotiated fee when placing coverage for complex accounts. Pure commission-based compensation is not feasible because teams of producers and account executives often handle the business.

Mid-sized commercial accounts may require only a producer and account executive or only a producer, who could receive a straight commission or a draw against commission.

Brokerages that help set up and place excess coverage over insurance written by alternative risk financing mechanisms can be remunerated through a combination of commissions and fees. Thus, a salary plus commission structure might be more

appropriate.


And to lure an exceptional producer, a brokerage might offer a special deal, including stock options and either deferred compensation or a sizable cash bonus or both.

Top producers may also get company cars, club memberships or other incentives that could not feasibly be offered companywide.

Support duties producers perform can vary widely by office size, type of clients served and coverages provided. Some, for example, may spend nearly all their time selling, while others may have service and marketing duties.

—By Linda J. Collins

Serving America's Independent Agents with Excess/Surplus Markets for virtually every class of Property and Casualty risk



Insurance Brokers Service, Inc.

230 West Monroe Street
Chicago, IL 60606
Telephone (312) 621-1770
Telex 25-6231
Fax (312) 621-0262

OUR TWENTIETH YEAR OF EXPERIENCE

STOP LOSS PROTECTION FOR SELF INSURED HEALTH CARE PLANS



ATTENTION: CONSULTANTS, ADMINISTRATORS, AGENTS, BROKERS

Aggregate and specific excess coverage for qualified groups with as few as 150 employees.

Write or call for your copy of our brochure.



Lafayette Life

The Lafayette Life Insurance Co.
Founded as a Mutual Company in 1905
317-477-7411

Tommy Anderson, CLU
Group Vice President
The Lafayette Life Insurance Co.
P.O. Box 7007-D
Lafayette, IN 47903

Dear Tommy: Please mail me complete details about Stop Loss Protection.

Name _____ Title _____

Company _____

Address _____

City _____

State _____ Zip _____ Phone _____

Some perks fail as producer incentives

By LINDA J. COLLINS

Many agencies and brokerages are finding that some incentives or "perks" offered to producers bring them little or no return and others may actually prove to be a burden.

Agencies and brokerages offer various incentives to producers to improve their contacts with clients, enhance their image and knowledge of the industry or provide them a greater motivation and sense of financial security. Typical incentives include:

- A car allowance, mileage reimbursement or a company car.
- Paid travel and entertainment expenses.
- Paid educational expenses and

trips to conventions or seminars.

- Paid memberships in business, civic or social clubs.
- Vested interest in producers' books of business.

But, today some of these incentives are being monitored, modified or eliminated.

For example, many agencies and brokerages have done away with company cars for producers and instead offer a car allowance or mileage reimbursement.

"As time passes, we're converting everyone to car allowances, because the liability to the company is tremendous and we would just as soon not carry that liability," said John Andreini, president of Andreini & Co. in San Mateo, Calif.

"We're beginning to see a real trend against owned autos and toward auto allowances, driven by record keeping considerations," said Timothy J. Cunningham, senior consultant with Hales & Associates Inc. in Oak Brook, Ill.

"Under no circumstances do I recommend that autos be furnished to producers. If the producer leaves, the agency is stuck with the car, and the liability repercussions are awful," said Paige Proctor, president of Eaglemark Consulting Group in Bloomington, Ill.

In addition, while most agencies and brokerages continue to pay for their producers' travel and entertainment expenses for landing and retaining clients, they now frequently

limit those expenses to a set budget or monitor them carefully.

"I like to see an agency be proactive by having a budget and assigning a certain amount of travel and entertainment dollars to a producer. Any expenses above that would have to be approved," said Chuck Coyne, senior consultant with Business Management Group in Hartford, Conn.

Agencies or brokerages can provide their producers with "some modest expense account for lunches, entertainment and other things related to the production and retention of business," said Charles S. Watson, president of agency management consultant Watson Associates in Hartford, Conn.

And, Richard C. Bourne Jr., as-

sistant vp of Financial Insurance Services Corp. in Fairfax, Va., said his agency requires prior approval of travel and entertainment expenses.

Most agencies and brokers continue to pay producers' educational expenses as long as the courses are job-related. Many also pay for producers to attend local seminars and conventions.

"I recommend that agencies always reimburse educational expenses upon completion. It's in their best interests," said consultant John H. Jaques, principal of John H. Jaques Inc. in Novato, Calif.

"I normally recommend that the agency pays for continuing education, conventions and seminars," agreed consultant Mell Vaughan, president of American Brokerage Corp. in Hartford, Conn.

"We promote education very heavily and pay all associated expenses—books, fees, etc.," said Robert L. Ludwig, regional managing partner of McDonough Caperton Insurance Group in Charleston, W.Va. and president of its Charleston office.

Many agencies and brokerages continue to pay membership dues for civic or trade associations, but many are rethinking social or country club memberships because they rarely generate new leads.

Mr. Watson recommends that social or country club memberships only be offered "as a reward for superior performance."

While more agencies and brokerages are beginning to offer their producers a deferred vested commission or a vested interest in their books of business after a certain number of years, consultants opinions about the value of this incentive vary.

A deferred vested commission plan would pay producers who remain with the agency for a specified number of years a percentage of the renewal commission on a book of business they have developed after they leave the agency or retire.

And, under most vested ownership plans, producers would accrue a cash value in their books of business rather than actually owning the business outright when they leave the agency or retire.

"We are seeing an increased interest in and use of vesting, or a vested deferred commission when agencies don't want to broaden their ownership base," Mr. Jaques said. He stressed that these plans should be based upon the business that actually renews after the producer leaves the agency.

"They work better than an employee stock ownership plan or profit sharing plan because those are non-discretionary and all employees share equally. They are also better because the producer is building his own value," which encourages him to generate more business, Mr. Jaques explained.

Offering vested ownership "is getting to be more common as a way to keep producers interested in staying with the firm," agreed Catherine C. Oak, a senior consultant with Russell Miller Inc. in San Francisco.

Both Mr. Jaques and Ms. Oak caution that vested interest plans should be tied to a non-compete agreement so producers cannot simply leave the agency or brokerage and take their business with them.

However, consultant Larry Marsh, president of Marsh, Berry & Co. Inc. in Mentor, Ohio, views it as an "absolute mistake for any agent to allow producers to own any percentage of their books of business. It creates a 'yours, mine and ours' attitude, and it's an incredible problem if you ever want to sell the agency."

Mr. Marsh recommended some form of stock option or stock bonus plan instead. ■

NON-PROFIT DOES NOT MEAN NON-RISK.

When you look for Directors & Officers insurance,
look for stability and experience.

Partnership Umbrella, a consulting and purchasing group for non-profit organizations, and Huntington T. Block Insurance have more than ten years experience helping United Ways and funded agencies obtain the Directors & Officers coverage they need. This same superior coverage, underwritten by member insurers of the Chubb Group, is now being made available to other organizations.

You can receive the stable, affordable rates shared by over 4,300 agencies

nationwide. And because it's with Chubb, you get truly superior coverage—including protection for actions taken by all your employees and volunteers.

Why take unnecessary risks? Look for an experienced, stable partnership to help protect your agency. To find out more about D&O liability, call 800-432-7465 (in Washington, D.C., call 202-223-0876).



**PARTNERSHIP
UMBRELLA, INC.**



CHUBB

Study tracks producer commission trends

By LAURA MAZZUCA

Producer commissions on new business are significantly higher than those for renewal business, with the highest new-business commissions paid for life insurance sales, according to a recent national survey.

Agencies and brokerages are paying producers average commissions of 51% on new life insurance business and 28% for life renewals, according to the "National Owner and Producer Compensation Survey" by Russell Miller Inc., an agency consultant in San Francisco.

Small commercial lines and personal lines property/casualty business have the lowest new-business commission rates, both at 37%; renewal commissions average 23% for small commercial lines business and 18% for personal lines business, according to the survey.

Group health insurance business has the highest renewal commission rate: 31%. Agencies pay an average commission of 46% for new group health business, it says.

The consultant also found that while larger agencies and brokerages tend to pay lower new-business and renewal commissions for small commercial, personal lines, life insurance and group health insurance sales, there is no significant difference by agency size for new or renewal commissions paid for medium to large account business.

Based on approximately 200 responses to a questionnaire mailed in mid-1989, the consultant's findings divide the respondents into

four groups according to size: Group One, or firms with \$500,000 in commission revenues; Group Two, or those firms between \$500,001 to \$1 million in commission revenues; Group Three, or those agencies with between \$1 million and \$2 million in commission revenues; and Group Four, or firms with more than \$2 million in commission revenues.

Of these, agencies in Group Three and Group Four indicated that they pay significantly lower renewal commissions for small commercial lines business—26% and 16%, respectively—compared with 31% and 25% renewals for Group One and Group Two agencies.

However, for medium to large commercial accounts, all four groups were paying an average commission of 40% for new business and 30% for renewals.

Russell Miller attributes the difference in renewal commission for small commercial business to the fact that many larger agencies have small commercial account departments, where most business is handled by customer service representatives instead of producers. The lower commissions payable on small commercial accounts is designed to encourage producers to seek larger, more profitable accounts.

Commissions paid for both new and renewal personal lines also decline as agency size increases, since the same CSRs are responsible for servicing these accounts. The survey found that while Groups One, Two and Three pay commissions of 42%, 40% and 40%, respec-

tively, for new personal lines business, the largest agencies pay only a 31% average commission.

Differences in commissions for renewals of personal lines business are even more dramatic, with Group One agencies paying 32%, Group Two paying 21%, Group Three paying 19% and Group Four only 9%.

The consultant also found a correlation between agency size and the benefits and perquisites offered to producers, with automobile and sales expense reimbursement and employee benefit levels generally lower at larger agencies.

Fourteen percent of Group One agencies offered producers company cars, but only 8% of Group Four agencies paying over \$2 million in commissions did the same.

Sales expenses were covered similarly, with 43% of Group One agencies reimbursing producers for these expenses, compared with 59% in Group Two; 50% in Group Three and 34% in Group Four.

The most common perks offered were employee benefits, offered by 78% of all firms surveyed, followed by travel and expense reimbursement, 58%; dues, 46%; an auto allowance, 28%; auto expense reimbursement, 19%; and a company car, 17%.

In return for such benefits, the agencies and brokerages surveyed expected impressive performances from their producers. On the average, respondents expected an experienced producer to handle a book of business of about \$208,155 in commissions, with new production of \$57,850 expected each year. For

new producers, respondents expected an average book of business of \$76,907, with \$46,576 in new commissions per year from a new producer.

However, the survey indicates that these expectations vary depending on the size of the firm, with the larger firms expecting higher performance from both new and seasoned producers.

For new producers, Group One agencies expected a \$46,781 book of business, with \$24,359 in new business per year; Group Two agencies sought a \$68,157 book of business, with \$36,516 in new business per year; Group Three agencies expected an \$84,000 book of business, with \$33,881 in new business per year; and Group Four agencies sought a \$90,690 book of

business, with \$49,706 in new business per year.

The stakes were even higher for experienced producers. Group One agencies expected a \$106,575 book of business, with \$26,803 in new business per year; Group Two agencies expected a \$152,000 book of business, with \$46,713 in new business per year; Group Three firms expected a \$216,000 book of business, with \$43,250 in new business per year; and Group Four agencies expected a \$273,597 book of business, with \$62,671 in new business per year.

Copies of "National Owner and Producer Compensation Survey" are \$50 from Russell Miller Inc., 300 Montgomery St., Suite 900, San Francisco, Calif. 94104.

Pay, independence attract producers

By LAURA MAZZUCA

Compensation and job independence and autonomy are the most important factors that producers consider when taking a new job, a recent study shows.

Compensation topped a list of factors producers cited as "very important" in their decision to choose their current job, according to "A Study of Why Insurance Producers Leave Independent Agencies," conducted by the Connecticut Chapter of the Society of Chartered Property & Casualty Underwriters.

The survey is based on the responses of the principals of 1,954 agencies and brokerages nationwide, as well as 300 interviews with property/casualty producers who changed positions within the past two years.

The majority of producers were attracted to agencies offering what they considered good compensation, benefits and independence or job autonomy, the survey found.

Compensation and benefits topped the list of "very important" considerations, cited by 62% of the producers; independence/job autonomy was next with 60%; followed by job security, 51%.

Opportunity for ownership in an agency, often touted as a primary reason for leaving a firm, ranked fifth on the list of considerations, with 42% of the respondents ranking it as "very important."

When asked why they left their prior jobs, 55% of producers cited the desire for a stable agency as a "very important" reason for leaving. However, 41% of those interviewed also cited their former compensation arrangement as a reason for leaving.

The Connecticut CPCU survey also examined the makeup of producers' current compensation packages.

A combination of salary and commission was the most common form

of compensation for producers in their current jobs, with about 47% saying they receive that form of payment. Some 31% said they work on straight commission, while about 21% said they earn a straight salary.

About 46% of the producers surveyed said they received a salary plus commissions and incentives in their last job, while about 29% said they earned a straight salary. Some 26% said they were paid on straight commission previously.

The Connecticut CPCU survey also indicated an annual producer turnover rate of 5%, which the survey authors said does not differ significantly from the average turnover rate for salespeople in other industries.

Copies of "A Study of Why Insurance Producers Leave Independent Agencies" are available for \$20 from Kathy Murray, Connecticut Chapter of CPCU, 45 S. Main St. Suite 106, West Hartford, Conn. 06107.

DO YOUR UNDERWRITERS UNDERSTAND YOUR NOT FOR PROFIT CLIENTS?

OURS DO!!!

ABI SPECIAL RISK, INC. is pleased to announce a special program for the insurance needs of your not-for-profit clients. We offer property, liability, social workers professional liability, crime, umbrella and automobile coverages to religious, charitable, educational, cultural and social service organizations such as:

- Sheltered Workshops
- Boys & Girls Clubs
- Job Training Programs
- Senior Citizen Programs
- Children & Family Counseling
- Physical & Mental Rehabilitation Facilities
- Museums
- Schools
- Substance Abuse Facilities
- Senior Citizen Housing
- Fraternal Organizations
- And Many more not-for-profit organizations

We offer broad coverages and competitive prices. We provide favorable commissions and excellent service to our producers. Coverage is provided on an admitted basis with a national carrier rated A+ superior by A.M. Best & Co.

ABI

For further information, please contact:
 ABI SPECIAL RISK, INC.
 303 W. Madison St., Suite 1050, Chicago, Illinois 60606
 Telephone 312-263-0150 FAX 312-263-4470
 Attn: Rodney Harvey or Karen Barnard

This Program is not available in California, Washington, Oregon, Texas, Nevada, New Mexico and Georgia.



**One Call To DVUA
Is All It Takes To Access A
SUPER MARKET!!**

For more than four decades, DVUA has been THE source for a constantly expanding universe of expertise. Discover "the DVUA difference" . . . a team dedicated to providing the finest in personalized service, time after time.

DVUA

Managing General Agents • Surplus Lines Brokers
 Corporate Headquarters
 420 S. York Rd. • Hatboro, PA 19040
 Call (215) 443-3500 Fax (215) 672-7983

NEW YORK, NY (212) 227-8606 • CHARLESTON, WV (304) 342-4835
 FLORHAM PARK, NJ (201) 377-7779 • CLEVELAND, OH (216) 449-0351
 PITTSBURGH, PA (412) 369-2500 • CHICAGO, IL (312) 930-9060
 BEAVERTON, OR (503) 643-4811

Structuring owner compensation

By Catherine C. Oak

Consider share of management duties

A MAJOR PROBLEM facing most independent agencies and brokerage firms today is the lack of a fair and equitable compensation plan for partners that bases compensation on the owners' contributions to production and/or management functions.

Great discontent can arise among partners over time if compensation is not fair. Agency value also can be affected if dollars are not available to invest back into the firm for capital expenditures and staff expansion, especially new producers.

Although more than one factor commonly is used to determine owners' salaries, the 1989 Owner and Producer Compensation Survey conducted by Russell Miller Inc. found the most common factor—used by 50% of all agencies—is the actual book of business handled by the owner, based on an average commission percentage of 35%. The second most common factor, used by 38% of respondents, was the amount of ownership held by the principal.

For smaller agencies with less than \$500,000 in revenues, the owner's longevity with the firm was the most important factor upon which salaries are based, used by 49% of the firms. Forty-three percent based salaries on the owner's book of business, 32% on ownership percentage and only 22% on contributions to management functions.

Longevity decreases in importance, however, in larger agencies, with a shift toward percentage of book handled and the amount of management contribution as the major criteria. For instance, at agencies with more than \$2 million in revenues, 56% base salaries on book of business, 46% take into account management contribution, 38% consider ownership percentage and 28% base salaries at least in part on longevity.

Bonuses paid to agency owners are most often based on a number of factors, the survey indicates. The leading factor is ownership percentage, with 53% of agencies using this factor at least partially for owners' bonuses. Forty-one percent of agencies base owners' bonuses on contribution to production, while 36% also use contribution to management functions as a determining factor.

Agencies of all sizes use ownership percentage and contributions to production to determine owners' bonuses; however, a much greater percentage of larger agencies than smaller firms use contributions to management as an integral basis for bonuses.

The fact that larger agencies base owner compensation more on production and management contribution is not surprising because one would expect larger firms to have a compensation plan in place that reflects value added by an owner rather than basing compensation solely on longevity or ownership percentage. Also, because strategic management

functions usually are performed by owners and larger firms generally have more than one owner, there is reason to compensate for management effort, especially because management takes time away from production.

The more owners there are, the more the need to justify compensation (at least to each other) and the more necessary it is to have an equitable plan to keep peace among owners. This does not mean that as an agency grows it

realize their return on investment when they are bought out. Often, when salaries earned by owners are based on each person's contribution to management and/or production, the profit available for bonuses at year-end to each owner can then be distributed on ownership percentages. However, care must be taken to avoid these profit distributions appearing as if dividends were paid.

Those agencies that base bonuses

Agency owner compensation*

Compensation among executives who own more than a 20% interest in privately held agencies and brokerages rises with the size of the firm.

Agency revenues	Number of owners	Average compensation	Key owner's compensation
\$ 450,000 or less	1.2	\$89,438	\$89,522
700,000	1.0	137,616	137,616
1,000,000	1.8	94,733	107,656
1,500,000	2.9	124,986	153,849
2,000,000	2.0	146,643	169,476
2,500,000	2.7	165,796	180,328
3,000,000	2.3	188,264	224,997
3,500,000	1.8	246,529	265,521
5,500,000	2.3	245,575	265,976
7,000,000 or more	1.8	358,796	384,134

*Compensation includes salary plus bonuses.

Source: Russell Miller Inc.

will miraculously adopt a fair compensation plan or that small firms have unfair plans in place. We find that most firms—regardless of size—do not have good owner compensation plans that reflect the contribution the owners are making to management and/or production.

If majority owners are overpaid for their contribution to the firm's management and production efforts, the younger owners with less stock and less control of the firm often become discouraged. They can become complacent and may stop contributing if their efforts are not rewarded at a level that they feel is equitable.

This becomes a "no-win" situation for owners who hold a majority of the firm's stock, especially if they have slowed down.

What's the answer? It's not simple, but there are some solutions to the compensation problem if it currently exists in an agency or if it could become a problem in the future. It is better to get a compensation plan in place before the issue becomes critical.

If senior partners decide to reduce their activities and do not yet want to retire, it is truly to their advantage to fairly compensate the minority owners for their contribution to the firm's success in terms of management and production. Minority owners should not have to wait until the senior partners retire for their efforts to be rewarded.

If minority owners can continue to provide revenue growth through new business and can manage the firm to a profitable level, agency value will be enhanced. This value translates to higher prices for the stock held by the senior partner or partners if the firm merges, is acquired or if there is an internal stock sale.

The senior partners do not have to feel guilty for slowing down as they get older if their salaries are based on contribution, as they can

on owners' contribution to the business (vs. their ownership percentage) usually are not paying salaries based on owners' contributions. Either salaries or bonuses should be based on contributions made. More aggressive firms base both salaries and bonuses on contribution.

Thus, to keep peace among owners in an agency and to have money available for capital expenditures and debt service, salaries should be based on the following two major components:

- Payment as a producer for the existing book of business handled and new business production.
- Payment for the owner's contribution toward agency management. This should be based on that portion of the total dollars available to owners that they deserve from their strategic management of the major functions, including sales, marketing, service, claims, administration and accounting.

The dollar amount attributed to the strategic management function depends on two items:

- What it would cost to hire a manager to oversee the five major functions listed above.
- The number of middle managers already employed.

It has often been noted that compensation for managing the five basic agency functions ranges from 3% to 7% of total revenues. Smaller firms could most likely use a 3% to 7% range, while firms with more than \$2 million in revenues would have to pay somewhere in the range of \$100,000 to \$150,000 (maximum) for an agency manager. This is mainly due to the number of middle managers normally employed in larger firms. Middle management salaries need to be weighed against dollars paid for an agency manager, since the agency manager could have department managers report to him or her, instead of managing all functions directly.

individuals of all firms in that size group.

We often find inequities in owner pay in the second and third tiers of ownership when compared with the contributions owners have made to the firm. Majority owners are most often the highest-paid individuals in the firm, no matter what their contribution is to management and production.

In agencies with total revenues of \$700,000 or less, the majority of stock typically is held by one individual. At firms with more than \$1 million in revenues, there are usually more owners (one to three) with 20% or more of the company's stock.

The million-dollar revenue level is also a commonly cited growth plateau. Additional income usually must be put back into the firm, more so than at other size agencies, to break through this plateau. Usually, at this level, there will be more debt service or cash spent for expansion, other capital expenditures and/or investments for additional producers, service staff, automation, etc.

We also begin to see a noticeable difference in the average compensation paid to owners and the majority owner's compensation. At firms with \$1 million in revenues, there is a 14% difference in compensation paid to majority owners compared with the owners/key executives. At agencies with \$1.5 million in revenues, there is a 23% difference.

At agencies with more than \$1.8 million in revenues, the majority owner makes an average of 11.5% more than other owners owning at least 20% of the firm's stock.

Copies of the "Fall 1989 Russell Miller Inc. Owner and Producer Compensation Survey and Analysis" are available for \$50 by contacting Director of Marketing, Russell Miller Inc., 300 Montgomery St., Suite 900, San Francisco, Calif. 94104; 415-956-7474.

Advertiser Index

Agent/Broker Topics

Issue of April 2

ADVERTISER	PAGE #
ABI Special Risk Inc.	32G
Chubb	32F
Delaware Valley Underwriting	32G
IBS-Nova	32E
Investors Insurance Group	32C
Lafayette Life Ins. Co.	32E
Professional Insurance Agent	32C
Professional Insurance Agent	32C

Business Insurance



Catherine C. Oak is a senior consultant at Russell Miller Inc. in San Francisco.

Continued from previous page

Benefit Plan Systems Corp.15012 Red Hill Ave., Suite H,
Tustin, Calif. 92680-6524;
714-259-1552; 800-523-8047**Year founded:** 1986.**Software products:**

- COBRA EAS (Release 2.2) Employer Version: \$1,595; unbundled hardware and software; personal computer; year of first installation, 1987; more than 1,000 total installations, more than 1,000 in employee benefit departments; functions include administration of claims under COBRA, generation of letters and reports.

- Non COBRA Retiree Premium Billing: \$995; unbundled hardware and software; personal computer; year of first installation, 1988; more than 200 total installations, more than 200 in employee benefit departments; functions include billing and accounting for retirees or other plan participants not covered under COBRA; can calculate COBRA rates based on variables.

- COBRA EAS Administrator (TPA version): \$9,995; unbundled hardware and software; personal computer; year of first installation, 1987; more than 50 total installations, functions include administration of claims under COBRA for multiple companies, generation of letters and reports.

Staff: 18 total, seven professionals.**User support:** Telephone assistance available eight hours per day, 90 days free support with installation, annual extended support agreements, free updates, newsletters, on-site training, data conversion services.**1989 gross revenues:** 77% from sale of software, 23% from services.**Principal officers:** Leonard B. Wierzba, president; Rea Kennedy, vp/corporate secretary.**BeneSoft Inc.**P.O. Box 3530, Bethany, Conn.
06525; 203-393-0320**Year founded:** 1982.**Software products:**

- BeneSoft's FlexibleSoftware: \$10,000 per year and up; unbundled hardware and software; personal computer; year of first installation, 1987; 50 total installations, 40 in employee benefit departments; functions include administration of flexible benefit plans; can be used to communicate benefit programs to employees and to administer claims under COBRA.

Staff: 10 total, eight professionals.**Clients:** 50 employee benefit department clients; 30% with gross revenues less than \$200 million, 50% \$200 million-\$500 million, 20% \$500 million-\$1 billion. Sold systems to 15 clients in 1989.**User support:** User groups/meetings, telephone assistance available 24 hours per day.**1989 gross revenues:** 100% from sale of software.**Principal officers:** F.A. Saleh, president; Steve Y. Froebel, vp-systems development.**Buck Consultants Inc.**Two Pennsylvania Plaza, New
York, N.Y. 10121; 212-330-1000**Year founded:** 1916.**Software products:**

- Buck Social Security: \$500; unbundled hardware and software; personal computer; year of first installation, 1988; 19 total installations, all in employee benefit departments; system is designed to calculate retirement, death and disability benefits from Social Security; can be used to communicate benefit programs to employees.

- Buck Bencal/PC: Unbundled hardware and software; personal computer; year of first installation, 1988; 14 total installations, all in employee benefit departments; system is designed to calculate retirement benefits for defined benefit plans; can be used to communicate benefit programs to employees.

- Buck Loans Plus: Unbundled hardware and software; mainframe; year of first installation, 1984; 35 total installations, all in employee benefit departments; functions include loan administration for defined contribution plans.

- Buck Recordkeeping Plus: Unbundled hardware and software; mainframe; year of first installation,

1987; seven total installations, all in employee benefit departments; system is designed to administer defined contribution plans and loans; can be used to communicate benefit programs to employees.

- Buck Actval: Unbundled hardware and software; mainframe; year of first installation, 1970; four total installations, all in employee benefit departments; functions include actuarial valuation of defined benefit plans.

- Buck Tax Exclusion: \$1,200; unbundled hardware and software; personal computer; year of first installation, 1988; 11 total installations, all in employee benefit departments; system is designed to determine taxable and nontaxable portions of pension payments; can be used to communicate benefit programs to employees.

- Buck IDP: Unbundled hardware and software; mainframe; year of first installation, 1970; nine total installations, all in employee benefit departments; functions include manipulating and editing benefits data.

Continued on page 37

Brownyard is poised for the 90's:

Secure Markets for the Security Guard Industry**Strong Markets for Private Country Clubs****Stable Markets for the Pest Control Industry**

Another hard market? Renewal problems? No new submissions? That's what experts see on the horizon. However, for three decades, in soft and hard cycles, Brownyard has offered *stability*. And we are poised to continue in the 90's. Check us out on three of the toughest risks you'll be asked to cover. We'll respond with quotes from A+ (Class XV) companies.

THE BROWN YARD GROUP

21 Maple Ave., CN9175
Bay Shore, New York 11706-9175
In NY: (516) 666-5050, Outside: (800) 645-5820
FAX: (516) 666-5723

"My people don't care about 401(k) plan testing or changing government regulations. Why should they?"

It's not their responsibility, it's mine."

Keeping on top of changing regulations and keeping your plan in compliance usually don't concern your employees, but they're vital to the success of your 401(k) program.

At John Hancock, we've developed a 401(k) program that provides comprehensive service before, during and after your plan's implementation. You'll save time and money because our plan has already received IRS approval. You'll maximize employee participation because our communications program works. And once you're up and running, we'll relieve you of tedious recordkeeping and administrative details.

While the strength of many 401(k) providers lies either in service or money management, John Hancock has an impressive record in both. We have over 25 years of experience in defined contribution plans and outstanding investment performance. We currently manage over \$20 billion for our retirement plan clients.

In a recent national survey of long-term 401(k) customer satisfaction, John Hancock Financial Services was rated first in twenty-nine out of thirty categories.

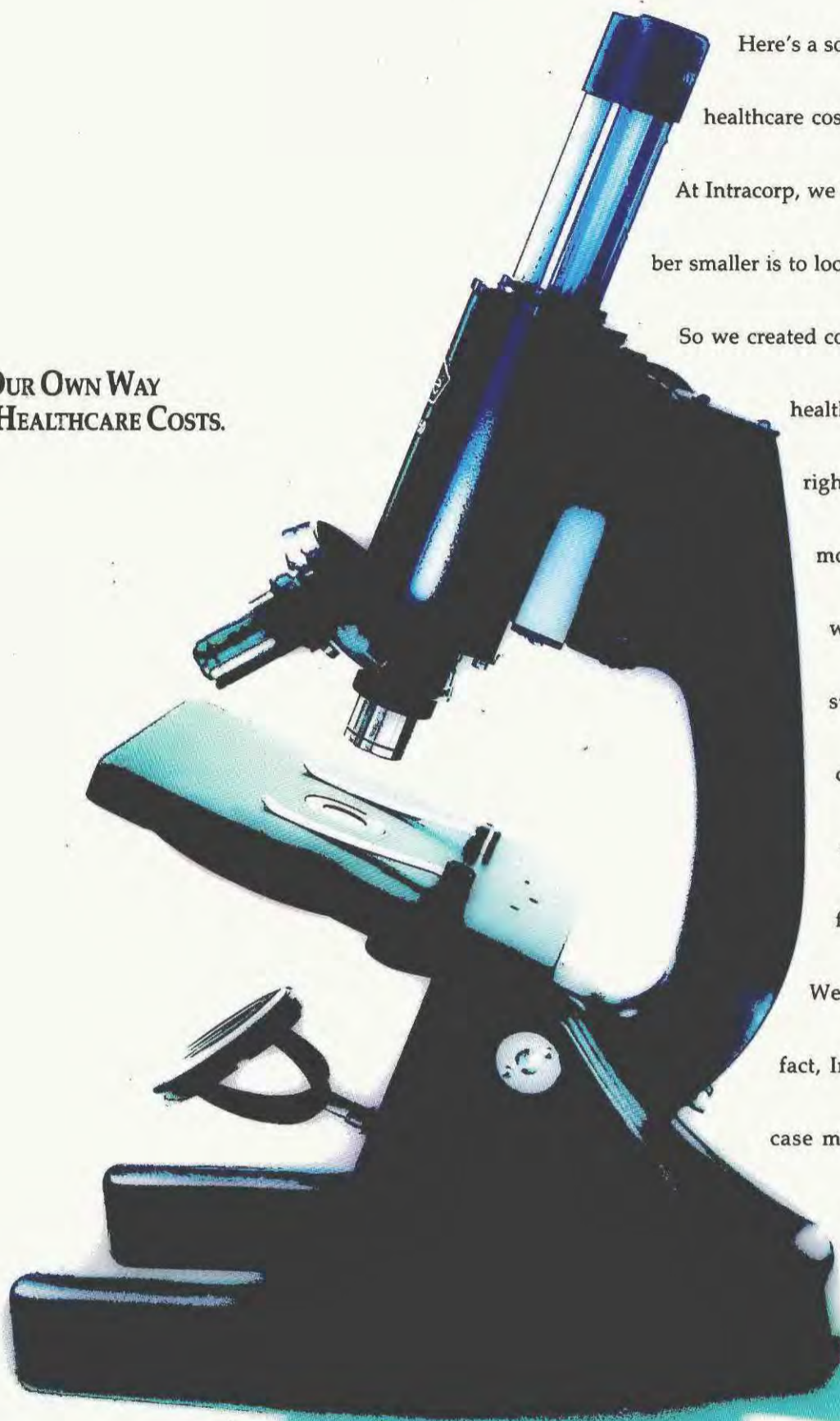
For a free copy of those survey results, or for more information, please call Elizabeth Vetter at (617) 572-9134.

Investment and Pension Group

John Hancock
Financial Services

Real life, real answers.

**WE HAVE OUR OWN WAY
OF LOOKING AT HEALTHCARE COSTS.**



Here's a sobering thought: by the end of next year, healthcare costs are expected to climb to \$620 billion.

At Intracorp, we believe the only way to make that number smaller is to look at healthcare costs closer. A lot closer.

So we created cost control measures at every step of the

healthcare cycle, from the onset of an illness, right through to its resolution. We closely

monitor hospital admissions to determine

whether hospitalization and length of stay are appropriate. We offer the same

critical assessment of outpatient cases

and provide reviews of treatment plans

for mental health and substance abuse.

We pay special attention to serious cases. In

fact, Intracorp pioneered the concept of total

case management for catastrophic illnesses.

Lastly, we painstakingly scrutinize

healthcare bills looking for inaccurate

charges or inappropriate treat-

ments. If you'd like us to take a

closer look at your healthcare costs, write Intracorp,

Dept. I3, 1205 Westlakes Drive, Suite 300, Berwyn, PA 19312. After all, the

closer we look, the better you'll look.



Environmental liability grows in EC

By Douglas N. Smith

IN EUROPE, the cost and number of environmental claims is expected to increase as redress becomes more readily available to a larger number of victims and as the "polluter pays" principle makes liability difficult to avoid.

Last month's International Issues column highlighted the main body of environmental legislation in Belgium, Denmark, France and West Germany (BI, March 5). Let us now look at main environmental legislation in some other European Community member nations:

• **Greece.**

Act 1650 of 1986 provides the legal framework for environmental legislation. Although Greece has been harmonizing its legislation with EC directives—particularly in regard to PCBs, toxic waste, used oil products, cadmium, mercury and other dangerous substances—enforcement has been lax.

• **Ireland.**

Since 1973, Ireland has enacted numerous laws implementing EC directives but, as in Greece, enforcement has been lax.

Separate state-sponsored research and information organizations include the Research Unit of the Department of the Environment, the Irish Science and Technology Agency (Eolas) and the Agriculture and Food Development Authority (Teagasc). The Industrial Development Authority (IDA), which relies on independent consultants to assess the environmental impact of grant seekers, forwards any environmental recommendations to the local authorities.

Non-compliance with the terms or conditions of an IDA grant can result in default.

Main Irish environmental legislation can be broken into:

✓ **Land.**

The Local Government Acts of 1963 and 1983, which regulate all planning and development aspects of land-use, are, for the most part, strictly enforced. Public notification is required before any plan is made or amended, and citizens are encouraged to participate.

✓ **Air.**

The 1987 Air Pollution Act controls stationary emissions from industrial plants and the pollution content of fuels. The act also establishes a system for licensing industrial processes, which is based on the same planning and appeal system that governs land use. It also empowers local authorities to regulate regional activities and legislates extensive monitoring requirements.

✓ **Water.**

The 1977 Water Pollution Act controls, by licensing, all discharges of trade and sewage effluents into waterways or sewers. The act empowers local authorities to make water quality management plans and monitor and enforce water pollution controls.

✓ **Waste disposal.**

The 1878 Public Health (Ireland) Act and the 1907 Public Health Acts Amendment Act regulate the disposal of household and certain commercial waste at locally authorized landfill sites. Industrial waste that falls outside the scope of local authority dump sites must

be discarded via an EC—authorized waste disposal contractor.

✓ **Toxic substances.**

Numerous complex laws—including the 1947 Health Act, the 1955 Factories Act, the 1961 Poisons Act, the 1971 Nuclear Energy Act, the 1972 Dangerous Substance Act and 1980 Safety in Industry Act—regulate the classifying, packaging and labeling of dangerous chemical substances.

• **Italy.**

Law No. 349 (1986) empowered the Italian Environment Ministry to administer all areas of environmental legislation through 11 departments but, to date, the ministry's jurisdiction is still unclear. Environmental laws may be enacted by Parliament or the Environment Ministry but Italy's 20 regional authorities are required to plan and administer most laws.

Main environmental legislation in Italy includes:

✓ **Air Pollution.**

Italy's first air pollution act, Law No. 615 (July 13, 1966), imposes combustible fuel standards on residential heating and empowers local authorities to monitor industrial emissions of smoke, powder, gas and odors of any kind. In addition, Presidential Decree No. 203 (May 24, 1988) empowers regional authorities to approve atmospheric emissions from industrial plants.

✓ **Waste.**

The main Italian legislation for treating all types of waste is Presidential Decree No. 915 (September 10, 1982). Although this framework law defines general criteria for waste treatment, regional authorities are required to coordinate plans, supervise activities and implement legislation.

✓ **Land-use.**

Law No. 431 (August 8, 1985), also known as the Galasso Law, permits the government to sequester lands or historic sites and empowers regional authorities to develop plans for preserving natural and cultural resources.

In 1989, the Galasso Law was supplanted by new legislation that created "local authorities" dedicated to preserving historic lands and sites.

✓ **Water.**

The main body of water legislation is the Merli Law (No. 319 of March 10, 1976), which sets rules for safeguarding Italy's water supply from pollution.

• **Luxembourg.**

The Ministry of the Environment oversees environmental policy, regulates industrial activities and is empowered to prevent air, water and noise pollution. The Ministry of Agriculture and Viticulture is charged with regulating land and agricultural activities. Both ministries, in conjunction with the Ministry of Public Works, are responsible for maintaining the quality of Luxembourg's water and waterways.

Luxembourg's main body of environmental legislation includes:

✓ **Land use.**

The Law Concerning the Protection of Nature and Natural Resources (August 20, 1982) prohibits or restricts construction outside of designated urban

International issues

areas. Exemptions may be granted via individual application. The law also requires compensatory planting within Luxembourg when construction involves deforestation. Violators are subject to a maximum fine of 1 million Luxembourg francs (\$27,935) and a prison term of eight days to six months.

✓ **Air Pollution.**

The Law Relating to the Struggle Against Air Pollution (June 21, 1979) regulates the amount of lead in gasoline, the use of aerosol sprays and the amount of sulfur in combustible liquids.

✓ **Water.**

The Law Concerning the Quality of Drinking Water (June 1, 1985) regulates the amount of chemicals and bacteria in drinking water, as well as the proximity of industrial installations to drinking water reserves.

✓ **Waste.**

The Law Concerning Disposal of Wastes (June 26, 1980) prohibits both non-licensed and non-recorded collecting, transporting, importing or exporting of wastes.

• **Netherlands.**

In The Netherlands, where the Ministry of Housing, Physical Planning and Environment defines and coordinates environmental policy, the recent application of civil liability against polluters is changing industry's attitude toward pollution issues.

The main body of Dutch environmental law, which includes the 1969 Surface Water Act, the 1970 Air Pollution Act and the 1977 Waste Materials Act, bans unlicensed kinds or sources of pollution. But, because Dutch authorities had been granting licenses on a discretionary basis, the General Environmental Provisions Act (GEPA) was passed in 1979 to establish uniform licensing and coordinate environmental policy.

Articles 41a-41q, which were passed in 1986, amend GEPA by requiring companies to issue an annual environmental impact statement that details how they handle, store and dispose of chemical waste materials.

More recently, implementation of the National Environmental Plan (NEPP) has been further delayed by the expected submission of a broader "NEPP-plus" to the Second Chamber before mid-year. Both NEPP and NEPP-plus aim to enforce and unify compliance with environmental regulations by sweeping existing environmental legislation into an all-encompassing GEPA law.

For example, both NEPP and NEPP-plus would require GEPA to set standard rules for industry that would replace the present system of licensing each company individually. In effect, a GEPA licensing procedure would streamline the existing licensing controls granted by the Public Nuisance Act, the Air Pollution Act, the Noise Nuisance Act, the Waste Materials Act and the Chemical Waste Materials Act.

The main body of Dutch environmental legislation includes:

✓ **Public nuisance.**

The 1981 Public Nuisance Act prevents danger, damage or nuisance

caused by industrial plants. GEPA regulates the licensing procedure, although a standard rule may be set, by industry, in lieu of separate licensing requirements.

✓ **Water pollution.**

The 1969 Surface Waters Pollution Act aims to protect surface waters through passive management tools such as levies and active management tools such as purifying sewage before it drains into surface waters.

Ground and seawaters are protected by separate acts.

✓ **Air.**

The 1981 Air Pollution Act seeks to prevent and limit air pollution through industrial licensing requirements. GEPA provisions include an air pollution fund that indemnifies damage caused by sudden and accidental discharges or dispersals. Gradual pollution is non-compensable.

✓ **Soil Pollution.**

The 1986 Soil Protection Act does not rely on a licensing system. Rather, it seeks to prevent soil pollution by stipulating strict liability (Article 15) for loss or damage arising from the activities regulated under Articles 8-13.

Because of the large number of seriously polluted old dump sites in the Hague, soil cleanup is regulated by the separate 1982 Interim Soil Sanitation Act, which requires that provincial authorities annually prepare a five-year sanitation program detailing the investigations and cleanups to be performed during the following year. Article 21 empowers the Minister of Environment to sue site polluters and claim compensation for cleanup costs.

In the meantime, a separate bill is expected to merge these two acts into one at some future point.

✓ **Waste.**

The Waste Materials Act, which also applies to non-toxic waste from hospitals, buildings and demolition sites, requires that municipalities collect domestic waste at least once a week. The act requires that car wrecks be disposed of at least once a week and at non-public, government-approved dump sites.

The Chemical Waste Act controls the collection, processing and disposal of hazardous waste and used oil.

✓ **Toxic substances.**

The 1963 Dangerous Substances Act regulates the transport, packing, delivery, storage and disposal of dangerous substances.

The 1985 Chemical Substances Act establishes requirements for producers or importers of both new and existing chemical substances to disclose product information.

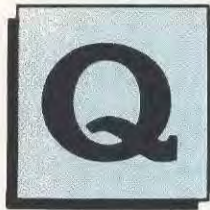
The Pesticides Act prohibits the unauthorized sale, storage or use of pesticides not defined by the act. ■



Douglas N. Smith is vp and manager of the International Department of Johnson & Higgins in New York. His column appears the first Monday of every month.

ASK A BENEFITS ACTUARY

Proper mortality table depends on subject



What mortality table is the appropriate one to use?



This question comes from a reader who reviews cost calculations done for a supplemental pension plan. The cost calculations were done by two different firms, producing different results. The reader has noted that the difference results,

at least in part, from the different mortality tables used by each firm. The reader wonders under what circumstances one mortality table is more appropriate than another.

When I received this question, I was shocked. Perhaps the most deadly boring subject that actuarial students must study is the mortality table sources and characteristics. It really surprised me that a non-actuary would have an interest in this rather obscure topic.

For a cost or liability calculation for a pension plan, the mortality table embodies the actuary's assumption regarding the probabilities that individuals included in the calculation will die. These probabilities or rates of death should vary by age and sex. It is generally preferable for cost and liability calculations to use a sex-distinct mortality table—a table that has different mortality rates for males and females—rather than a unisex table—a table that assumes the same probabilities of death for males and females.

A pension plan might use a unisex table for determining actuarially equivalent optional forms of payment. But typically, a unisex table is not used for cost and liability calculations unless the table's unisex feature is removed through an age adjustment. A common unisex mortality table is the "Unisex Pension Mortality Table of 1984" (UP-84). The unisex feature of this table is generally removed by assuming that the mortality rate for a particular age is applicable for a male one year younger than the particular age, and a female four years older.

One mortality table might be preferred to another if there is reason to believe that the mortality experience underlying one table bears a greater similarity to the mortality experience of the group for which calculations are being performed. For example, two well-known mortality tables are the "1951 Group Annuity Mortality Table," and the "1983 Group Annuity Mortality Table." The 1983 table reflects improvements in mortality experience that have occurred over the last 30 to 40 years. These improvements are not reflected in the 1951 table. If it is expected that the group being valued will reflect these mortality improvements, the 1983 table might be preferred.

For valuing the pension liabilities of an employer-sponsored plan, a mortality table that is based on the experience of employees and retirees would generally be preferred to a table that is based on a larger cross-section of population. For example, a table based on U.S. population statistics generally has higher death rates than a table based on the experience of employee and retiree groups. Consequently, U.S. population mortality rates are typically not used for employer-sponsored plans.

Similarly, a mortality table based on the experience of employees and retirees is generally preferable to a table based on the mortality of individuals who have made a decision to purchase an annuity. Mortality rates for individuals buying annuities are generally lower than rates for a group based on an employment relationship.

However, a table based on individual annuity mortality experience might be preferred to a table based on an employment-based group's experience where the pension plan covers only a few individuals, and these individuals have made a decision to establish the plan. Presumably, the individuals establishing the plan expect to receive many years of payments from the plan, just as an individual who purchases an annuity expects to receive many years of annuity payments.

For calculating pension costs, a mortality table based on the experience of employees and retirees is also preferred to a table based on the experience of individuals who have purchased life insurance. The mortality rates for individuals purchasing life insurance are generally higher than the rates for a group based on an employment relationship.

A mortality table's margin characteristics also enter into the decision of selecting one mortality table over another. Mortality tables like the 1971 and 1983 Group Annuity Mortality tables include mortality margins.

In the construction of the table, the probabilities of death included in the table have been lowered slightly below that actually observed in the underlying mortality experience. These margins are appropriate where a plan sponsor wants to be certain that adverse mortality experience (i.e., participants living longer than expected) will not cause plan assets to be less than plan liabilities. Some pension actuarial firms will construct their own mortality tables based on the experience used in the 1971 or 1983 Group Annuity Mortality tables, but removing the mortality margins.

Probably the best mortality assumption is a table based on the recent mortality experience of the group for whom costs and liabilities are being calculated. Unfortunately, most groups are not sufficiently large to have enough data to construct a credible mortality table.

As you can see, the selection of a mortality table for pension valuation purposes is influenced by a number of factors. A pension actuary generally knows the characteristics of various mortality tables, and is capable of making a reasoned decision regarding the appropriate table. ■

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.

Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on actuarial issues in the benefits field is written by William J. Miner, an actuary with The Wyatt Co. in Chicago. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions. And, Joseph W. Duva, director of employee benefits at Allied-Signal

Inc. in Morristown, N.J., answers benefits management questions.

Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's and Ms. Werner's columns appear alternately on the second Monday of each month. Mr. Miner's next column will appear in June.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.



Mr. Miner

Court says waste discharge not 'accidental'

The Court of Appeals of New York held that a policyholder's allegedly intentional long-term discharge of toxic waste chemicals into a creek was not an "accidental" occurrence that qualified as an exception to the pollution exclusion in its general liability insurance policy.

Technicon Electronics Corp. was sued in 1985 by several homeowners from a residential community adjacent to its plant who sought damages for personal injuries allegedly suffered from exposure to toxic chemicals intentionally discharged by Technicon into a nearby waterway. Technicon sought defense of the suits from its general liability insurers, including American Home Assurance Co., a unit of American International Group Inc. The insurance policies excluded coverage for pollution except for a discharge that was "sudden and accidental."

Legal briefs

The insurers declined to defend Technicon asserting the pollution exclusion. The lower court determined that the insurers had no duty to defend.

The appellate court said that, if the discharge was not both sudden and accidental, the exception was applicable and the pollution exclusion was operative. Here the court said that waste discharges could not be viewed as "accidental" within the meaning of the exception to the policy exclusion where it was basic to the residents' complaint that Technicon knowingly discharged the pollutants into the waterway.

Technicon Electronics Corp. vs. American Home Assurance Co., Court of Appeals of New York, June 30, 1989 (BI/05/March-\$10).

Business trip illness compensable

An employee's disability from a respiratory disorder contracted while traveling in the Orient on business was a compensable injury under the workers compensation law, according to the Supreme Court of Minnesota.

In March 1983, Miriam C. Olson became ill with influenza Type B while traveling in the Orient on business for her employer. The virus impaired her immune system and she developed bilateral staphylococcal pneumonia.

This led to several episodes of acute respiratory failure requiring surgery. The pneumonia also resulted in chronic bronchiectasis, a permanent impairment.

Ms. Olson filed for workers

compensation benefits. The compensation judge found in her favor and the workers compensation Court of Appeals affirmed.

The appellate court said that even though it would have been inclined to view the evidence of the causal connection between Ms. Olson's illness and her employment as very minimal, it was extremely hesitant to set aside the trial court's factual findings in this case. The award was affirmed.

Olson vs. Executive Travel MSP Inc., Supreme Court of Minnesota, March 31, 1989 (BI/05/Feb.-\$10). ■

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a \$10 check payable to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Continued from page 33

Staff: 1,300 total, 1,014 professionals.

User support: Telephone assistance available during business hours, implementation support.

1989 gross revenues: Approximately \$131.2 million total.

Branch offices: Atlanta; Boston; Chicago; Columbia, Md.; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; Washington, D.C.; Antwerp and Brussels, Belgium; Calgary, Alberta; Dublin, Ireland; Edinburgh, Scotland; Leeds and London, England; Madrid, Spain; Montreal; Paris; Sydney, Australia; Toronto.

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

William Byrne & Associates Inc.

1030 Woodcrest Terrace, Suite 135, Creve Coeur, Mo. 63141; 314-275-2600

Year founded: 1985.

Software products:

• Health Claims System: Per employee per month, up to \$2,400 per year; unbundled hardware and software; personal computer; year of first installation, 1988; three total installations, two in employee benefit departments; functions include claims processing and management of medical, dental, vision and disability benefit programs; can be used to communicate benefit programs to employees.

Staff: 27 total, 25 professionals.

Clients: Three employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to two clients in 1989.

User support: Telephone assistance available nine hours per day.

1989 gross revenues: \$1 million total; \$30,000 from employee benefit information systems; 80% from sale of software, 20% from services.

Principal officers: William Byrne, president; G. Mark Cutler, vp; David P. Young, vp-sales; C. Byrne, secretary.

C

California Interactive Computing Inc.

8550 Balboa Blvd., Suite 180, Northridge, Calif. 91325; 818-895-5500

Year founded: 1977.

Software products:

• GenMed: \$79,500; bundled hardware and software; mainframe or mini-computer; year of first installation, 1979; 15 total installations, 14 in employee benefit departments; functions include administration and adjudication of medical, dental, vision and prescription drug claims.

Staff: 55 total, 30 professionals.

Clients: 15 employee benefit department clients. Sold systems to two clients in 1989.

User support: User groups/meetings, telephone assistance available.

1989 gross revenues: \$5.9 million total.

Principal officers: Jerry C. Buckley, president; Ralph Flygare, vp; Del Williams, vp-sales.

Cantor & Co.

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 213-859-7277; 800-553-7267 outside California

Year founded: 1982.

Software products:

• PCMS: \$9,700; unbundled hardware and software; year of first installation, 1985; 180 total installations; functions include tracking disability benefits and patient care, optional three-dimensional graphics.

• Riskmap Risk Financing: \$1,950; unbundled hardware and software; personal computer; year of first installation, 1983; more than 100 total installations; functions include determining benefit funding mechanisms and budgeting.

• Riskmap Loss Forecasting: \$1,500; unbundled hardware and software; personal computer; year of first installation, 1984; more than 20 total installations; functions include forecasting of frequency, severity and total cost of benefit programs.

• HMO Membership/Claims Management System: Bundled or unbundled hardware and software; functions include management of membership and claims of HMOs.

Staff: Five total, four professionals.

Clients: 350 total clients; 25% with gross revenues less than \$200 million, 60% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 4% \$1 billion-\$3.5 billion, 1% exceeding \$3.5 billion.

Principal officers: Alan B. Cantor, president.

Cascade Technologies Inc.

1001 Ave. of the Americas, New York, N.Y. 10018; 212-768-7380

Year founded: 1985.

Software products:

• ProCAS: Unbundled hardware and software; personal computer; year of first installation, 1986; 200 total installations, 12 in employee benefit departments; functions include defined contribution record keeping and administration; can be used to communicate benefit programs to employees.

• CAS Voice: Bundled hardware and software; personal computer; year of first installation, 1989; 12 total installations, six in employee benefit departments; system is an interactive voice response and communication system.

Staff: 12 total, all professionals.

Clients: 25 employee benefit department clients. Sold seven systems to clients in 1989.

User support: User groups/meetings, telephone assistance available nine hours per day, bulletin board via modem, documentation and program requests.

1989 gross revenues: 90% from sale of software, 10% from services.

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

Computations Inc.

2500 Windy Ridge Parkway, Marietta, Ga. 30067; 404-952-7854

Year founded: 1976.

Parent company: Computations Holdings Ltd.

Software products:

• Inte*Link: Unbundled hardware

and software; mainframe or personal computer; year of first installation, 1989; 10 total installations; system functions as an electronic health care claims interface system.

• FASTRAK: Unbundled hardware and software; mainframe; year of first installation, 1981; 45 total installations, 22 in employee benefit departments; functions include health claims processing.

• FLEXTRAK: Unbundled hardware and software; mainframe; year of first installation, 1986; 20 total installations, eight in employee benefit departments; functions include flexible benefits administration; can be used to communication benefit programs to employees.

• FASTRAK PC: Unbundled hardware


Continued on next page



A promise that recovering from surgery won't mean recovering from the bills.

A promise that the only anxiety about having the baby will be about having the baby.

A promise you'll have more to rely on than a gold watch and a slap on the back.

When the people who work for you give so much, they're keeping a promise. That's why it's important for you to keep your promises to them. We can help. 

MassMutual

We help you keep your promises. SM

Continued from previous page

ware and software; personal computer; year of first installation, 1987; 24 total installations, 10 in employee benefit departments; functions include claims adjudication, premium billing and administration; can be used to communicate benefit programs to employees.

• **MaxCare:** Unbundled hardware and software; personal computer; new product; functions include premium billing and administration, claims adjudication, managed care administration, self-insured fund management.

• **RESPONSEplus:** Unbundled hardware and software; personal computer; year of first installation, 1986; 38 total installations, five in employee benefit departments; functions include premium billing and administration, claims adjudication and self-insured fund management.

Staff: 140 total, 110 professionals.
User support: User groups and meetings, telephone assistance available 12 hours per day, on-site services for clients.

1989 gross revenues: \$35 million total.

Branch offices: Chicago; Phoenix; Hartford, Conn.

Principal officers: Robert J. Bramston, president/chief executive officer; Jay Hillebrand, executive vp/ chief operating officer; Theresa T. Tanton, senior vp-marketing/planning/communications.

Coopers & Lybrand- Actuarial, Benefits & Compensation Group

400 Renaissance Center, Detroit,
Mich. 43243; 313-446-7100

Year founded: 1961.

Parent company: Coopers & Lybrand.

Software products:

• **Information Line:** Bundled hardware and software; minicomputer; year of first installation, 1988; 25 total installations, all in employee benefit departments; provides generalized and personalized information on benefit plans to employees via touchtone telephone.

• **BENEFACOR:** \$25,000 plus \$10,000 yearly fee; unbundled hardware and software; personal computer; year of first installation, 1989; eight total installations, all in employee benefit departments; system functions as a database to support defined benefit, defined contribution, health and welfare plans; can be used to communicate benefit programs to employers.

• **COBRATRACKS:** \$1,500; unbundled hardware and software; personal computer; year of first installation, 1986; 89 total installations, all in employee benefit departments; functions include administration of group medical plans under COBRA.

Staff: 895 total, 718 professionals.
Clients: 18 employee benefit de-

partment clients. Sold 18 systems to clients in 1989.

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

Branch offices: Atlanta; Boston; Chicago; Columbus and Cleveland, Ohio; Dallas; Houston; Los Angeles; Louisville, Ky.; Philadelphia; Pittsburgh; San Francisco; Stamford and Hartford, Conn.; New York, Syracuse and Albany, N.Y.; Newark, N.J.; Minneapolis; Tampa, Fla.; Charlotte, N.C.

Principal officers: Jerome Y. Halperin, vice chairman.

Corporate Health Strategies

2 Whitney Ave., New Haven, Conn.
06510; 203-789-2989

Year founded: 1981.

Parent company: Metropolitan Life Insurance Co.

Software products:

• **PRO-ACT:** \$25,000; unbundled hardware and software; personal computer; year of first installation, 1988; 32 total installations, all in employee benefit departments; functions include providing access to information on monthly benefit plan utilization and costs.

• **CHAP:** Unbundled hardware and software; personal computer; year of first installation, 1985; 50 total installations, all in employee benefit departments; functions include pro-

viding access to adjusted benefit plan utilization and cost information.

• **CHAP 2:** Unbundled hardware and software; personal computer; year of first installation, 1990; five total installations, all in employee benefit departments; functions include access to customized information enabling analyses of health care utilization and cost.

Staff: 90 total, 60 professionals.

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

Branch offices: Westport and Branford, Conn.

Principal officers: Leon Hyman, president; Dennis Dang, chairman; William Rosenberg, senior vp.

Cyborg Systems Inc.

2 N. Riverside Plaza, Chicago, Ill.
60606; 312-454-1865

Year founded: 1974.

Software products:

• **The Solution Series:** \$42,000-\$260,000; unbundled hardware and software; year of first installation, 1974; 850 total installations, all in employee benefit departments; functions include payroll processing and human resource management; can be used to communicate benefits to employees.

Staff: 175 total, 150 professionals.

Clients: 636 employee benefit department clients. Sold 67 systems to clients in 1989.

User support: User groups and meetings, telephone assistance available 24 hours per day, client training.

1989 gross revenues: \$20 million total; 45% from sale of software, 55% from services.

Branch offices: New York; Atlanta; Los Angeles; Toronto; Cornwall, Ontario; London.

Principal officers: Michael D. Blair, president; James O. Pierce, executive vp; John K. Kluska, vp-products/services; Gary M. Tarr, vp-sales/support.

D

Data Management Ventures, Inc.

P.O. Box 469, Woodstock, Ga.
30188-0469; 404-924-7621

Year founded: 1985.

Software products:

• **FEE FACTS-Prevailing Fees for Rehabilitative Medicine:** Unbundled hardware and software; mainframe or personal computer; year of first installation, 1986; more than 225 total installations, 10 in employee benefit departments; functions as a reference source for health, personal injury and workers compensation claims cost containment.

Staff: Five total, three professionals.

User support: Telephone assistance available eight hours per day.

Principal officers: Richard E. Olson, president.

Deltalog

4225 Laclede Ave., St. Louis, Mo.
63108; 314-533-9200

Year founded: 1979.

Software products:

• **TACTIC Insurance Billing:** \$10,000-\$25,000; unbundled hardware and software; mini-computer; year of first installation, 1989; two total installations, both in employee benefit departments; functions include integrated insurance billing, eligibility history and claims payment; can be used to communicate benefit programs to employees and to administer claims under COBRA.

• **TACTIC Claim Administration:** \$25,000-\$50,000; unbundled hardware and software; mini-computer; year of first installation, 1989; two total installations, both in employee benefit departments; functions in-

Continued on next page



How to break the bank.

The mortgage banker who operates without Professional Liability insurance risks substantial losses. But now any mortgage banker—even non-MBA members—can obtain broadform Professional Liability protection that exceeds investor standards.

This Professional Liability coverage is specifically designed for mortgage bankers who originate loans, or who process, market, warehouse, account for or service mortgages. Unlike other plans, it is not restricted to specific perils, and is secured by a domestic market rated A by Best's. And for even more security, the program is administered by Swett & Crawford, the nation's leading wholesale provider of commercial liability insurance.

For truly comprehensive liability protection, explore our optional Errors & Omissions protection for mortgage bankers who have expanded their businesses to include escrow, real estate, notary, property management or leasing services.

For more information, contact Patrick Hanley, Swett & Crawford Program Administrator, at (212) 742-9730 or Steve Nourse, our marketing representative at ABI Management Company, (818) 377-3821. They'll help give your mortgage banking operation an even break.

Swett & Crawford

110 Maiden Lane • New York, New York 10005 • (212) 742-9730

© 1990, Swett & Crawford

The Standard of Excellence in Employee Benefits

Managing benefit resources has become a tremendous responsibility and many employers are looking for CEBS graduates for their benefit departments. Why? Because CEBS is the standard of excellence in the benefits field.

Certified Employee Benefit Specialist (CEBS) is awarded to individuals who successfully complete a series of ten college level courses and examinations covering the design and operation of employee benefit plans. The program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

For more information, contact the CEBS Department at the International Foundation headquarters.



Certified Employee Benefit Specialist
Post Office Box 69, Brookfield, WI 53008-0069, (414) 786-6700

Continued from previous page
 clude integrated insurance billing, eligibility history and claims payment; can be used to communicate benefit programs to employees and to administer claims under COBRA.

Staff: Nine total, five professionals.

Clients: Two employee benefit department clients; both with gross revenues less than \$200 million. Sold systems to two clients in 1989.

User support: User groups and meetings, telephone assistance available 10 hours per day, dial-up software maintenance.

1989 gross revenues: 30% from sale of hardware, 40% from sale of software, 30% from services.

Branch offices: Chicago.

Principal officers: Raymond E. Martin, president.

Digital Insurance Systems Corp.

3455 Mill Run Drive, Suite 400, Hilliard, Ohio 43026; 614-771-5423

Year founded: 1986.

Parent company: The Associated Group.

Software products:

- HCPS: Unbundled hardware and software; mainframe and mini computer; year of first installation, 1984; 23 total installations; functions include enrollment, claims administration and billing for health claims; can be used to administer claims under COBRA.

Staff: 72 total.

Clients: 23 employee benefit department clients. Sold nine systems to clients in 1989.

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

1989 gross revenues: 80% from sale of software, 20% from services.

Digital Techniques Inc.

10 B St., Burlington, Mass. 01803; 617-273-3495

Year founded: 1979.

Software products:

- TOUCHCOM: \$50,000-\$150,000; bundled hardware and software; personal computer; year of first installation, 1986; eight total installations; system is designed to provide employees with access to personal benefit information and to process benefit changes.

Staff: 38 total, 30 professionals.

Clients: Eight employee benefit department clients; 12.5% with gross revenues \$500 million-\$1 billion, 87.5% exceeding \$3.5 billion. Sold systems to five clients in 1989.

User support: Telephone assistance available 12 hours per day, on-site services for clients.

Branch offices: New York.

Principal officers: Patrick deCaignac, president/chief executive officer; Joel Lapointe, vp-sales/marketing.

Direct Reimbursement Services Inc.

10835 Rockley Road, Houston, Texas 77099; 713-495-7896

Parent company: Professional Benefits Insurance Co.

Software products:

- Dental Admin.: \$500 installation and training, 15 cents per employee per month; unbundled hardware and software; personal computer; year of first installation, 1986; functions include administration and generation of checks for direct reimbursement dental plans.

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

Principal officers: Charles Lewis, chairman; David M. Warren, president.

E

EBG & Associates Inc.

70 E. Lake St., Suite 1400, Chicago, Ill. 60601; 312-580-2250

Year founded: 1978.

Software products:

- HERBIE: Unbundled hardware and software; personal computer; year of first installation, 1988; functions include estimation of retirement benefits and calculation of values of employee benefit plans; can be used to communicate benefit programs to employees.

- PensionMaker DC-100: Unbundled hardware and software; personal computer; year of first installation, 1984; system is designed to administer multiple 401(k) and employee stock ownership plans; generates reports.

- PensionMaker DC: Unbundled hardware and software; personal computer; year of first installation, 1979; functions include proposals for and administration of defined contribution plans.

- DocuMaker: Unbundled hardware and software; personal computer; year of first installation, 1989; functions include mass submittance of regional prototypes.

- Coach: Unbundled hardware and software; personal computer; year of first installation, 1988; functions include serving as a guide to permitted disparity.

- Pension Maker Administrator: Unbundled hardware and software; personal computer; year of first installation, 1987; functions include administration of plans, including tax forms and billing.

Continued on next page

Editorial Index Service

The Business Insurance Editorial Index Service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes 3 quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

Take advantage of this cost effective tool and fill out the coupon today or call 212/210-0137.

Business Insurance

Editorial Index Service **Business Insurance**

220 East 42nd Street, New York, NY 10017

Please send me the following index(es):

Full Index Service at \$100* 1990

Softcover editions at \$100* each:

1986 1987 1988 1989

Hardcover editions at \$150* each:

1981 1982 1983 1984 1985

* foreign postage additional

TOTAL ENCLOSED \$ _____

PAYMENT MUST ACCOMPANY ORDER —

Visa Mastercard Optima American Express

Check Enclosed (payable to Business Insurance)

Account # _____ Exp. Date _____

Signature _____

Name _____

Title _____ Phone _____

Company _____

Address _____

City _____ State _____ Zip _____

We save Moore time, Moore money and more.



The people at Moore manufacture business forms.

And they pride themselves on being as good at peoplework as they are at paperwork. So when Moore came to Parkside for healthcare management, we developed a very personal approach to cutting costs.

Under our Patient Services Program, Moore employees who need hospital care receive individual counseling from a healthcare professional. There's a medical information hotline, a second opinion program, utilization review and more. It helps employees make knowledgeable decisions about healthcare, assuring them the most cost-effective treatment.

Finding value in quality care. That's how Parkside saves Moore time and Moore money. Call Parkside today to find out how we can do the same for your company ... and more.

Call Parkside for more information at 1-800-843-1978.



Parkside Health Management Corporation
 205 W. Touhy Ave., Park Ridge, IL 60068

Finding value in quality care.

Continued from previous page

• 401(k) Allocator: Unbundled hardware and software; personal computer; year of first installation, 1987; functions include allowing TPAs and plan sponsors to share responsibilities of 401(k) plan administration.

• FASB Reporter (Stand Alone): Unbundled hardware and software; personal computer; year of first installation, 1989; functions include complying with FASB 87 reporting requirements.

• DB: Unbundled hardware and software; personal computer; year of first installation, 1979; functions include administration of defined benefit plans.

• Pensiontax: Unbundled hardware and software; personal com-

puter; year of first installation, 1987; functions include preparation of Internal Revenue Service form 5500 and related schedules.

• Pension Maker Trust Accountant: Unbundled hardware and software; personal computer; year of first installation, 1987; functions include administration of pension trusts through asset recordkeeping and portfolio analysis.

• Pension Maker DB-XTRA: Unbundled hardware and software; personal computer; year of first installation, 1987; functions include evaluation of defined benefit plans, especially for larger plans.

Staff: 30 total.
Clients: 260 employee benefit department clients.

User support: User groups/meet-

ings, telephone assistance available eight hours per day, computer bulletin board available 24 hours per day.

1989 gross revenues: 50% from sale of software, 50% from services.

Principal officers: Emmanuel B. Garcia Jr., president; Dee L. Holt, vp-sales/customer support.

Eastern Benefit Software Inc.

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

Year founded: 1983.

Parent company: Centennial Financial Group.

Software products:

• Claim/Net: \$120,000 and up; bundled hardware and software; per-

sonal computer; year of first installation, 1984; eight total installations, two in employee benefit departments; functions include automated claims adjudication and processing.

• Flex/Net: Bundled hardware and software; personal computer; year of first installation, 1986; six total installations, two in employee benefit departments; system processes flexible spending account claims; can be used to communicate benefit programs to employees.

Clients: Eight employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to one client in 1989.

User support: Telephone assistance available.

1989 gross revenues: More than \$100,000 total.

Principal officers: William E. Vogel and Antonio T. Lim.

F

FLX Corp.

220 Willowbrook Lane, West Chester, Pa. 19382; 215-696-6600

Year founded: 1985.

Software products:

• FLX Recordkeeper Series II: \$20,000; unbundled hardware and software; personal computer; year of first installation, 1985; more than 50 total installations, more than 50 in employee benefit departments; functions include administration of cafeteria plans; can be used to communicate benefits to employees.

• FLX COBRA: \$5,000; unbundled hardware and software; personal computer; year of first installation, 1989; five total installations, all in employee benefit departments; functions include COBRA compliance.

• FLX Discriminator: \$5,000; unbundled hardware and software; personal computer; year of first installation, 1989; five total installations, all in employee benefit departments; function include discrimination testing.

Staff: Nine total, all professionals.

Clients: 55 employee benefit department clients. Sold systems to 20 clients in 1989.

User support: User groups/meetings; telephone and modem assistance available 9.5 hours a day.

1989 gross revenues: 85% from sale of software, 15% from services.

Principal officers: Ed Hughes, president; Rich Gordon, director-marketing.

FACTS Services Inc.

1575 San Ignacio, Suite 406, Coral Gables, Fla. 33146; 305-284-7400

Year founded: 1989 (FACTS Services Inc. purchased all software rights from C.G. Data Corp. in 1988 and began operations in 1989).

Software products:

• FACTS: Bundled hardware and software; mainframe, personal computer or minicomputer; year of first installation, 1982; 80 total installations, 41 in employee benefit departments; functions include administration of medical, dental, vision and disability claims; PPO billing; utilization review; can be used to administer claims under COBRA.

• FACTS Comp: Bundled hardware and software; mainframe, personal computer, minicomputer; year of first installation, 1986; five total installations, two in employee benefit departments; functions include administration of workers compensation claims.

• FACTS 125: Bundled hardware and software; mainframe, personal computer, minicomputer; year of first installation, 1985; 30 total installations, six in employee benefit departments; functions include administration of Section 125, flexible benefit and cafeteria plans; can be used to communicate benefits to employees.

Staff: 35 total, 31 professionals.

Clients: 80 employee benefit department clients.

User support: User groups/meetings, telephone assistance available 10 hours per day.

Principal officers: Robert S. Graham Jr., president; David E. Barton, vp-sales/marketing.

G

Genelco Inc.

1600 S. Brentwood Blvd., Suite 500, St. Louis, Mo. 63144; 314-962-2040

Year founded: 1973.

Parent company: General American Insurance Co.

Software products:

• Health Benefit Management System: Bundled and unbundled hardware and software; minicomputer; year of first installation, 1985; 22 total installations; functions include processing of medical, dental, disability, vision and prescription drug claims; can be used to communicate benefits to employees through letters.

• Benefit Administration & Reporting System: Bundled and unbundled hardware and software; mini-

Continued on next page

WHY PAY MILLIONS FOR MEDICAL BENEFITS AND STILL HAVE HELL TO PAY FROM YOUR EMPLOYEES?

The last thing any corporation wants to do is spend millions of dollars for benefits and then take the heat for inefficient administration. Processing claims quickly, accurately and responding to inquiries immediately will make your employees happier and take the heat off the employee benefits manager.

The advanced technology of our claims management system makes it possible for fewer people to pay more claims in less time with more accuracy and at less cost for administration and benefits than any

system available. It's as simple as options 1, 2 or 3.

1. Your staff pays the claims
2. Our staff pays the claims
3. We share in the processing

Any option selected will take advantage of Insurdata's 25 years of leadership in the development of new technology and the experience gained processing millions of claims. Clients using our system or administrative services include school districts, state governments, companies with less than 500 employees and Fortune 500 cor-

porations with 10,000 to 50,000 employees worldwide.

You will share in the advantages of image management systems, automated benefit determination, the elimination of paper files, immediate access to all documents and data, real-time claims tracking, in-depth management reports, executive graphical interface to system data and unique laser printing technology, all pioneered by Insurdata.

To begin *managing* your claims call Insurdata at 1-800-766-5111.

INSURDATA INCORPORATED

INSURDATA INCORPORATED 800 CENTRAL TOWER WILLIAMS SQUARE 5215 N. O'CONNOR BLVD. IRVING, TX 75039

Continued from previous page
 computer; year of first installation, 1987; 10 total installations; functions include administration of individual and group insurance plans, billing and collection functions, eligibility information for medical claims administration, overpayment tracking, multiple rating options, reporting.
Staff: 136 total, 36 professionals.

Clients: 61 employee benefit department clients; 13% with gross revenues less than \$200 million, 29% \$500 million-\$1 billion, 58% \$1 billion-\$3.5 billion. Sold systems to three clients in 1989.

User support: User groups/meetings, telephone assistance available 9.5 hours per day, on-site training for clients.

1989 gross revenues: \$14 million total; \$5.4 million from employee benefit information systems; 7% from sale of hardware, 8% from sale of software, 85% from services.

Branch offices: Dallas.
Principal officers: David B. Johnson, president; Russell E. Korte, executive vp; Ben C. Allen Jr., senior vp; Larry M. Amundsen, vp-systems & programming and sales/marketing; David Barton, vp-Dallas office; David Garver, vp-administrative services only sales/marketing; Robert Helbig, David Litschgi and Michael Molinar, product vps; Carol Heikinen, vp-operations-Dallas office.

GENESYS Software Systems Inc.

5 Branch St., Methuen, Mass.
 01844; 508-685-5400

Year founded: 1981.
Software products:

- **Defined Contribution:** \$50,000 and up; unbundled hardware and software; mainframe; year of first installation, 1987; 100 total installations, all in employee benefit departments; functions include recordkeeping and reporting for 401(k), 403(b), profit sharing, money purchase, savings and other investment plans; can be used to communicate benefits to employees.

- **Defined Benefits:** \$50,000 and up; unbundled hardware and software; mainframe; year of first installation, 1987; 50 total installations, all in employee benefit departments; functions include pension plan administration; can be used to communicate benefit programs to employees.

- **Flexible Benefits:** \$50,000 and up; unbundled hardware and software; mainframe; year of first installation, 1987; 50 total installations, all in employee benefit departments; functions include administration of flexible benefit plans; can be used to communicate benefit programs to employees.

Staff: 128 total, 94 professionals.
User support: User groups/meetings, telephone assistance available 24 hours per day.

Branch offices: Atlanta, Chicago, Dallas, Los Angeles, New York.

Principal officers: Larry Munini, president; Ruth Ladner, vp-sales/support; Bob Pomerleau, senior vp-finance; Rob Anderson, vp-software development; Linda Koski, vp-consulting services.

H

John Hancock Financial Services

P.O. Box 111, Boston, Mass. 02117;
 617-421-6000

Year founded: 1862 (parent company).

Parent company: John Hancock Mutual Life Insurance Co.

Software products:
 • **ICAS:** Unbundled hardware and software; personal computer; year of first installation, 1987; functions include analysis of medical claims experience.

- **Star-View:** unbundled hardware and software; personal computer; year of first installation, 1986; functions include providing benefit information to employees.

Staff: 16 total, 10 professionals.
User support: Telephone assistance, electronic mail communication.

Branch offices: Detroit and Kalamazoo, Mich.; Cleveland and Columbus, Ohio; Indianapolis; Rochester and New York, N.Y.; Philadelphia and Wayne, Pa.; Manchester, N.H.; Washington, D.C.; Chicago; Milwaukee; Minneapolis; Atlanta; Dallas;

Houston; Greensboro, N.C.; Fort Lauderdale, Fla.; Nashville, Tenn.; San Francisco; Los Angeles.

Contact: Susan Dayno, director-client counseling; Alex Malcolm, director-strategic systems.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa.
 19103; 215-875-2569

Year founded: 1911.

Parent company: Saatchi & Saatchi P.L.C.

Software products:
 • **Pension Valuation Language (PVL):** \$25,000; unbundled hardware and software; available on a time-sharing basis; year of first installation, 1980; 25 total installations, 21 in employee benefit departments; functions include funding and expense calculations for defined benefit plans, gain and loss analyses and cost projections.

- **Pension Individual Calculation System (PICS):** \$25,000; unbundled hardware and software; mainframe or available on a time-sharing basis; year of first installation, 1984; four installations, all in employee benefit

departments; functions include calculation of retirement benefits on an estimated or financial basis; can generate payment forms; can be used to communicate benefit programs to employees.

- **Capital Accumulation Language (CAL):** \$10,000; unbundled hardware and software; mainframe or available on a time-sharing basis; year of first installation, 1986; 27 total installations, 14 in employee benefit departments; functions include administration of defined contribution plans; can be used to communicate benefit programs to employees.

- **MediCalc:** \$2,500; unbundled hardware and software; personal computer; year of first installation, 1987; four total installations, all in employee benefit departments; functions include calculation of liabilities and projection of cash disbursements for post-retirement medical benefits.

- **Asset/Liability Projection System (ALPS):** \$45,000; unbundled hardware and software; mainframe or available on a time-sharing basis; year of first installation, 1986; two total installations, both in employee

benefit departments; functions include asset and liability forecasting for defined benefit plans.

Staff: 200 total, 75 professionals.

Clients: 25 employee benefit department clients. Sold systems to four clients in 1989.

User support: User groups and meetings, telephone assistance available eight hours per day, client newsletter.

1989 gross revenues: \$25 million total; \$5 million from employee benefit information systems; 5% from sale of software, 95% from services.

Branch offices: Atlanta; Boston; Los Angeles and Walnut Creek, Calif.; New York; Washington, D.C.; Toronto; London.

Principal officers: Kenneth P. Shapiro, president; Kurt H. Fichthorn, executive vp.

Hazlehurst & Associates

400 Perimeter Center Terrace,
 Suite 850, Atlanta, Ga. 30346;
 404-395-9880

Year founded: 1971.

Software products:

- **H & A Tailored Pension Benefit**

Calculation System: \$21,800; unbundled hardware and software; micro computer; year of first installation, 1985; 30 total installations, all in employee benefit departments; functions include calculating pension benefits for an individual employer or a group of employers, report generation; can be used to communicate benefits to employees.

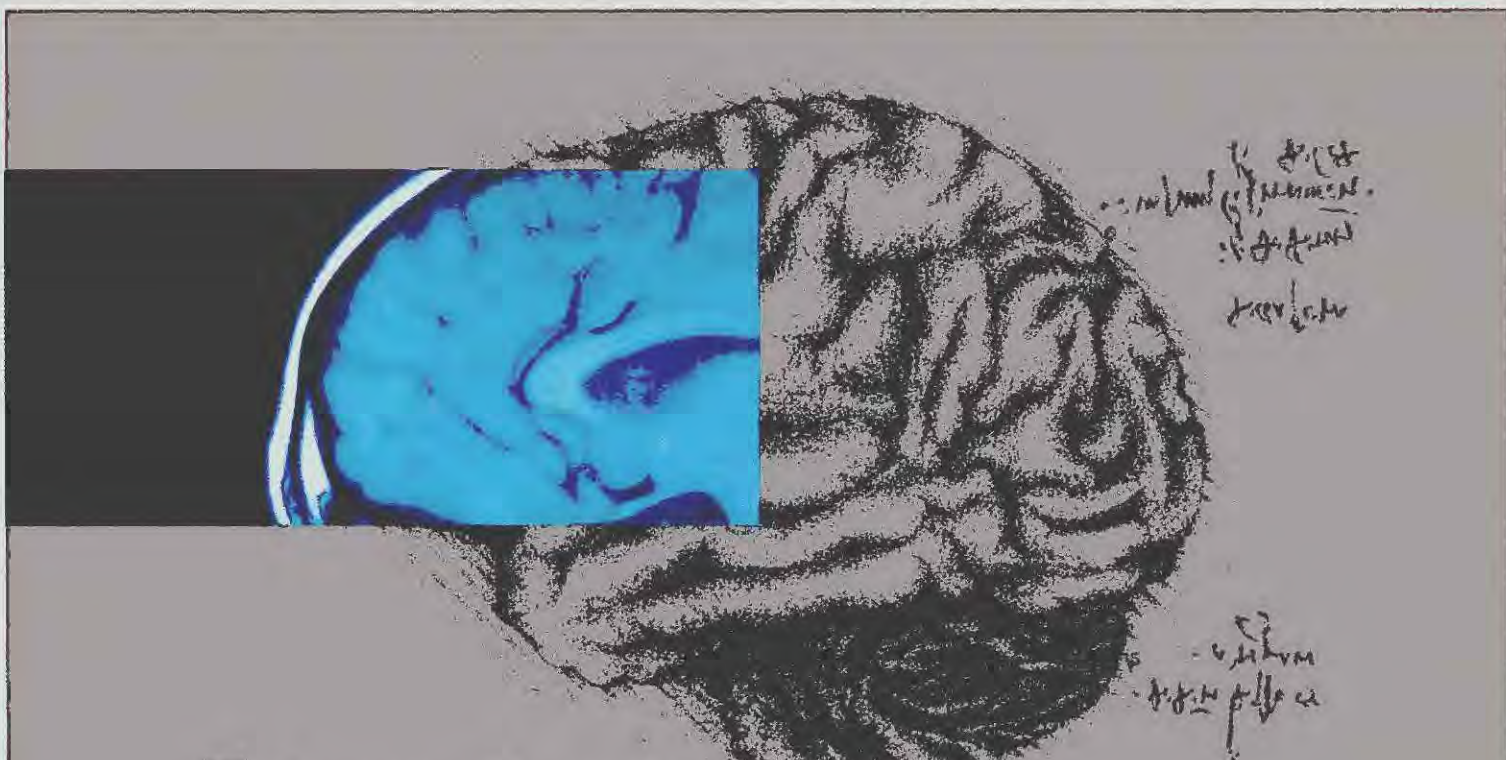
- **IRC 415 Limit Testing:** \$6,500; unbundled hardware and software; microcomputer; year of first installation, 1985; 25 total installations, all in employee benefit departments; functions include tracking employees approaching Internal Revenue Code 415 individual or combined limits.

- **Social Security Calculation System:** \$395; unbundled hardware and software; microcomputer; year of first installation, 1985; 20 total installations, all in employee benefit departments; functions include calculating individual social security benefits.

Staff: 140 total, 120 professionals.

Clients: 40 employee benefit department clients; 20% with gross rev-

Continued on next page



To Improve Upon the Best Claims Management System, We Applied Logic.

Innovation requires an open mind. At Erisco, this philosophy leads us to explore new cost-saving opportunities in health benefit management.

Take ClaimFacts, our comprehensive health claims management system. It handles all the requirements of today's managed care benefit plans. It's simple to use. And installation is fast and easy.

However, we thought ClaimFacts could be even better. So we took the next logical step. Now ClaimFacts integrates claim processing with medical claim editing. That means you'll save time and reduce cost while you improve productivity.

ClinicalLogic Makes ClaimFacts Smart.

We think you'll be impressed. The fact is, ClinicalLogic cuts claim costs dramatically by eliminating unnecessary medical payments. It's fully integrated with ClaimFacts. And ClinicalLogic examines claims automatically *before disbursement*, correcting "unbundled" procedures, inappropriate fees and coding errors.

ClinicalLogic is backed by an expert staff of board-certified physicians. Their combined clinical experience forms an expert-knowledge database, updated regularly as medical criteria change.

All this makes ClinicalLogic the most comprehensive claims editor available today.

We Designed ClaimFacts with Flexibility in Mind.

ClaimFacts accommodates the requirements of insurance carriers, TPAs, corporations, Taft-Hartleys, associations, and HMOs.

And, since all Erisco managed care systems work together, you can easily link utilization management and group administration to claim processing.

Because when it comes to serving our customers, there is no limit.

Make the Intelligent Choice.

To learn how ClaimFacts will help you contain costs and work smarter, call or write:

Erisco
 1700 Broadway
 New York, NY 10019-5905
 (212) 765-8500.



DB a company of The Dun & Bradstreet Corporation

Spotlight report

Continued from previous page
 revenues less than \$200 million, 25% \$200 million-\$500 million, 25% \$500 million-\$1 billion, 20% \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion. Sold systems to 35 clients in 1989.

User support: Telephone assistance available eight hours per day, consulting for clients.

1989 gross revenues: \$500,000 from employee benefit information systems; 50% from sale of software, 50% from services.

Branch offices: Seattle.

Principal officers: James G. Pope, president; R. David Parsons, chairman/principal actuary; David M. Gladstone and J. Ray McKinney, executive vps.

Health Management Technologies Inc.

1042 Country Club Drive, Suite 2-C, Moraga, Calif. 94556; 415-376-0980

Year founded: 1986.

Software products:

• Medwatch-Benefits Case Manager: \$12,000 for one workstation; bundled or unbundled hardware and software; personal computer; year of first installation, 1990; functions in-

clude providing data, references and reporting on utilization of acute and ambulatory health benefits.

• "Return," Disability Case Manager: \$8,500 for one workstation; bundled or unbundled hardware and software; personal computer; year of first installation, 1989; more than 50 total installations; system is designed to provide disability case management services.

• PPO Control-Provider Manager: \$11,000 for one workstation; bundled or unbundled hardware and software; personal computer; year of first installation, 1990; system is designed to provide case-based reviews of PPO performance; including utilization, outcome, quality assurance and contract management.

Staff: Seven total, three professionals.

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

Principal officers: K.J. Wolfe, president; James Wolfe, senior vp.

Health Risk Management Inc.

8000 W. 78th St., Minneapolis, Minn. 55435; 612-829-3500

Year founded: 1977.

Software products:

• HRM BeneCALC: Unbundled hardware and software; personal computer; functions include using claims data to identify medical cost and pricing problems, monitoring health care cost management programs and tracking costs.

• HRM Benefit Plan Modeling: Unbundled hardware and software; personal computer; system uses client claims data to model financial ramifications of medical plan design changes.

• HRM ResultsPLUS: Bundled hardware and software; functions include analysis of medical claims data to identify and interpret utilization and pricing patterns, recommendations for health cost containment strategies and estimation of savings.

• HRM Benefit Plan Management Reports: Bundled hardware and software; system creates management reports providing medical plan usage and cost information, identifies inappropriate carrier payments and provides information on large claims.

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

Health Systems International Inc.

100 Broadway, New Haven, Conn. 06511; 203-562-2101

Year founded: 1968.

Software products:

• DRG Assignment Program: \$2,000-\$10,000 per year; unbundled hardware and software; mainframe or personal computer; year of first installation, 1983; approximately 800 total installations; system provides DRG assignments used for analysis and payment under the DRG Prospective Payment System; can be used to administer claims under COBRA.

• Clinical Claims Editor: \$8,400-\$125,000 per year; unbundled hardware and software; mainframe or personal computer; year of first installation, 1985; approximately 1,000 total installations; function include DRG assignment, validation and pricing; can be used to administer claims under COBRA.

Staff: 100 total, 70 professionals.

User support: User groups and

meetings, telephone assistance available 12 hours per day, on-site training and installation.

Branch offices: Maitland, Fla.; Marina Del Rey, Calif.

HealthDecisions Inc.

198 Western Ave., Suite 200, St. Paul, Minn. 55102; 612-227-5779

Year founded: 1986.

Software products:

• ClaimsAccess: \$35,000; unbundled hardware and software; personal computer; year of first installation, 1988; three total installations, one in an employee benefit department; system functions as a data base to identify areas of cost savings and cost control strategies.

• ClaimsAnalysis: \$25,000; unbundled hardware and software; personal computer; year of first installation, 1985; 20 total installations, 15 in employee benefit departments; system identifies medical costs which are higher-than-average and generates reports on disease rates.

• Demographic Estimator: \$15,000; unbundled hardware and software; personal computer; year of first installation, 1987; three total installations, two in employee benefit departments; system compiles age/sex demographic profiles from preliminary data.

Staff: 23 total, seven professionals.

Clients: 10 total clients; four employee benefit department clients; 50% with gross revenues less than \$200 million, 50% \$200 million-\$500 million.

User support: Telephone assistance available eight hours per day.

1989 gross revenues: \$730,000 total; 80% of benefit information system revenues from sale of software, 20% from services.

Branch offices: New Haven, Conn.

Principal officers: Dr. Richard Huset, president; William Rush, director-research/development; Matt Mackowski, chairman.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000

Year founded: 1940.

Software products:

• Flexsystem: Unbundled hardware and software; mainframe or personal computer; year of first installation, 1983; More than 220 total installations, more than 220 in employee benefit departments; functions include enrollment, administration, record keeping and reporting for flexible compensation programs.

• Pension Administrator: Unbundled hardware and software; mainframe or personal computer; year of first installation, 1985; more than 110 total installations, more than 110 in employee benefit departments; system is designed to administer pension plans including employee data maintenance, benefit calculations and report writing.

• Comp+: Unbundled hardware and software; personal computer; year of first installation, 1985; more than 60 total installations, more than 60 in employee benefit departments; functions include job evaluation methodologies that incorporate market data and may be used to estimate future salary costs.

• FutureSaver: Unbundled hardware and software; personal computer; year of first installation, 1989; more than 10 total installations, more than 10 in employee benefit departments; system calculates future re-

tirement income from defined benefit and contribution plans and Social Security payments; can be used to communicate benefit programs to employees.

• SmartSaver: Unbundled hardware and software; personal computer; year of first installation, 1989; system is designed to educate employees about the financial advantages of flexible spending accounts; can be used to communicate benefit programs to employees.

Staff: 2,600 total, 1,700 professionals.

Clients: 600 employee benefit department clients. Sold systems to 100 clients in 1989.

User support: User groups/meetings, telephone assistance available.

Branch offices: Phoenix and Scottsdale, Ariz.; Los Angeles, San Francisco and Santa Ana, Calif.; Washington, D.C.; Tampa, Fla.; Atlanta; Denver; Rowayton, Conn.; Chicago; Boston; Detroit; St. Louis; Minneapolis; New York; Charlotte, N.C.; Bedminster, N.J.; Cleveland and Dayton, Ohio; Pittsburgh; Philadelphia; Dallas, The Woodlands and Houston, Texas; Seattle; Milwaukee; Amsterdam and Rotterdam, The Netherlands; Auckland, Wellington and Christchurch, New Zealand; Brisbane, Perth, Sydney and Melbourne, Australia; Brussels, Belgium; Buenos Aires, Argentina; Dublin, Ireland; Zurich, Geneva and Neuchâtel, Switzerland; Guadalajara, Mexico City and Juarez, Mexico; Jakarta, Indonesia; London; Paris; Madrid, Spain; Manila, Philippines; Milan, Italy; Singapore; Tokyo; Toronto; Wiesbaden, West Germany; St. Albans, United Kingdom.

Principal officers: Peter E. Fries, chief executive officer.

A. Foster Higgins & Co. Inc.

212 Carnegie Center, Princeton, N.J. 08540; 609-520-2677

Year founded: 1922 (parent company).

Parent company: Johnson & Higgins.

Software products:
 • BeneNet Benefit Administration System (BASPLUS): Unbundled hardware and software; personal computer; year of first installation, 1985; 60 total installations, all in employee benefit departments; functions include administration of benefit plans from enrollment through calculation of payroll deductions, can interface with payroll and insurers; can be used to communicate benefit programs to employees.

• COBRA Administration: Unbundled hardware and software; personal computer; year of first installation, 1988; 28 total installations, all in employee benefit departments; functions include administration of COBRA, premium and eligibility reports; can be used to communicate benefit programs to employees.

• Flexible Spending Account Administration (FSA): Unbundled hardware and software; personal computer; year of first installation, 1985; 22 total installations, all in employee benefit departments; system is designed to administer flexible spending account plans; can be used to communicate benefit programs to employees.

Staff: 54 total, 51 professionals.

Clients: More than 300 total.

User support: Telephone assistance available 10 hours per day.

Branch offices: New York; Parsippany, N.J.; Philadelphia; Cleve-

Continued on next page

GENERAL LIABILITY and UMBRELLA COVERAGE
 on an occurrence form for
CRANES, SCAFFOLDING and CONSTRUCTION EQUIPMENT
 MANUFACTURERS • DEALERS • RENTALS
 MARINE CONTRACTORS • RIGGERS

Limits to:
\$50,000,000

Coverage also available for:
MARINAS • BOAT BUILDERS

For further information contact:
 Peter K. Bommer, C.P.C.U. • Elaine Welchman • Beth Mallison
 TEL: (201) 891-3785 • FAX: (201) 891-7931
Brokers Inquire

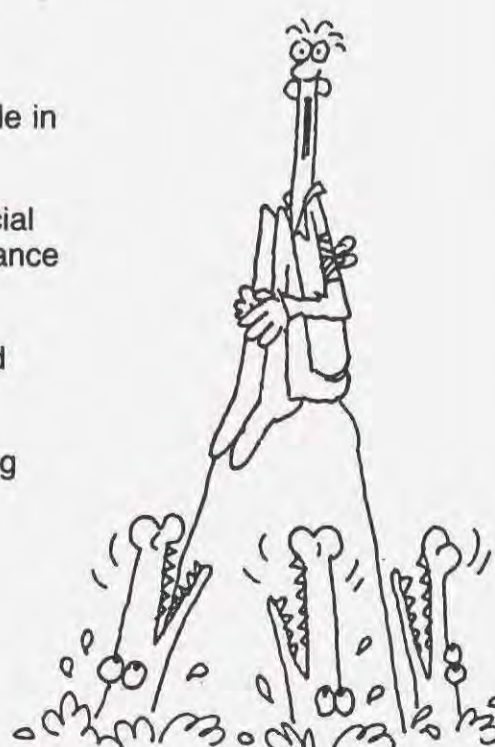
FIRM INC Construction Insurance Programs Agency
 P.O. Box 52, Wyckoff, New Jersey 07481

Health Care Costs Eating You Up?

Make CoMed Your First Line of Defense!

Offering:

- A Preferred Provider Network - available in many major metropolitan areas.
- Catastrophic Case Management - special emphasis on Mental Health and Substance Abuse.
- Data Analysis - helping you understand your claims experience.
- Focused Outpatient Review - monitoring the utilization of outpatient services.
- Hospital Utilization Review.



COMED MANAGEMENT, INC.
 525 Metro Place North • Dublin, Ohio 43017
 614/766-0061, ext. 256

ISP INSURANCE SOFTWARE PACKAGES, INC.
 Value Leaders In Risk Management Software

Employee Health Benefits Management System
 Ideal For Self-Insureds, TPA's, Associations & Carriers

- Eligibility Determination
- Fully Adjudicating
- Validates ICD-9 & CPT-4 Entries
- Identifies Duplicate Claims
- Produces Checks & EOB's
- Automatically Prints Form Letters
- Management & Ad Hoc Reports
- Lag Study Reports
- Unlimited Claims Capacity
- Easy Installation & Conversion
- Full Training & Continuing Support
- And Much More...

Installations Coast To Coast - Call For A Free Demo Diskette

INSURANCE SOFTWARE PACKAGES, INC.
 5118 N. 56th Street, Tampa, FL 33610
 US (800) 237-8133 FL (813) 621-6069

Come see us at RIMS 90, Booth #114/116, Hynes Convention Center, Boston, MA 4/29 - 5/4.

Continued from previous page
land; Washington, D.C.; Minneapolis; Chicago; Boston; Stamford, Conn.; Seattle; Portland, Ore.; San Francisco, San Diego, Los Angeles and Costa Mesa, Calif.; Atlanta; Houston.
Principal officers: John Feldtmose, president; Robert Phillips, executive vp.

Insurance Software Packages Inc.

5118 N. 56th St., Tampa, Fla. 33610; 813-621-6069

Year founded: 1985.

Software products:

- Health Benefits Management System: \$35,000-\$45,000; unbundled hardware and software; microcomputer; year of first installation, 1986; 30 total installations, 12 in employee benefit departments; functions include employee enrollment in benefit plans, payment of claims, claims adjudication, claims validation and reporting.

Staff: 50 total, 48 professionals.

Clients: 30 employee benefit department clients; 50% with gross revenues less than \$200 million, 20% \$200 million-\$500 million, 20% \$500 million-\$1 billion, 10% \$1 billion-\$3.5 billion. Sold systems to five clients in 1989.

User support: User groups and meetings, telephone assistance available 9.5 hours per day.

1989 gross revenues: 2.5 million total; \$250,000 from employee benefit information systems; 83% from sale of software, 17% from services.

Principal officers: A. Allan Machesney, president; Janet Machesney, secretary/treasurer; George H. Cannon, vp; Jerry Blackburn, senior vp.

K

Kwasha Lipton

2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300; 201-279-6800

Year founded: 1944.

Software products:

- Int-Act: \$20,000 and up; unbundled hardware and software; personal computer; developed in 1986; functions include modeling for flexible benefits enrollment; can be used to communicate benefit programs to employees.

- Custom-designed Micro-Computer Benefits Administration System: \$8,000 and up; unbundled hardware and software; personal computer; year of first installation, 1982; 60 total installations, all in employee benefit departments; functions include record keeping, Social Security calculations, special benefits reports, data transfer and entry for benefit plans.

- Group Benefits Administration System: \$15,000 and up; unbundled hardware and software; personal computer; developed in 1988; system serves as a data base for administering group benefit plans, flexible benefits enrollment and Section 125 accounts; can be used to communicate benefit programs to employees.

Staff: 350 total, 30 professionals.

Clients: 60 employee benefit department clients; 10% with gross revenues less than \$200 million, 15% \$200 million-\$500 million, 40% \$500 million-\$1 billion, 35% \$1 billion-\$3.5 billion. Sold 10 systems in 1989.

User support: User groups and meetings, telephone assistance available 10 hours per day, updates and manuals.

1989 gross revenues: 60% if benefit information systems revenues from sale of software, 40% from services.

Principal officers: Richard C. Sears, chief executive officer; David A. Skovron, chief operating partner; R.T. Whitman, partner in charge-marketing.

M

Mayer Hoffman McCann

410 Nichols Road, Kansas City, Mo. 64112; 816-968-2055

Year founded: 1954.

Software products:

- Cafeteria Plan Management System: \$3,450; unbundled hardware and software; personal computer; year of first installation, 1985; 415 total installations, 95 in employee benefit departments; system functions as an accounting system for Section 125 flexible spending accounts; can be used to communicate benefit programs to employees.

- Cafeteria Plan Proposal System: \$495; unbundled hardware and software; personal computer; year of first installation, 1987; 535 total installations, 65 in employee benefit departments; functions include employee enrollment in Section 125 flexible spending accounts; can be used to communicate benefit programs to employees.

Staff: 135 total, 100 professionals.

Clients: 465 employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to 240 clients in 1989.

User support: User groups and meetings, telephone assistance available eight hour per day, client training manuals.

1989 gross revenues: 100% from sale of software.

Principal officers: Miles Ross, partner; Alan Thibault, principal.

MEDSTAT Systems Inc.

777 E. Eisenhower, Suite 500, Ann Arbor, Mich. 48108; 313-996-1180

Year founded: 1981.

Software products:

- MEDSTAT System 2: \$150,000; unbundled hardware and software; personal computer; year of first installation, 1989; previous version, 1983; 55 total installations, all in employee benefit departments; functions include analysis of claims data to support benefit decisions.

Staff: 108 total, 70 professionals.

Clients: 55 employee benefit department clients; 100% with gross revenues less than \$200 million. Sold 12 systems to clients in 1989.

User support: User groups and meetings, telephone assistance available nine hours per day, consulting.

1989 gross revenues: \$10 million total; \$9 million from employee ben-

efit information systems; 100% from sale of software.

Branch offices: Boston, Cleveland, Chicago, San Francisco.

Principal officers: Ernest Lody, chairman; Laurence Hagerly, president; Dennis J. Becker, senior vp-insurance systems; J. Dennis Bush, vp-product development; Ross J. Coffey, vp-client services.

William M. Mercer Inc.

1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7584

Year founded: William M. Mercer Inc. is the U.S. operating unit of William M. Mercer Cos. Inc., founded in 1975.

Parent company: Marsh & McLennan Cos. Inc.

Software products:

- Pension Express (Benefit Calculation System): Unbundled hardware and software; personal computer; year of first installation, 1986; more than 100 total installations, more than 50 in employee benefit departments; functions include calculating

defined benefit pension plans; can be used to communicate benefit programs to employees.

- FlexKey: Unbundled hardware and software; mainframe or personal computer; year of first installation, 1984; 80 total installations, 45 in employee benefit departments; functions include enrollment, administration and reimbursement account processing for flexible spending accounts; can be used to communicate benefit programs to employees.

- Social Security Calculation System: Unbundled hardware and software; mainframe or personal computer; year of first installation, 1979; 100-120 total installations, all in employee benefit departments; product calculates benefits under the Social Security law in effect since 1975.

- MasterKey: Unbundled hardware and software; mainframe; year of first installation, 1984; system serves as an accounting system for defined contribution plan administration; can be used to communicate benefit programs to employees.

- Allocation Express: Unbundled

Continued on next page



METRORECORDS. DEFINED CONTRIBUTION AND DEFINED BENEFIT RECORDKEEPING THAT CAN RIDE THE CHANGING TIMES.

Times change. Especially for plan sponsors. That's why we designed METRORECORDS™—our advanced, on-line recordkeeping system: To help you keep on top of your ever-changing needs.

With METRORECORDS' flexibility, we can:

- handle legislative changes at no expense to you
- provide on-line access to participant account

information, including prior transaction details

- address your 401(k) loan requirements with ease
- assign a dedicated conversion and installation unit

Get METRORECORDS and control your future. For more information, send the coupon below. Or call Bob Cusack at (212) 578-8957.

METRORECORDS, Metropolitan Life Insurance Company, Area 9-UV, One Madison Avenue, NY, NY 10010

NAME/CO.

PHONE

ADDRESS

CITY/STATE/ZIP

GET MET. IT PAYS.



Continued from previous page
hardware and software; personal computer; year of first installation, 1989; 50 total installations; system services as an accounting system for defined contribution plan administration; can be used to communicate benefit programs to employees.

• **LoanKey:** \$10,000 complete or individually priced modules; unbundled hardware and software; personal computer; year of first installation, 1986; more than 100 total installations, 75 in employee benefit departments; functions include administering loan provisions of defined contribution plans; can be used to communicate benefit programs to employees.

• **DataKey:** \$20,000 complete or individually priced modules; unbundled hardware and software; personal computer; year of first installation, 1987; 25 total installations, 10 in employee benefit departments; system is designed to collect and manage the flow of information related to defined contribution plans.

• **TestKey:** \$3,000; unbundled hardware and software; personal

computer; year of first installation, 1987; 35 total installations, two in employee benefit departments; system is designed to perform discrimination tests in accordance with the Tax Reform Act of 1986.

• **415 Express:** \$20,000; unbundled hardware and software; personal computer; year of first installation, 1988; more than 50 total installations, 5-10 in employee benefit departments; system is designed to test for compliance with Section 415 combined limits.

• **TouchSource:** Unbundled hardware and software; personal computer with video disk player and monitor; year of first installation, 1989; system is designed to perform as an interactive video disk system for flexible benefit plan enrollment, 401(k) modeling, company orientation and employee attitude surveys; can be used to communicate benefit programs to employees.

Staff: 3,866 total, 2,617 professionals.

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

1989 gross revenues: \$622 million total for William M. Mercer Cos.

Branch offices: Albuquerque, N.M.; Anchorage, Alaska; Atlanta; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago and Deerfield, Ill.; Cincinnati, Cleveland and Columbus, Ohio; Dallas, Houston and Fort Worth, Texas; Denver; Detroit; Los Angeles, Fresno, Orange, San Francisco, San Jose and Irvine, Calif.; Indianapolis; St. Louis and Kansas City, Mo.; Louisville, Ky.; Memphis and Nashville, Tenn.; Milwaukee; Minneapolis; Morristown, N.J.; New Orleans; Rochester and White Plains, New York; Philadelphia; Pittsburgh; Phoenix, Ariz.; Portland, Ore.; Richmond, Va.; Seattle; Stamford, Conn.; Tampa, Fla.; Tulsa, Okla.; Washington, D.C.

Principal officers: Peter Coster, president; Robert A. Brochu, Ronald M. Walker and Thomas R. Waylett, executive vps; Philip E. Carlin, Chester D. Clark, Edward H. Davis, Robert E. Lindgren, Howard F. Lund, Timothy J. Lynch and Daniel C. White, managing directors-U.S. regions.

P

P & W Software Inc.

5655 Lindero Canyon Road, Suite 403, Westlake Village, Calif. 91362; 818-707-7690

Year founded: 1984.

Software products:

• **Powerplus:** \$12,500; unbundled hardware and software; personal computer; year of first installation, 1987; 150 total installations, 80 in employee benefit departments; functions administration of employee benefit programs; can be used to communicate benefit programs to employees.

Staff: Five total, four professionals.

Clients: 80 employee benefit department clients; 50% with gross revenues less than \$200 million, 25% \$200 million-\$500 million, 25% \$500 million-\$1 billion. Sold systems to 100 clients in 1989.

User support: User groups and meetings, telephone assistance available 16 hours per day, client newsletters.

Principal officers: Thomas E. Philipp, president; Michael C. Wilson, vp.

Parkside Data Services

205 W. Touhy Ave., Park Ridge, Ill. 60068; 708-698-4839

Year founded: 1982.

Parent company: Parkside Health Management Corp.

Software products:

• **Parkside Health Data Profiles:** \$5,000-\$25,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1989; five total installations, two in employee benefit departments; functions include analysis of health care claims.

Staff: 12 total, 10 professionals.

Clients: 75 employee benefit department clients; 60% with gross revenues less than \$200 million, 20% \$200 million-\$500 million, 20% \$500 million-\$1 billion. Sold systems to five clients in 1989.

User support: User groups and meetings, telephone assistance available nine hours per day.

1989 gross revenues: \$1.5 million total; \$400,000 from employee benefit information systems; 10% from sale of software, 90% from services.

Principal officers: Edward L. Wristen, president.

Parsons, McKee, Sommers & Co.

1991 Crocker Road, Suite 350, Westlake, Ohio 44145; 216-871-8611

Year founded: 1976.

Software products:

• **Pension Benefit Computation System:** \$25,000-\$35,000; unbundled

Continued on next page

Our clients say it best.

“Our group legal plan is one of the most used and beneficial programs in our flex benefits package...I would even sacrifice other benefits to maintain this service.”

“We can't say enough for this program. Just being able to call our lawyer for advice at no charge is a very reassuring feeling.”

“I'm glad that I can use the attorney of my choice instead of being stuck with one I didn't want.”

“My attorney has my utmost trust and faith. I know that she works hard for my best interests.”

Romania
Czechoslovakia
Poland

“I don't need an attorney often, but when I do, it's a relief to know that I have one without the worry of high payments and red tape.”

“Our legal insurance let us consult a specialized attorney, saving us stress, time and expense...”

“Midwest Legal Services is a benefit that I can't afford to be without. I would gladly recommend Midwest to my co-workers.”

Midwest Legal Services' only business is legal expense insurance plans. We have been a success for over 15 years, meeting the needs of employers and their employees.

For information about how a plan might fit into your employee benefits package, call us at 1-800-247-4184, or drop us a line.



480 Capital Square/400 Locust
Des Moines, IA 50309

First in legal plans,
still setting the pace.

Advertiser **Index**

Issue of April 2

Advertiser	Page #	Advertiser	Page #
Advisory Comm. Systems	52	Jardine Emmett & Chandler	7
American Dental Assn.	47	K&K Ins./Lincoln National	29
American General Group Serv.	22	Mass. Mutual Insurance	37
American Reinsurance	30-31	Media/Professional Ins.	48
AT&T American Transtech	16	Medical Control Inc.	25
Blue Cross/Blue Shield Assn.	10-11	Metropolitan Life Ins. Co.	43
Brownyard Brothers	33	Mid-Atlantic Graphic Comm.	51
Care Review	50	Midwest Legal Services Inc.	44
CIGNA	9	Nat'l Assn. of Empl. Ben. Pln.	21
CNA Insurance Co.	25	Northwestern National Life	14-15
CoMed Management Co., Inc.	42	Pacific Mutual Insurance	4
Corroon & Black	23	Paige-Ruane, Inc.	28
Cost Care Inc.	24	Paragon Life Insurance	17
Cover X	53	Parkside Health Mgmt.	39
Crawford & Company	20,45	Provider Networks of Amer.	48
David Corporation	54	Resource Inform. Mgmt. Syst.	32
Delta Dental Plans Assn.	13	Risk and Ins. Mgmt. Society	54
Erisco	41	San Marcos Treatment Center	49
Facts Services Inc.	57	SBPA Systems, Inc.	50
FIRM Inc.	42	State Mutual Life Assurance	12
First Security Underwriting	46	Swett & Crawford	38
John Hancock Mutual Life	33	Transamerica Ins. Group	26-27
Healthcare International	49	Travis Software	57
Home Insurance Company	18-19	U.S. Life Insurance	52
Hyatt Legal Services	28	Upjohn Healthcare Services	6
Insurance Software Pkgs.	42	Wausau Insurance Company	5
Insurdata Inc.	40	Floyd West & Company	53
Int'l. Found. of Empl. Ben.	38	Zurich-American Insurance Co.	64
Intracorp	34		

Continued from previous page
hardware and software; personal computer; year of first installation, 1982; functions include computing defined benefit plans and employer report generation; can be used to communicate benefit programs to employees.

Staff: 17 total, 11 professionals.
Clients: 35 employee benefit department clients. Sold systems to five clients in 1989.

User support: Update annually or more frequently.

Principal officers: John R. Parsons, president; William W. McKee, vp/actuary; Mark S. Sommers, vp/managing principle.

Pentabs

520 E. Montecito St., Santa Barbara, Calif. 93103; 805-963-8881; 800-736-8227

Year founded: 1973.

Parent company: Corbel & Co.

Software products:

- **Defined Contribution/401(k)/ESOP System:** Unbundled hardware and software; personal computer; year of first installation, 1984; 500 total installations; system performs record keeping and administration of 401(k), ESOP and defined contribution plans; can be used to communicate benefits to employees.

- **Defined Benefit/Defined Contribution System:** Unbundled hardware and software; personal computer; year of first installation, 1979; 500 total installations; system administers defined contribution and defined benefit plans.

- **Government Forms System:** Unbundled hardware and software; personal computer; year of first installation, 1986; 200 total installations; system prepares and prints government forms for retirement plans.

Staff: 55 total.

Clients: 600 employee benefit department clients.

User support: User groups and meetings; telephone assistance available 11.5 hours per day, regional and on-site client training.

Branch offices: Flint, Mich.; Cranford, N.J.; Marietta, Ga.; Chicago; Jacksonville, Fla.

Principal officers: Larry DuBois, president; Jim Thompson, general manager.

Pro*Systems Inc.

25100 Euclid Ave., Suite 110, Cleveland, Ohio 44117; 216-731-2323

Year founded: 1972.

Software products:

- **Pro*Claims Complete:** \$35,000; unbundled hardware and software; minicomputer or personal computer; year of first installation, 1986; 18 total installations, three in employee benefit departments; functions include administration of employee benefit claims; can be used to communicate benefit programs to employees.

Staff: 24 total, 18 professionals.

Clients: 18 employee benefit department clients. Sold systems to four clients in 1989.

User support: Telephone assistance available eight hours a day, modem.

1989 gross revenues: \$1.03 million total; \$400,000 from employee benefit information systems; 20% from sale of hardware, 50% from sale of software, 30% from services.

Principal officers: Vincent A. Loparo, chief executive officer; Harold E. Musick, vp/treasurer.

Professional Computer Services

22010 S. Wilmington Ave., Suite 207; Carson, Calif. 90745; 800-777-5311

Year founded: 1964.

Software products:

- **Health & Welfare Multi-Employer Remittance:** \$5,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1964; 25 total installations; functions include billing all types of benefit plans, including accounting, discrepancy and delinquency notifications.

- **Work-History and Eligibility:** \$20,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1964; 25 total installa-

tions; functions include calculation of eligibility for benefits; can be used to communicate benefit programs to employees.

- **Member/Dependent Registration:** \$10,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1970; 25 total installations; system is designed to verify status of benefit plan enrollees and dependents, including full-time student verification and disability and legal status; can be used to communicate benefit programs to employees.

- **Claims Adjudication:** \$20,000-\$200,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1975; eight total installations; system is designed to adjudicate medical, dental disability and other types of claims; generates reports; can be used to communicate benefit programs to employees.

- **Pension Multi-Employer Remittance:** \$5,000; unbundled hardware and software; mainframe, minicom-

Continued on next page

1989 / 1990

Business Insurance DIRECTORY
of Corporate Buyers of Insurance,
Benefit Plans & Risk Management Services

Updated and expanded, the 1989/90 Directory includes information on more than 13,700 executives from over 2,100 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for — employee benefits — pension/retirement plans — personnel — risk & insurance management — property/casualty insurance — international employee benefits and/or risk management

Order the 1989/90 Business Insurance Directory of Corporate Buyers today — gain access to the executives who are directly responsible for the purchase of commercial insurance, employee benefits and risk management.

To order your copy complete the coupon or phone 313/446-1623. For tape sales or information call 313/446-1625.

• Reserve _____ copies
• \$85 each (15% discount when you order 5 or more).
• All orders must be prepaid.
• Make check payable to:
• Business Insurance Directory
• Total enclosed: \$ _____
• or charge my Visa Mastercard
• American Express Optima
• Account # _____
• Exp. Date _____
• Signature _____
• print name _____
• title _____
• company _____
• address _____
• city _____ state _____ zip _____
• phone _____
• Mail to:
• Business Insurance Directory
• Single Copy Sales
• 965 East Jefferson Avenue
• Detroit, MI 48207

**Workers Comp
medical costs out of control?
Crawford provides power tools!**

Now that medical expenses in workers compensation generally exceed indemnity payments, it's time for you to institute measures to reduce those costs to the minimum.

Crawford & Company receives more than 500,000 workers compensation claim assignments each year. Therefore, we found it necessary to develop a full complement of tools to cut the costs involved.

If the thought of saving as much as 30% of the money you are now spending on workers compensation medical expenses intrigues you, give us a call or return the coupon below.



Get on the cutting edge yourself.

John H. Potter
Assistant Vice President
Crawford & Company
5620 Glenridge Dr. (Zip 30342)
P.O. Box 5047
Atlanta, GA 30302
(404) 847-4470

**CRAWFORD & COMPANY
COST CONTAINMENT TOOLS**

- Utilization Review
- Medical Case Management
- Return-to-Work System™
- Light Duty Return-to-Work
- Preferred Provider Organizations (PPO)
- Sentinel Hospital Bill Audits
- Sentinel Provider Bill Audits

Send me information to reduce my workers compensation costs.

Name _____
Title _____
Company _____
Address _____
Phone _____

Spotlight report

Continued from previous page

puter or personal computer; year of first installation, 1964; six total installations; functions include billing for pension plans, including accounting, discrepancy and delinquency notifications.

• **Benefit History:** \$30,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1964; six total installations; system administers defined contribution and defined benefit plans; generates reports; can be used to communicate benefit programs to employees.

• **Annual/Periodic Benefit Notices:** \$30,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1964; six total installations; system generates notification of current and estimated status of pension benefits for employees; can be used to communicate benefit programs to employees.

• **Withdrawal Liability Calculation:** \$10,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of

first installation, 1980; two total installations; system calculates cost of withdrawal for unfunded vested liability in pension plans, can generate forms and amortization schedules.

• **Pension Payment:** \$15,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1964; six total installations; system calculates monthly pension payments, prints forms and provides government reporting; can be used to communicate benefit programs to employees.

• **Investment Tracking:** \$5,000; unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1979; two total installations; system tracks pension investments including comparison of relative performance.

• **Staff:** Seven total, four professionals.

• **Clients:** 10 employee benefit department clients. Sold systems to four clients in 1989.

• **User support:** Telephone assistance available 12 hours per day, cli-

ent meetings.

• **1989 gross revenues:** \$750,000 total; all from employee benefit information systems; 15% from sale of software, 85% from services.

• **Principal officers:** Edna Buttery, chairman; J. Patrick Broman, president; Ernestine Givens, secretary.

R

Resource Information Management Systems Inc. (RIMS)

500 Technology Drive, P.O. Box 3094, Naperville, Ill. 60566-7094; 708-369-5300

• **Year founded:** 1981.

• **Software products:**

• **QicClaim/2:** Bundled and unbundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1988; 40 total installations, three in

employee benefit departments; functions include health claims management and administration.

• **QicClaim:** Bundled and unbundled hardware and software; minicomputer; year of first installation, 1982; 307 total installations, 31 in employee benefit departments; functions include health claims management and administration, claims adjudication.

• **Staff:** 170 total, 150 professionals. **Clients:** 347 employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to 36 clients in 1989.

• **User support:** User groups and meetings, telephone assistance available 10 hours per day, 24-hour extended support system available.

• **1989 gross revenues:** \$18.4 million total; \$16.6 million from employee benefit information systems; 49% from sale of hardware, 34% from sale of software, 17 % from services.

• **Branch offices:** Troy, N.Y.

• **Principal officers:** Thomas H. Heimsoth, chief executive officer; Terry L. Kirch, chief operating officer.

S

SBC Systems Corp.

30 Perimeter Center E., Suite 203, Atlanta, Ga. 30305; 404-399-6321

• **Year founded:** 1978.

• **Software products:**

• **Full Flexible Benefits (Section 125) Plan:** \$20,000; unbundled hardware and software; personal computer; year of first installation, 1985; 40 total installations, nine in employee benefit departments; functions include credit calculations, plan enrollment, flexible spending account administration and employee statements; can be used to communicate benefit programs to employees.

• **Defined Benefit Plan:** \$20,000; unbundled hardware and software; personal computer; year of first installation, 1979; 20 total installations, five in employee benefit departments; functions include benefit valuation capabilities, benefit calculations and retiree payroll; can be used to communicate benefit programs to employees.

• **401(k)/Defined Contribution Plan:** \$20,000; unbundled hardware and software; personal computer; year of first installation, 1984; 20 total installations, five in employee benefit departments; functions include administration of contributions, investments, loans, discrimination testing and retiree payroll; can be used to communicate benefit programs to employees.

• **Staff:** Eight total, all professionals.

• **Clients:** 92 employee benefit department clients; 60% with gross revenues less than \$200 million, 20% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 5% \$1 billion-\$3.5 billion, 5% exceeding \$3.5 billion. Sold systems to 19 clients in 1989.

• **User support:** User groups and meetings, telephone assistance available 12 hours per day, on-line diagnostic support.

• **Principal officers:** Murray Goldman, president; Eva Chang, executive vp; Margaret King, vp-product services.

SBPA Systems Inc.

14925A Memorial Drive, Houston, Texas 77079; 713-496-0800

• **Year founded:** 1975.

• **Software products:**

• **Group Benefit Administration System (GBAS):** Bundled and unbundled hardware and software; minicomputer; year of first installation, 1975; 31 total installations, five in employee benefit departments; functions include administering COBRA and Section 125 claims, determining eligibility for benefit plans, claims adjudication.

• **Staff:** 12 total, 10 professionals. **Clients:** 30 employee benefit department clients.

• **User support:** User groups and meetings, telephone assistance available eight hours per day.

• **Principal officers:** Arnold Heinrich, president; Timothy Stunz, vp.

SW Systems Inc.

P.O. Box 1508, Goleta, Calif. 93116; 805-963-5959

• **Year founded:** 1979.

• **Software products:**

• **Claims Work:** Unbundled hardware and software; mainframe or minicomputer; year of first installation, 1979; 35 total installations, 25 in employee benefit departments; functions include on-line claims adjudication, claims administration, can generate reports and fee schedules; can be used to administer claims under COBRA and to communicate benefit programs to employees.

• **Cost Work:** Unbundled hardware and software; mainframe or minicomputer; year of first installation, 1979; 15 total installations, 10 in employee benefit departments; functions include administration of pre-certification, second opinion and utilization review programs; generates reports.

• **HMO Work:** Unbundled hardware and software; mainframe, minicomputer; year of first installation,

Continued on next page



First Security's Underwriting staff is dedicated to helping TPAs be the best (l. to r.) Vince Lewis, Laura Goldberg, Mary Ann Hockmuth, George Ryan, Linda Boyce, Terri Rainge.

First Security Underwriting Services, Inc.

helping TPAs be the best

First Security works **exclusively** with Third Party Administrators, providing specialized attention, assistance and expertise. We help TPAs across the country control costs and limit liability for their customers.

By combining the flexibility of a small firm with the financial strength of large companies, First Security offers quality products and much more. We are also a trusted resource providing TPAs with service, back-up and information. We work in partnership with TPAs to provide the products and services which meet employers' needs.

First Security products and services give your clients the cost saving edge:

- Aggregate Excess Risk Insurance
- Specific Excess Risk Insurance
- Group Life Insurance
- Disability Income Insurance
- Large Case Management Services
- Hospital Audits
- Claims Audits
- Consulting Services

If you are a TPA that wants to provide the best in excess risk insurance for groups of at least 50 lives, contact Mary Ann Hockmuth. She will explain how First Security Underwriting Services, Inc. can provide security for your clients and service for you.



First Security Underwriting Services, Inc.

30755 Barrington
Madison Heights, Michigan 48071
(313) 588-7470 — Fax (313) 585-5715

Continued from previous page
1985; three total installations; functions include determining specialty referrals, risk pools and per capita charges.

Staff: 25 total, 20 professionals.
Clients: 35 employee benefit department clients. Sold systems to six clients in 1989.

User support: User groups and meetings, telephone assistance available 10 hours per day.

1989 gross revenues: \$2.5 million total; 60% of benefit information system revenues from sale of software, 40% from services.

Principal officers: William Whitmore, president.

SOTRISS

945 E. Paces Ferry Road, Suite 1910, Atlanta, Ga. 30326; 404-261-6313

Year founded: 1983.

Parent company: Lincoln National Corp.

Software products:

• **EBIS:** Unbundled hardware and software; personal computer; new product; functions include claims processing, tracking utilization review and workers compensation claims, determining eligibility for benefit plans.

Staff: 50 total, 40 professionals.

User support: User groups will be formed.

1989 gross revenues: 50% from sale of software, 50% from services.

Branch offices: Des Plaines, Ill.; Woodland Hills, Calif.

Principal officers: Paul Harrison, president; William Nybeck; Gary Clark, senior vp; Don Taylor, vp.

SPECTRUM Human Resource Systems Corp.

1625 Broadway, Suite 2800, Denver, Colo. 80202; 303-534-8813

Year founded: 1984.

Software products:

• **HR/2000:** \$10,000-\$20,000; unbundled hardware and software; personal computer; year of first installation, 1984; 350 total installations, all in employee benefit departments; functions include administration of COBRA, cafeteria, flexible spending and flexible benefit plans; can be used to communicate benefit programs to employees.

• **HR/1200:** \$2,000-4,000; unbundled hardware and software; personal computer; year of first installation, 1988; 90 total installations, all in employee benefit departments; functions include administration of claims under COBRA and benefits tracking; can be used to communicate benefit programs to employees.

• **Flexible Benefits-Flexible Spending Module:** \$10,000; unbundled hardware and software; personal computer; year of first installation, 1989; 40 total installations, all in employee benefit departments; functions include administration of enrollment and spending accounts; can be used to communicate benefit programs to employees.

Staff: 42 total, all professionals.

User support: User groups and meetings, telephone assistance available 9.5 hours per day, implementation and customization of systems, consulting.

Principal officers: James Spoor, president; Nancy Spoor, vp-marketing.

Stellar Software Inc.

19406 E. Floyd Ave., Aurora, Colo. 80013; 303-680-9408

Year founded: 1987.

Software products:

• **Group Insurance Premium-Bill Star:** Bundled hardware and software; mainframe, minicomputer or personal computer; year of first installation, 1987; three total installations; functions include premium billing.

Staff: Three total, all professionals.

Clients: Three employee benefit department clients. Sold systems to one client in 1989.

User support: Telephone assistance available eight hours per day.

Principal officers: Otto Feiler, president; Isabel Feiler, secretary.

Stop Loss International Corp.

3333 Founders Road, Indianapolis, Ind. 46268; 317-876-0399

Year founded: 1983.

Software products:

• **ULTRAPLUS:** \$25,000; unbundled hardware and software; local area network or personal computer; year of first installation, 1987; 10 total installations, two in employee benefit departments; system administers flexible benefit plans; can be used to communicate benefit programs to employees.

Staff: 65 total.

Clients: 10 employee benefit department clients; 100% with gross revenues less than \$200 million. Sold systems to three clients in 1989.

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

Principal officers: Laurence B. Day, chairman; William Black, president; Sharon Day, vp-marketing; Roger Brackett, vp-select software division.

T

TPF&C

Centre Square W., 1500 Market St., Philadelphia, Pa. 19102; 215-246-6306

Year founded: 1934.

Parent company: Towers Perrin.

Software products:

• **Telephone Voice Response System:** Unbundled hardware and software; personal computer and mainframe; first installation, 1988; 30 installations. Used by employees for benefit information; benefit plan enrollment, including flexible benefits; defined contribution plan account balances, loan modeling and transactions; defined benefit plan values and projections; voice response benefit statements.

• **Interactive Software:** Unbundled hardware and software; personal computer; first installation, 1985; 15 installations. Used by employees for benefit information; retirement plan-

ning, including savings plan modeling; flexible benefit enrollment; electronic benefit statements.

• **PensionManager:** Unbundled hardware and software; personal computer; first installation, 1986; more than 65 installations, all in employee benefit departments. System is designed to maintain a database for defined benefit plan information for active and inactive employees and performs pension and Social Security calculations using additional modules. Can be used to communicate benefit programs to employees.

• **PenCalc:** Personal computer; unbundled hardware and software; first installation, 1985; 73 installations, all in employee benefit departments. Mainframe: unbundled hardware and software; first installation, 1974; 50 installations, all in employee benefit departments. Functions include calculation of defined benefit pension plans. Can be used to communicate benefits to employees. Can be integrated into PensionManager for administration functions.

• **SSCalc:** Personal computer; unbundled hardware and software; first

installation, 1984; 200 installations, all in employee benefit departments. Mainframe: unbundled hardware and software; first installation, 1974; 90 installations, all in employee benefit departments. Functions include calculation of Social Security benefits. Can be integrated with PensionManager for administrative functions. Can be used to communicate benefits to employees.

• **FlexManager:** Unbundled hardware and software; personal computer; first installation, 1987; 30 installations, all in employee benefit departments; functions include administration of flexible benefit plans. Can be used to communicate benefit programs to employees.

• **AccountManager:** Unbundled hardware and software; mainframe; first installation, 1983; 189 installations. System supports administration, record keeping and reporting for defined contribution and other types of plans; optional telephone access by plan participants.

Staff: 5,000 total, 4,200 professionals.

Continued on next page

PUT YOUR MONEY WHERE THEIR MOUTH IS!

Due to the unique nature of dental disease and dental treatment, the design of a good dental benefit plan differs from that of a medical plan:

- Dental disease is preventable.
- Dental disease does not heal without therapeutic intervention.
- The need for dental care is universal and ongoing, not episodic.
- The need for dental care for a given population is highly predictable and does not constitute a risk to be insured.
- The dental needs of individuals within a given population vary considerably.

To assist you in making an informed decision regarding your dental benefit plan, the American Dental Association will send you information on a simplified method of structuring a self-funded dental benefit plan, as well as guidelines for coverage under a conventional design.

The ADA will also review your dental benefit plan for benefit language as well as scope and level of coverage.

Please contact the Association's Purchaser Information Service by returning the coupon or by calling 312/440-2746.

It pays to provide a quality dental benefit plan for your employees.



Yes! I want information on quality dental benefit plans. **K**

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Do you presently have a dental plan? yes no

No. of employees _____

Send to:

American Dental Association
Council on Dental Care Programs
211 East Chicago Avenue
Chicago, Illinois 60611-2678
Attention: Rita Hoffmann



PERFORMANCE...NOT PROMISES GUARANTEED!

The nation's only at-risk preferred Hospital Network serving 38 states with over 800 hospital and special service facilities.



PROVIDER NETWORKS OF AMERICA, INC.

PROVIDER NETWORKS OF AMERICA, INC.
4100 International Plaza, Suite 180
Fort Worth, Texas 76109
817/735-8293
fax# 817/735-1487
800-462-7554
ATTN: Christopher Verbiest

Continued from previous page

Clients: More than 8,000 total clients.

User support: On-site services, telephone assistance, user groups.

1989 gross revenues: \$686 million total, \$50 million from employee benefit information services.

Branch offices: 57 offices worldwide.

Principal officers: James E. Kielley, chairman/chief executive officer; John T. Lynch, president; Charles E. Peartree, executive vp.

Tesseract Corp.

150 Spear St., 10th Floor, San Francisco, Calif. 94105; 415-543-9320

Year founded: 1971.

Parent company: The Prudential Insurance Co. of America.

Software products:

• Tesseract Benefit/Flexible Benefit Plan Administration System: \$100,000-\$200,000; unbundled hardware and software; mainframe; year of first installation, 1932; 101 total

installations, 90 in employee benefit departments; functions include administration of flexible benefit plans and claims under COBRA; generates reports; can be used to communicate employee benefit programs to employees.

• Tesseract Investment Plan Management System: \$100,000-\$200,000; unbundled hardware and software; mainframe; year of first installation, 1987; 37 total installations, all in employee benefit departments; functions include administration of defined contribution programs; can be used to communicate benefit programs to employees.

Staff: 270 total, 135 professionals.
Clients: 101 employee benefit department clients; 10% with gross revenues less than \$200 million, 10% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 30% \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion. Sold systems to 27 clients in 1989.

User support: User groups and meetings; telephone assistance available 24 hours per day, consulting, client training, system maintenance, system enhancement releases.

1989 gross revenues: 70% from sale of software, 30% from services.

Branch offices: Inverness, Ill.; Paramus, N.J.; Dallas; Boston.

Principal officers: William R. Leckonby, president; Gary Durbin, executive vp; Mary Kay Marvin, vp-marketing; Fran Swanson, vp-technology; Lyn Jensen, vp-finance.

Travelers Corp.-RMIS

One Tower Square, Hartford, Conn. 06183-4063; 203-277-1679

Software products:

• Link/Inform: \$15,000-\$30,000 per year; unbundled hardware and software; personal computer; year of first installation, 1988; system provides reports on health, dental and disability claims.

Staff: 10 total, all professionals.

Clients: 45 employee benefit department clients. Sold systems to 35 clients in 1989.

User support: User groups and meetings, telephone assistance available 10 hours per day, client training.

1989 gross revenues: 100% from sale of software and services.

Branch offices: Brea, Calif.

Travis Software Corp.

1001 S. Dairy Ashford, Suite 206, Houston, Texas 77077; 713-496-3737

Year founded: 1986.

Software products:

• Corporate COBRA Manager: \$1,295; unbundled hardware and software; personal computer; year of first installation, 1986; 2,213 total installations, 1,906 in employee benefit departments; functions include administration of claims under COBRA; can be used to communicate benefit programs to employees.

• TravisFlex: \$1,295; unbundled hardware and software; personal computer; year of first installation, 1987; 419 total installations, 311 in employee benefit departments; functions include administration of flexible benefit plans; can be used to communicate benefit programs to employees.

• Group Premium Billing Manager: \$3,995; unbundled hardware and software; personal computer; year of first installation, 1989; 44 total installations; functions include premium billing.

Staff: 19 total, 10 professionals.

Clients: 2,863 employee benefit department clients. Sold systems to 521 clients in 1989.

User support: Telephone assistance available eight hours per day.

1989 gross revenues: \$1.8 million total; all from employee benefit information systems; 51% from sale of software, 49% from services.

Principal officers: Alan H. Williams, president; John L. Worner, vp-development.

Tracy & Rhodes Consultants

462 Stevens Ave., Suite 308, Solana Beach, Calif. 92075; 619-481-1191

Year founded: 1985.

Software products:

• Flexperience: \$30,000; unbundled hardware and software; per-

Continued on next page

When a programming bug becomes a legal monster.



Today's computer technology was yesterday's dream. But with the continuing advancement in systems, software and computer applications, comes the further evolution of the computer "bug" — that well disguised pest, buried in a program or system, waiting to prove that there is no such thing as a "perfect" system.

As dependence on the use of computers in business and personal activities has grown, the computer "bug" has become a legal monster. A rising number of costly lawsuits against programmers, systems designers and computer suppliers has developed a need for imaginative errors and omissions coverage to respond to exposures created by the ever-present "bug."

As the nation's premier E & O specialists, Media/Professional holds particular expertise in analyzing potential computer "bug" problems and designing responsive coverage to protect your clients. Policies are tailored to the unique exposures created by specific supplier/user relationships.

Media/Professional underwrites on behalf of the A-rated Gulf Insurance Group and affords expert support on underwriting and claim administration utilizing in-house counsel.

So before your client's "bug" becomes a monster, call or write Media/Professional.



Media/Professional Insurance, Inc.

Two Pershing Square, Suite 800 • 2300 Main Street
Kansas City, Missouri 64108 • 816-471-6118

America's E & O Authority

Continued from previous page
sonal computer; year of first installation, 1987; four total installations, all in employee benefit departments; functions include management of flexible spending plans, including pricing, budgeting, cost projections and financial studies.

Staff: 27 total, 20 professionals.

Clients: Four employee benefit department clients; 40% with gross revenues \$500 million-\$1 billion, 10% \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion. Sold systems to one client in 1989.

User support: Telephone assistance available eight hours per day, on-line assistance via modem.

1989 gross revenues: \$3 million total; \$50,000 from employee benefit information systems; 50% from sale of software, 50% from services.

Principal officers: Jane D. Rhodes, president; Michael E. Treacy, chairman; Sandra M. Comrie, chief financial officer.

W

WLT Software of Florida Inc.

2087 U.S. 19 N., Suite D,
Clearwater, Fla. 34623;
813-797-7814

Year founded: 1979.

Software products:

- **MEDICLAIMS Health Claims Administration System:** Bundled or unbundled hardware and software; minicomputer or personal computer; functions as a claims administration and billing system for medical, dental, vision, prescription drug, and long- and short-term disability; can be used to communicate benefit programs to employees and to administer claims under COBRA.

- **FLEXCLAIMS Flexible Benefits Administration System:** Bundled or unbundled hardware and software; minicomputer or personal computer; product is an administration, accounting and claims payment system for Section 125 plans; can be used to communicate benefit programs to employees.

User support: User groups and meetings, telephone assistance available nine hours per day, client newsletter, assistance via modem, system enhancements.

WTR Data Services

630 Third Ave., New York, N.Y.
10017; 212-949-8989

Year founded: 1975.

Parent company: Williams, Thacher & Rand.

Software products:

- **Retirement Benefit System:** \$12,000; unbundled hardware and software; personal computer; year of first installation, 1985; 12 total installations, all in employee benefit departments; functions include pension calculations.

- **Admini*Flex-Flexible Benefits:** \$16,000; unbundled hardware and software; personal computer; year of first installation, 1985; 15 total installations, all in employee benefit departments; functions include administration of flexible benefit plans.

- **Admini*Flex-Spending Accounts:** \$3,500; unbundled hardware and software; personal computer; year of first installation, 1985; 32 total installations, 30 in employee benefit departments; functions include administration of Section 125 spending accounts.

- **Med*E*Calc:** \$595; unbundled hardware and software; personal computer; year of first installation, 1989; 15 total installations, seven in employee benefit departments; system is designed to evaluate and compare health plans.

Staff: 130 total, 80 professionals.

Clients: 132 total; 90% with gross revenues less than \$200 million, 9% \$200 million-\$500 million, 1% \$500 million-\$1 billion. Sold 68 systems to clients in 1989.

User support: Telephone assistance available nine hours per day.

1989 gross revenues: \$11.5 million total; \$800,000 from employee benefit information systems; 70% from sale of software, 30% from services.

Branch offices: Baltimore; Philadelphia; Richmond, Va.; Indianapolis; Washington, D.C.

Principal officers: Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes and Richard Macy, principals.

The Wyatt Co.

Research & Information Center,
Suite 400, 1850 M St. N.W.,
Washington D.C. 20036;
202-778-2660

Year founded: 1946.

Software products:

- **COBRA Administration System (CAS):** \$5,000; unbundled hardware and software; personal computer; year of first installation, 1986; more than 500 total installations, all in employee benefit departments; functions include administration of claims under COBRA.

- **MediCost:** \$50,000; unbundled hardware and software; personal computer or mainframe; year of first installation, 1986; functions include claims analysis for health care cost management.

- **Benefit Connection:** \$30,000; unbundled hardware and software; personal computer; year of first installation, 1985; four total installations, all in employee benefit departments; functions include electronic benefit plan enrollment and administration;

Continued on next page

Your life just got easier!

If you're not seeing Business Insurance every week — or are merely catching a dated pass-along copy now and then...you're missing important news and new developments in corporate risk and employee benefits management. Risky!

Make sure you have the business insurance news you need.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)

USA	Surface Mail	By Air
Canada	<input type="checkbox"/> \$75	<input type="checkbox"/> \$152
Bermuda (air only)	<input type="checkbox"/> \$107	<input type="checkbox"/> \$162
United Kingdom		<input type="checkbox"/> \$157
Europe/Middle East		<input type="checkbox"/> \$163 or £105
All other foreign	<input type="checkbox"/> \$107	<input type="checkbox"/> \$163
		Rates on request

new subscription. renewal. payment enclosed.
 bill me. bill company.
 Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

ENTER YOUR SUBSCRIPTION TO BUSINESS INSURANCE TODAY!

It will make your life a lot easier.

CALL TOLL-FREE on 1-800-992-9970. Fax your order in on 1-313-446-1650. Use the card in this issue, or if it's gone, use the coupon below.

name _____ (please print)

title _____ telephone _____

company _____

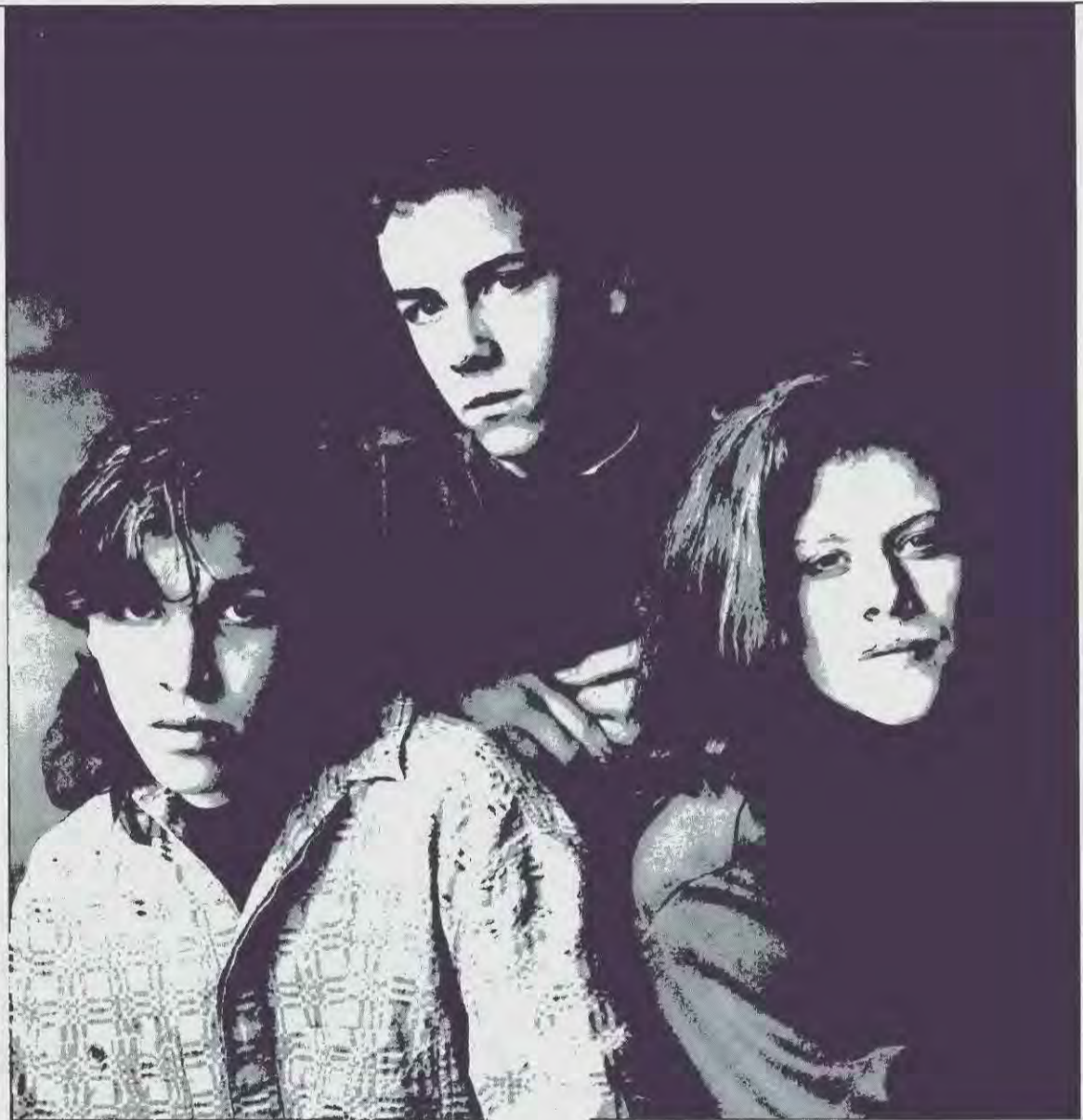
nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

4C09



The revolving door stops at San Marcos Treatment Center.

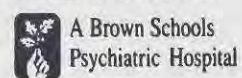
Difficult-to-treat. Treatment-resistant. Hard-to-manage. Whatever adjective you use, you know the kids we're talking about. They're the ones who drain company resources through repetitive psychiatric hospitalizations.

As the first of the nationally recognized Brown Schools Hospitals, San Marcos Treatment Center has been providing care for difficult-to-treat adolescents with complex multiple diagnoses for over 50 years. Our well-trained, seasoned specialists are strong on case management and discharge planning. Our comprehensive range of clinical services ensures that patients receive appropriate levels of care. Cost efficiencies are achieved through effective use of state-of-the-art treatment methods.

Our track record speaks for itself. Current outcome statistics show that at one year post-discharge, 59 percent of our patients retained or improved upon the gains made in treatment, and 69 percent are reported by parents to be in good to excellent condition. Results like that show up on your bottom line.

Stop the revolving door you face with difficult-to-treat outliers. Call the San Marcos Treatment Center. 1-800-251-0059.

San Marcos Treatment Center



Accredited by the Joint Commission on Accreditation of Healthcare Organizations ♦ P.O. Box 768, San Marcos, Texas 78667-0768

HOW TO CHOOSE A BENEFITS ADMINISTRATION SYSTEM FOR TODAY AND BEYOND



Look for a system that cuts costs, is easy to use, and is continually up-graded to meet changing industry needs. A fully integrated, on-line system that operates on two-user systems, to systems supporting hundreds of users.

For over 10 years, we've built a national reputation for providing the quality systems and service needed to administer employee benefits smoothly and cost-effectively. For more information or a free demonstration, call or write SBPA SYSTEMS, INC. 14925-A Memorial Drive, Houston, Texas 77079 (713) 496-0800.

SBPA
SYSTEMS

1-800-444-1189

Continued from previous page
system has voice response capabilities.

- Reimbursement Administration: \$15,000; unbundled hardware and software; personal computer; year of first installation, 1984; 130 total installations, all in employee benefit departments; functions include administration of flexible spending accounts, including claims processing and disbursement of funds.

- Flex Enrollment: \$25,000; unbundled hardware and software; personal computer; year of first installation, 1985; 50 total installations, all in employee benefit departments; product is designed as an enrollment system for flexible benefit plans; can be used to communicate benefit programs to employees.

- Participant Administration Software System (PASS): Unbundled hardware and software; personal computer; year of first installation, 1984; 25 total installations, all in employee benefit departments; functions include administration of defined contribution and pension plans.

- PCPIA: Unbundled hardware and software; personal computer; year of first installation, 1985; six total installations, all in employee benefit departments; functions include Social Security projections and payout calculations.

- Medical Benefit Modeling System: Unbundled hardware and software; personal computer or mainframe; year of first installation, 1988; seven total installations, one in an employee benefit department; system values medical benefit plans and estimates the cost of making changes in existing plans.

- WISE (The Wyatt Investment

Savings Estimator): \$4,000; unbundled hardware and software; personal computer; year of first installation, 1986; eight total installations, all in employee benefit departments; functions include tax-savings analysis, take-home pay analysis and savings projections for 401(k) savings plans; can be used to communicate benefit programs to employees.

- Flex pert: \$20,000; unbundled hardware and software; personal computer; year of first installation, 1988; one in an employee benefit department; functions include flexible benefits selection and take-home pay modeling and analysis; generation of enrollment forms; can be used to communicate benefit programs to employees.

- Retirement Benefit Plan Programs: Unbundled hardware and software; personal computer; year of first installation, 1987; four total installations, all in employee benefit departments; functions include retirement benefit modeling and communication of pension, Social Security and projected savings plan benefits to employees.

- Fastback: Unbundled hardware and software; personal computer; year of first installation, 1989; one installation in an employee benefit department; product prompts employee responses, tabulates results and prints reports of employee attitude surveys and performance management programs.

Staff: 3,500 total, 2,200 professionals.

Clients: More than 10,000 total.

User support: User groups and meetings, telephone assistance available nine hours per day.

1989 gross revenues: \$382 million total.

Branch offices: Atlanta; Wellesley Hills, Mass; Chicago; Cleveland and Columbus, Ohio; Dallas and Stafford, Texas; Denver; Grand Rapids and Detroit, Mich.; Fort Lee and Upper Montclair, N.J.; Honolulu; Irvine, San Diego, San Francisco, Santa Ana and Sherman Oaks, Calif.; Memphis, Tenn.; Miami; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix; Portland, Ore.; San Juan, Puerto Rico; Seattle; Stamford, Conn.

Principal officers: Michael H. Davis, president/chief executive officer; Leroy B. Parks Jr., vp/treasurer; Robert L. Barnes, Michael D. Evans and Albert C. Simmonds, vps.

Information on the following company was not included in alphabetical order in the directory.

Erisco Inc.

1700 Broadway, New York, N.Y.
10019; 212-765-8500

Year founded: 1968.

Parent company: The Dun & Bradstreet Corp.

Software products:

- ClaimFacts: bundled or unbundled hardware and software; mid-range or mainframe; year of first installation, 1980; 141 total installations, 59 in employee benefit departments; product is designed as a health claims administration system for medical, dental, long- and short-term disability and triple option claims; may include medical editing and adjudication capabilities; can be used to communicate benefit programs to employees.

- CertiFacts: unbundled hardware and software; mid-range or mainframe; year of first installation, 1986; 18 total installations, three in employee benefit departments; product is a utilization management system designed to support administration of preadmission certification, concurrent stay review and discharge planning.

- ImpleFacts: unbundled hardware and software; mainframe; year of first installation, 1972; 202 total installations, 192 in employee benefit departments; product is a record-keeping system designed to manage defined contribution plans, including 401(k), profit sharing, employee stock ownership and savings plans; can be used to communicate benefit programs to employees; may also be used to administer loans under defined contribution plans.

Staff: 500 total, 300 professionals.

Clients: 254 employee benefit department clients. Sold systems to six clients in 1989.

User support: User groups and meetings; telephone assistance available 10 hours per day; client training and consulting.

Branch offices: Union, N.J.; Tampa, Fla.; Staten Island, N.Y.; Charleston, W.Va.

Principal officers: Thomas Barrea, chairman; Patrick D'Amato, vice chairman; Anthony Bellomo, senior vp-products; Anthony Fiumefreddo, senior vp-operations; Jeffrey Sauerhoff, senior vp/chief financial officer.

IBM

An On-Line U/R System Designed by a U/R Firm

The CareReview program — with DataReview — provides you with a Real-Time On-Line Utilization Review system designed by U/R specialists. As an IBM® Authorized Industry Remarketer, CareReview provides the IBM PS/2® and RT® hardware for its On-Line system. Easily integrated into your present claims administration process, CareReview can dramatically reduce claims totals and patient stay-days.

What's more, exclusive Physician Developed Criteria® gives you a medical doctor's standard of care on every review.

The results: improved eligibility verification and reporting; total systems control; the opportunity to create your own profit center and the most comprehensive medically based criteria in the business. In other words, *Efficiency, Control and Expertise.*

To explain fully all the benefits and advantages of in-house U/R, the DataReview Program and our IBM relationship, a series of free seminars will be conducted in selected cities at local IBM Customer Centers.

The right choice — Make quality U/R a part of your internal claims function with an On-Line U/R system designed by a U/R firm — CareReview.

To register please complete and mail to: CareReview—The Choice Is Yours Seminar
10909 West Greenfield Avenue, Milwaukee, Wisconsin 53214
Or call 1-800-558-4353 (1-800-242-2178 in Wisconsin)

<input type="checkbox"/> May 1 Seattle, WA	<input type="checkbox"/> May 29 Dallas, TX	<input type="checkbox"/> June 25 Detroit, MI
<input type="checkbox"/> May 2 San Francisco, CA	<input type="checkbox"/> May 30 Denver, CO	<input type="checkbox"/> June 25 Columbus, OH
<input type="checkbox"/> May 3 Santa Monica, CA	<input type="checkbox"/> May 31 Minneapolis, MN	<input type="checkbox"/> June 27 Cincinnati, OH
<input type="checkbox"/> May 4 Las Vegas, NV	<input type="checkbox"/> June 1 Kansas City, MO	<input type="checkbox"/> June 28 Indianapolis, IN
<input type="checkbox"/> May 14 Boston, MA	<input type="checkbox"/> June 11 Atlanta, GA	<input type="checkbox"/> I would like to attend your seminar but the city and/or date makes it inconvenient.
<input type="checkbox"/> May 15 West Orange, NJ	<input type="checkbox"/> June 12 Miami, FL	
<input type="checkbox"/> May 16 Philadelphia, PA	<input type="checkbox"/> June 13 Tampa, FL	
<input type="checkbox"/> May 17 Baltimore, MD	<input type="checkbox"/> June 14 New Orleans, LA	

Name _____
Title _____ Company _____
Address _____
City _____ State _____ Zip _____
Telephone _____



IBM, PS/2 and RT are registered trademarks of International Business Machines Corporation

CareReview
DataReview
PDC
(Physician Developed Criteria)

Gold theft coverage dispute

Continued from page 2

Mr. Pateman also filed a countersuit against Putnam and Frenkel, seeking to recoup the \$2 million.

A U.S. District Court jury in Providence agreed with Mr. Pateman on each point and on March 3 held that the \$2 million should be refunded.

The jury found insufficient evidence to prove there had been a loss during the policy period. The burden during the trial was on the policyholder to prove there was a loss.

The jury also found that a portion of the loss was caused by an agent of the policyholder, who supervised the warehouse where some of the gold was stored. An infidelity exclusion in the policy barred coverage for losses caused by the disloyalty or unfaithfulness of the policyholder's agents.

And the jury found that Putnam failed to disclose material information to the underwriters about the prior loss. The jury was instructed that information is material if it would cause the insurer to either deny cover or increase premiums.

Putnam attorney Mr. Grutman claims Judge Francis J. Boyle allowed the issue of whether Putnam acted fraudulently in failing to disclose information to "poison" the case and prevent a fair trial.

Mr. Grutman alleges the issue of fraud was never mentioned in court papers filed by Mr. Pateman and, thus, should not have been included in the jury instructions.

"The record is abundantly replete with evidences of Judge Boyle's bias," said Mr. Grutman.

Attorneys for the London underwriters claim the decision, if un-

held, will have little or no impact on the insurance community because it is merely a restatement of the long-standing principle that policyholders and brokers must disclose all material facts about a risk.

"This is the law as I understand it," said James F. Campise of Marcigliano & Campise in New York, who represented the London underwriters.

"This is not a change in the law," agreed the local counsel for the underwriters, George Vetter of Vetter & White in Providence.

However, Putnam attorney Mr. Grutman says the decision "turns the world of insurance brokerage on its head." He says brokers will now be under an onerous burden to uncover material information. And he said the decision makes brokers the sureties of their clients and their underwriters if they fail to discover or disclose material information.

However, attorney David Bakst of Morrison, Mahoney & Miller in Boston, cautioned: "It is very difficult to draw any conclusions from a jury verdict."

"A jury's decision is based on facts," explained Mr. Bakst, who specializes in broker liability. "Not only do facts vary from case to case, but they are presented differently from case to case."

"Simply because a jury makes a decision in any one case does not necessarily cause a change in the law," he said.

Frenkel & Co. attorney David Whitman of Hanson, Curran, Parks & Whitman in Providence, said he would not comment while the case was still pending.

Datebook

APRIL

APRIL 4-6. Petroleum Insurance & Environmental Protection Conference in San Antonio, Texas, sponsored by the Professional Development Institute; \$595. PDI, University of North Texas, P.O. Box 13288, Denton, Texas 76203-3288.

APRIL 5-6. The European Economic Community: Products Liability Rules and Environmental Policy seminar in New York, sponsored by the Practising Law Institute; \$495. PLI, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, Ext. 271.

APRIL 5-6. Rational Managed Care Participation seminar in Tampa, Fla., sponsored by The Center for Healthcare Administration and Finance, Temple University School of Business and Management; \$695. The Center for Healthcare Administration and Finance, Temple University, 393 Speakman Hall (006-00), Philadelphia, Pa. 19122; 215-787-8154.

APRIL 6. Annual Pacific Coast Advisory Committee of the Inland Marine Underwriters Assn. seminar Los Angeles, sponsored by the IMUA; \$45. Patricia Cullen, Marine Office of America Corp., 415-597-9550; Suzanne English, Atlantic Mutual Insurance Co., 415-512-3209; Howard Inouye, GRE of America Corp., 415-896-5500.

APRIL 8-11. Focus on the Future workshop in Nashville, Tenn., sponsored by the Alliance of American Insurers; \$280. Alliance, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60173-4980; 708-330-8500.

APRIL 10. Strategic Benefit Planning for the 1990s seminar in San Francisco, sponsored by GENESYS Software Systems Inc.; no charge. Also April 11 in Los Angeles; April 17 in Raleigh, N.C.; April 18 in Washington, D.C.; April 24 in Dallas; and April 25 in Houston. GENESYS Software Systems Inc., 5 Branch St., Methuen, Mass. 01844; 508-685-5400.

APRIL 10. Computer Virus Coverage seminar in Dallas, sponsored by the Southwest Advisory Committee of the Inland Marine Underwriters Assn.; \$45. Susan Radke, IMUA Southwest Advisory Committee, P.O. Box 831513, Richardson, Texas 75083-1513; 214-470-7278.

APRIL 10. Workers' Compensation Reform seminar in Birmingham, Ala., sponsored by the North Alabama chapter of the Society of Chartered Property & Casualty Underwriters; \$60. Mark Landers, North Alabama Society of CPCU, P.O. Box 43367, Birmingham, Ala. 35243-3367; 205-969-2131.

APRIL 11. Annual Midwest Advisory Committee of the Inland Marine Underwriters Assn. seminar in Chicago, sponsored by the IMUA; \$35. Judy Wacholz, GRE of America Corp., 300 South Riverside Plaza, Suite 2070 South, Chicago, Ill. 60606; 312-707-8563.

APRIL 11-12. Transportation of Hazardous Materials/Waste course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$100. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

APRIL 16-19. The National Man-

aged Health Care Congress in Washington, D.C. Four-day registration, \$695, \$620 for members of sponsoring organizations; three-day registration, \$470, \$395 for members of sponsoring organizations; one-day registration, \$195, \$175 for members of sponsoring organizations; on-site registration fees higher. The National Managed Health Care Congress, 1601 Trapelo Road/EMI, Waltham, Mass. 02154; 617-290-0400; fax 617-290-0409.

APRIL 17-18. Insurance Claims for Environmental Damages: Successful Strategies for Insurers and Insureds conference in New York City, sponsored by Executive Enterprises Inc.; \$1,045. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

APRIL 17-20. Leaking Underground Storage Tank Workshop in Atlanta, sponsored by the Georgia Institute of Technology; \$550; \$75 for optional exam. Also June 12-15 and Oct. 23-26. Education Extension-R, Georgia Institute of Technology, Atlanta, Ga. 30332-0385; 404-894-2400; 800-325-5007.

APRIL 17-20. Loss Control Management seminar in Toronto, sponsored by the International Loss Control Institute; \$720 for ILCI members; \$800 for non-members. Also April 23-26 in Los Angeles; May 14-17 in Calgary, Alberta; June 18-21 in Philadelphia; and June 25-28 in Atlanta. ILCI, 4546 Atlanta Highway, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208; 800-554-6001.

APRIL 18. 8th Annual Maryland All-Industry Day in Ellicott City, Md., sponsored by The Insurance Company Representatives of Maryland; \$30. ICRM, P.O. Box 41, Lutherville, Md. 21093.

APRIL 18-20. Environmental Regulation Course in Orlando, Fla., sponsored by Executive Enterprises Inc.; \$1,045. Also April 23-25 in Cleveland. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 212-645-7880; 800-831-8333.

APRIL 19. Pacific Rim: Opportunities and Challenges conference in New York City, sponsored by The College of Insurance; \$195. Dr. Amy J. Geffen, Vp, Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-962-4111, Ext. 201.

APRIL 19-20. Legal Aspects of Occupational Safety and Health course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$400. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

APRIL 19-20. Loss Reserving: 1990 conference in New York City, sponsored by Executive Enterprises Inc.; \$1,045. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

APRIL 23-27. Hazardous Materials: Handling and Disposal course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$800. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Fi-

Continued on next page

SET YOUR DATES

issue: April 16 Bonus Distribution: IMS
closing: April 4
demographic section: Insurer Topics: Loss Control & Catastrophe Planning

issue: April 23
closing: April 10
editorial feature: RIMS Preview

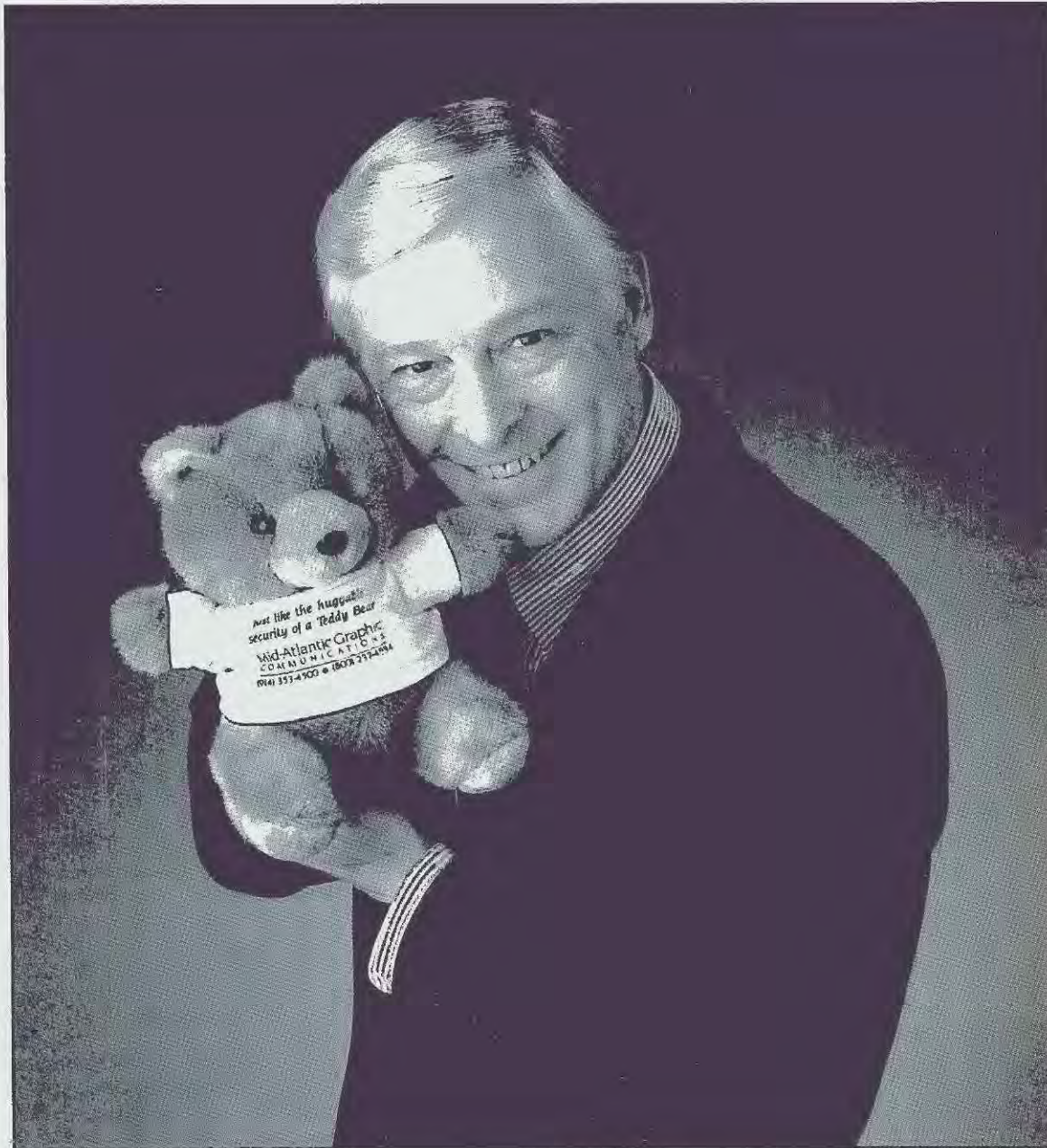
issue: April 30 — Reader Service Bonus Distribution: RIMS
closing: April 17
editorial feature: Captives/Risk Manager of the Year — Directory: Captive Managers

issue: May 7
closing: April 24
editorial feature: RIMS Report: Employee Benefits
demographic section: Agent/Broker Topics: Advertising/Sales Promotion & IMS Conference Report

New York: 212-210-0228 Chicago: 312-649-5276 Los Angeles: 213-651-3710
Fax: 212-210-0704 Fax: 312-280-3189 Fax: 213-655-8157

Business Insurance

a publication of Crain Communications Inc



That Feeling of Security...

Mid-Atlantic will give you a wonderful secure feeling that your printed employee communication projects are being done creatively, economically, and on time.

Our full service approach to employee communication graphics illustrates our dedication to the employee benefits professional.

Artwork, printing, binding, mailing and warehouse fulfillment are all done in house.

Call or write for further information.

Mid-Atlantic Graphic COMMUNICATIONS

Suite 6, 300 Corporate Drive & Route 303
Blauvelt, Rockland County, New York 10913
(914) 353-4500 • (800) 237-4534

Datebook

Continued from previous page
gueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

APRIL 24. Flex 2000 Regional Meeting in New York City, sponsored by the Employers Council on Flexible Compensation; \$185 for ECFC members; \$195 for non-members. ECFC Conference Center, Department 5063, Washington, D.C. 20061-5063.

APRIL 26-28. Managing Case Management workshop in Atlanta, sponsored by the Individual Case Management Assn.; \$435 for ICMA members; \$485 for non-members. ICMA, 10809 Executive Center Drive, Suite 105, Little Rock, Ark. 72211; 501-227-5553.

APRIL 26-29. 1990 National Young Agents Conference in St.

Louis, sponsored by the Independent Insurance Agent Young Agent Committee; \$165; \$130 for spouses or guests. Beverly Cafferty, Independent Insurance Agents of America Inc., 127 S. Peyton St., Alexandria, Va. 22314; 703-683-4422.

APRIL 27. Everything You Always Wanted to Know About Entertainment Insurance conference in New York City, sponsored by The College of Insurance; \$195. Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-962-4111, ext. 201.

APRIL 29-MAY 2. The National Arson Investigation Training Seminar in Northbrook, Ill., sponsored by the Insurance Committee for Arson Control; \$125 for ICAC

members; \$175 for non-members. Rick Gilman, ICAC, 110 William St., New York, N.Y. 10038; 212-669-9245.

APRIL 29-MAY 4. 28th Annual Risk Management and Employee Benefits Conference in Boston, sponsored by the Risk & Insurance Management Society Inc.; full week: \$695 for RIMS members, \$795 for non-members; partial week: \$575 for RIMS members, \$675 for non-members; one day: \$295. Risk & Insurance Management Society Inc., Conference Department, Registration, 205 E. 42nd Street, New York, N.Y. 10017.

APRIL 30-MAY 1. Product Safety and Liability Prevention course in Madison, Wis., sponsored by the Department of Engineering Professional Development, University of Wisconsin-Madison/Extension; \$695. Wisconsin Center, 702 Langdon St., Madison, Wis. 53706; 608-262-1299; 800-462-0876.

MAY

MAY 1-2. Health Care Cost Containment workshop in Houston, sponsored by Health Research Institute; \$595. Also **June 5-6** in Milwaukee, **June 26-27** in Hawaii, and **Aug. 7-8** in San Diego. HRI, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 5-9. Aviation Insurance Assn.'s Annual Convention in Memphis, Tenn.; \$175 for AIA member; \$375 for non-members.

Bob Cannon, AIA, 112th St. N.E., Suite B112, Bellevue, Wash. 98004; 206-822-8176.

MAY 7-9. Fundamentals of Insurance course in Orlando, Fla., sponsored by the Risk & Insurance Management Society Inc.; \$495 for RIMS members; \$595 for non-members. Also **June 4-6** in San Diego; **Sept. 10-12** in Chicago; and **Dec. 3-5** in New York City. RIMS, Education Dept., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MAY 9-11. CAOHC Approved Training Course in Occupational Hearing Conservation in Milwaukee, sponsored by Impact Hearing Conservation Inc.; \$325 for certification; \$150 for recertification. Also **June 6-8** in Kansas City, Mo. Impact Hearing Conservation Inc., 406 W. 34th St., Suite 400, Kansas City, Mo. 64111; 816-531-4848.

MAY 23. Introduction to Risk Management for Non-Insurance Managers seminar in Columbus, Ohio, sponsored by The College of Insurance; \$195 for college sponsors; \$225 for others. Also **Sept. 26** in New York City; and **Nov. 7** in Atlanta. Jane Wechsler, The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-815-9201.

MAY. 31-JUNE 1. Managed Health Care in the '90s conference in Palm Beach, Fla., sponsored by the National Assn. of Em-

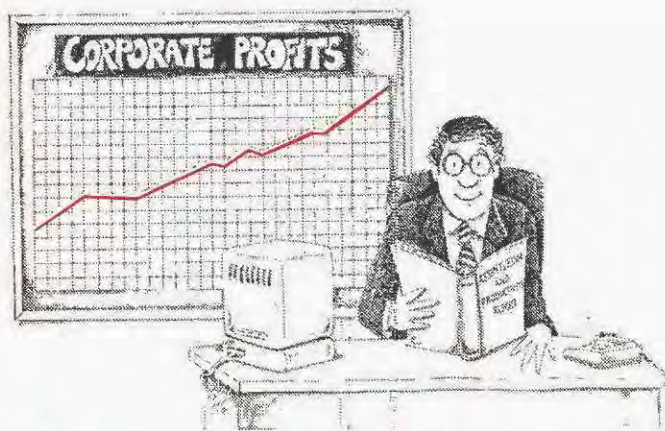
ployers on Health Care Action; \$495 for NAEHCA members; \$595 for non-members. NAEHCA Foundation, P.O. Box 220, Key Biscayne, Fla. 33149.

JUNE

JUNE 6-8. Techniques of Risk Management course in Chicago, sponsored by the Risk & Insurance Management Society Inc.; \$540 for RIMS members; \$640 for non-members. Also **June 11-13** in Denver; **Sept. 5-7** in Vancouver, B.C.; and **Dec. 5-7** in New York City. RIMS, Education Dept., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 6-8. Claims Management course in New York City, sponsored by the Risk & Insurance Management Society Inc.; \$595 for RIMS members; \$695 for non-members. Also **Sept. 12-14** in Chicago; **Oct. 24-26** in Scottsdale, Ariz.; and **Dec. 5-7** in Charlotte, N.C. RIMS, Educational Dept., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.



LEGAL PLANS

Good for employees and the bottom line!

A Message to Brokers

Companies are beginning to realize that employee legal problems take time away from the job and affect productivity.

They are setting up legal plans. The Big Four auto firms, utilities, manufacturers, high tech companies and restaurants. Even cities, school boards, hospitals and universities.

Offer them a Core Plan from LAWPHONE®, so employees can get professional legal advice from experienced Private Attorneys by telephone or in person. LAWPHONE gives employees the help they need without getting the company involved in employees' personal legal problems.

And if you want to offer your client accounts a full-service legal plan, LAWPHONE has teamed up with The Travelers to provide legal fee reimbursement as well as convenient advice.

LAWPHONE is flexible. Use it to expand your clients' cafeteria plans and your income. Many firms are even offering LAWPHONE as a fully paid benefit. The low cost will surprise you both.

For more information, call us toll-free at:

1-800-255-3352

or write:

LAWPHONE®

Advisory Communications Systems, Inc.
4501 Forbes Blvd. • Lanham, MD 20706

**At United States Life,
our commitment to small
groups just got better.**

Introducing The Quality Series II

When we introduced The Quality Series, we proclaimed it: "A perfect 10 for your group health program," providing a variety of multi-option benefits, ideal for small-employer groups. The Quality Series II is everything The Quality Series is. And more.

The Quality Series II provides small-group coverage for catastrophic claims at a lower, more affordable cost while maintaining the comprehensive coverage of our traditional plans.

The Quality Series II is designed to shift the responsibility of routine claims to the insured via a higher deductible and coinsurance. As a result, the employer's annual premium is lower.

For more information, call your general agent or our toll-free number,

1-800-344-3481.



At United States Life, we make quality a priority. Every day.

EXECUTIVE OFFICES:

THE UNITED STATES LIFE Insurance Company
125 Maiden Lane
New York NY 10038

GROUP OPERATIONS CENTER:

THE UNITED STATES LIFE Insurance Company
3600 Route 66 • PO Box 1580
Neptune NJ 07754-1580

THE UNITED STATES LIFE Insurance Company
A **USLIFE** COMPANY

Lynch succeeds Kielley at Towers, Perrin

Comings & goings: industry

John T. Lynch has been elected president of Towers, Perrin, Forster & Crosby Inc., succeeding **James E. Kielley**, who was named chairman.

Mr. Lynch, who joined the firm in 1977 and was most recently regional manager for New York for Towers Perrin, will also succeed Mr. Kielley as chief executive officer by the end of the year.

Mr. Kielley had been president



Mr. Lynch

Mr. Kielley

since 1981. He is scheduled to retire Jan. 1, 1992.

The company also announced three elections to principal with its benefits consulting division—TPF&C—in Los Angeles: **Clare Driscoll**; **Michael Sirkin**; and **James Foreman**.

Among other changes and consultants and other vendors:

John M. Cozzolino named vp and director of risk management and actuarial services for Kernan Associates Inc., insurance and reinsurance consultants in Berkeley Heights, N.J.

Clinton H Kenner named vp and claims services director-western region for Crawford & Co. Also, **W. Benjamin Martin** named vp-claims services for the Atlanta-based risk management services company.

Joel M. Wehner joined Buck Consultants Inc. of New York as consulting actuary and manager of the Houston office.

Michael A. Thompson named principal in Baltimore with William M. Mercer Meidinger Hansen Inc.

Robert W. Witty joined Lindsey & Newsom Claim Services Inc. of Tyler, Texas, as vp.

Phillip E. Goldsmith joined J.H. Albert International Insurance Advisors Inc. of Needham Heights, Mass., as director of loss control services.

A. Foster Higgins & Co. Inc. of New York announced these elections to principal: **David A. Beech** and **Geoffery A. Gothro**, both in Minneapolis; **Sheldon R. Emmer** and **Elisabeth M. Lake**, both in Los Angeles; **Nancy Jones** in Boston; and **John W. Welch** in Washington, D.C.

Paul Fitzgerald named senior risk management consultant with Sobeco Group Inc. in Toronto.

Michael E. Kove named senior health care consultant in San Francisco for Alexander & Alexander Consulting Group, a consulting division of Alexander & Alexander Services Inc.

American PsychManagement Inc. of Arlington, Va., named **Tina Blasi** vp of network operations; **Elizabeth Friberg**, vp of clinical operations; and **John Hill**, vp of marketing and services. All were previously assistant vps for the managed mental health care company.

Agents/Brokers

Leah M. Whiteaker promoted to vp of the public entity risk management division of Ricci Associates Inc. in St. Louis.

Frank B. Hall & Co. Inc. announced these promotions: **Richard Mannarino** to vp-manager in the U.S. division of Hall International; **Julie Tilger** to vp in the Fairfield/Westchester, Conn., office; **Richard Longhore** to senior

executive vp and **Craig Berggren** to senior vp, both in the New York office; **Donald Backes** to senior vp of Pennsylvania office; and **James W. Fitzgibbon** to senior vp-new business development in San Francisco.

Joan B. Schaeffer named manager of risk management services at Johnson & Higgins in New York.

Michael C. Metzger named president/chief executive officer of Corroon & Black Corp.'s Houston office. He previously was president and chief operating officer of the Phoenix, Ariz., office.

Rollins Financial Services Co. of Chicago announced these changes: **Ronald D. Moyer** appointed Midwest senior vp at Rollins Financial Brokers Inc. in Chicago; **Thomas S. Clark**, a vp, named branch manager for the Rollins office in Boston; **Don Akin** joined the company as senior vp in Tulsa, Okla.; **John Bayeux** named vp with the brokers in New York; and **Lloyd Wheeler**, an executive vp of Bankers Insurance Services Co., another Rollins subsidiary, appointed chief operating officer of Bankers.

David Wood named vp in the new business development department of Rollins Burdick Hunter of Southern California Inc. in Los Angeles.

Clifford W. Baseler promoted to vp-property/casualty sales with The McElroy-Minister Co. of Columbus, Ohio.

Gary L. Hall and **Michael J. McInnis** named regional vps of The Dunlap Corp. of Auburn, Maine.

Craig C. McCune promoted to senior vp-general manager for Robinson-Conner Inc. of Erie, Pa.

Daniel A. Byrne elected vp of Byrne, Byrne & Co. of Chicago.

Kent J. Thoney promoted to senior vp from vp of the Great Lakes Agency in Chicago.

David H. Ellis named manager of a new risk management department at Parker, Smith & Feek Inc. of Seattle.

Ann V. Keller named senior vp at Marsh & McLennan Inc. in Portland, Ore., and **Gregory J. DiPrato** named vp at the company's Seattle headquarters.

Alexander & Alexander Inc. announced these changes: **Jamie R. Anthony Jr.** named national director of the financial products group in New York; and **Leilani Kicklighter** named vp and director of risk management services for the national health care division in St. Louis.

Rod Skrypek named vp at Lee F. Murphy Inc. in St. Paul, Minn.

Frederic R. Holbrook appointed vp at Andreini & Co. in San Mateo, Calif.

James P. Smith appointed vp of William Gallagher Associates in Boston.

Henry F.G. Wey appointed senior vp of Roanoke Insurance Agency Inc., a Roanoke Agency Inc. subsidiary in Schaumburg, Ill.

John P. Folsom elected president and chief executive officer of Mann & Powell Insurance Brokers Inc. in Tacoma, Wash.

E. Ann Collins named vp at The Policy Mart Inc. of Princeton, N.J.

Bruce J. Abernathy and **David W. Collins** named vps of The Daniel & Henry Co. in St. Louis.

Insurers

Louis J. Rampino promoted to senior vp-operations and **Wayne R. Bailey** to vp and chief financial officer of Fremont General Corp. of Santa Monica, Calif.

Robert J. Glettler named regional vp of marketing and under-

writing in Grand Rapids, Mich., for Calvert Insurance Co., a unit of Willis Faber P.L.C.

Dale E. Abbrederis named senior vp of Unigard Insurance Co. of Seattle. **Larry W. Powell** also named resident vp of the Raleigh, N.C., office.

SAFECO Insurance Co. of Seattle announced these changes: **Jack Cline** named vp of Southeast region; **Richard Berls** named branch vp in Denver; and **Wayne Smith** named branch vp in Nashville, Tenn.

Richard W. Daley named president of Ohio Hospital Insurance Co. of Columbus, Ohio, replacing **Richard P. Fogo**, who was elected chairman and chief executive officer. Mr. Daley joined the company in 1988 as executive vp.

Debby Gliem appointed vp in the underwriting department of Media/Professional Insurance Inc. of Kansas City, Mo.

Robert C. Gowdy joined Commercial Union Insurance Cos., the U.S. insurance branch of Commercial Union Assurance Co. P.L.C. of London, as executive vp. Mr.

Gowdy had been president and CEO of American Sterling Insurance Co. of Los Angeles.

Municipal Bond Investors Assurance Corp. of Armonk, N.Y., announced these changes: **Michael J. Maguire** appointed vp of the underwriting policy and review department; **Noel A. Chandonnet Jr.** promoted to vp from assistant vp; and **Dina M. Levin** and **Carol J. Karsten** appointed vps in the secondary markets division.

Richard Marsh named vp in the structured finance group of AMBAC Indemnity Corp., a municipal bond insurer in New York.

Jerrey R. Dehn joined Transamerica Insurance Co. of Woodland Hills, Calif., as vp and manager in San Francisco.

Donald F. Romoser promoted to vp-sales and manager of commercial lines for American Security Insurance Co. in Washington, D.C.

Robert Billings promoted to vp-underwriting with Northland Co., the St. Paul, Minn.-based parent to several insurers.

Excess/surplus lines

Pauline Kwan named vp at Lemac & Associates Inc. in Los

Angeles.

Mark D. Nichols named vp of Rhulen, a division of Markel Services Inc. in Monticello, N.Y.

United Financial Group Inc., a specialty lines broker and underwriting manager for First Oak Brook Corp., announced these promotions: **John J. Clark** to vp-property operations; **Roger J. Tyska** to vp-casualty; **Eric Lit-zinger** to vp and claims manager.

HMO/PPO

Preferred Health Network of Maryland Inc. announced these changes: **Jane Stafford** named vp-operations; **Marianne Panzini** named vp; and **Jeanne M. Payne** named director of administration. ■

PROPERTY INSURANCE

FOR
OIL, GAS & CHEMICAL
RISKS

FLOYD WEST & COMPANY

HOUSTON, TEXAS

1-800-873-6300

Call for Free Brochure

NEW

NEW

POLICE PROFESSIONAL LIABILITY

- A Wide Range of Limits of Liability
- A Wide Range of Deductible Options
- A Highly Respected Insurer
- A Broad Definition of Insured
- Jail Facilities Coverage
- Full Civil Rights Coverage Optional
- First-Aid Coverage Included
- Insureds Right to Select Legal Counsel
- Insureds Right to Reject Settlement
- Realistic, Yet Competitive Pricing
- Prompt Quotations
- Retroactive Dates Available for Claims-Made Policies

Our long years of experience and research and development in this class of business assures you a quality product. Our professional underwriting and claims staff assures you of service both before and after the sale. Here's another opportunity to . . .

be the competition . . . come to Cover X



For further information or applications call or write . . .

COVER X CORPORATION

P.O. Box 5096, Southfield, Michigan 48086

Telephone: (313) 358-4010

Facsimile: (313) 358-2459

COVERAGE MAY NOT BE AVAILABLE IN ALL STATES

National health insurance faulted

By JERRY GEISEL

94% of executives polled oppose idea

WASHINGTON—Top officers of the largest U.S. corporations overwhelmingly oppose national health insurance, a new survey reports.

Ninety-four percent of senior executives surveyed by the Health Insurance Assn. of America, a Washington, D.C.-based insurer trade group, said a national or state health care plan administered by a government was a bad approach to controlling health care costs.

Just 5% of the executives favored a national or state health insurance program as a way to reduce health care costs, while 1% weren't sure.

Executives oppose national health insurance because the tax increases needed to fund it would force health care costs up, said HIAA President Carl J. Schramm.

Corporate executives have an "abhorrence" of the government bureaucracy needed to run such a program and also fear higher taxes, Mr. Schramm said.

The survey, though, did not seek executives' views on a bill proposed by Sen. Edward Kennedy, D-Mass., and approved last year by the Senate Labor and Human Resources Committee, which would require employers to provide health plans meeting federal standards. The survey defined a national or state health insurance plan as one with government con-

trol of the health care budget.

Executives responding to the survey also generally opposed government controls on the prices hospitals and doctors can charge. For example, 75% doubted that limits on providers' prices were a good cost control solution, while 15% said it was a good solution and 10% didn't know.

By contrast, senior executives strongly favored private sector approaches, such as expansion of utilization review programs, giving employees incentives to use managed health care and making them pay more of their health care costs.

Findings are based on a telephone survey of 100 chief executives, chief operating officers and other high-level executives randomly selected from Fortune Industrial 500 and Service 500 companies, excluding insurers.

The survey, done in January for the HIAA by The Roper Organization Inc., found 65% of senior executives believe that health care costs are a major problem for their companies. Another 31% said they were a minor problem and 4% said health costs were not a problem.

In fact, 71% of respondents said the costs today are a lot more important to their companies than

they were two or three years ago, while 28% said the problem was about the same and 1% didn't know.

The increasing importance of health care costs to corporations is not surprising given the rate at which costs have been rising.

Indeed, 66% of respondents said their companies' health care costs jumped 11% to 20% in the last year; 17% said costs were up 21% to 30%; 3% said costs were up 31% to 40%, and 1% said the cost increase exceeded 40%.

Only 12% of respondents said increases were less than 10% and none said health care costs had declined in the past year.

Executives believe there is a lot the private sector can do to control health care costs, according to the survey.

For example, 85% said utilization review, which can reduce unnecessary services, is a "good solution to the health cost problem" while 13% thought UR was a bad solution and 2% didn't know.

Increasing hospital and physician efficiency by applying guidelines for medical procedures was called a good solution by 85% of respondents. Nine percent said it was a bad solution and 6% didn't

know.

Most respondents—77%—also said giving employees incentives to use managed care programs, such as health maintenance organizations and preferred provider organizations, is a good solution, while 11% thought it was a bad solution and 12% said they didn't know.

Similarly, 72% said requiring employees to pay a larger share of health care costs was a good solution, while 25% said more employee cost sharing was a bad solution and 3% didn't know.

There was no consensus, though, on the portion of health care costs that employees should absorb.

Employees should pay slightly more of their health care costs, said 36% of the surveyed executives. But 27% said the level of cost sharing is just about right and another 27% said employees should have to pay substantially more of their costs to make them more cost conscious.

Only 6% of respondents said employees should have to pay slightly less and 2% said employees should have to pay substantially less.

Executives may not agree on how to split the costs with employees appropriately, but companies are asking their employees to pay more expenses.

Nearly three-quarters of respondents said costs to employees have increased as their company raised deductibles and coinsurance or otherwise changed their health care plans in the last two to three years.

During the same two to three years, 62% of respondents said their companies added more managed care programs, a trend that is likely to continue, HIAA officials say.

"Managed care will be the insurance story of the 1990s," said Mr. Schramm, the HIAA president.

Other survey findings include:
 • Sixty-six percent of respondents rated their cost control efforts as "somewhat successful" in curbing wasteful or excessive use of health care services by employees, while 20% said the efforts were not too successful and 7% reported their efforts were very successful.

• Sixty-two percent of respondents said health care cost increases have had only a minor effect on their employees' standard of living, 28% said cost increases had no real effect, while 8% said there was no substantial adverse effect and 2% didn't know.

• Less than half of respondents said HMOs and PPOs are effective in controlling costs, while about a third said they were ineffective and a sixth said they were unsure.

• Health care costs ranked fifth when respondents were asked to list four or five factors which most adversely affect the prosperity of U.S. business. Nearly half cited the federal budget deficit and a third cited foreign competition.

Free summaries of "A Report on the Attitudes of the Fortune 1000 Senior Level Executives Toward the Health Care Cost Crisis" are available from Don White, Health Insurance Assn. of America, 1025 Connecticut Ave. N.W., Washington, D.C. 20036; 202-223-7782.

The Information Advantage

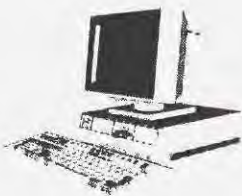
RIMSNET® The Electronic News and Information Network of the Risk and Insurance Management Society, Inc.

Only RIMSNET Gives You:

- Daily News for Risk Management and Employee Benefits Professionals—More than 150 Newspapers and Periodicals Monitored
- Standard & Poor's Insurance Rating Service
- Buyer's Guide of U.S. and International Risk Management and Employee Benefits Services
- Legislation and Regulation Tracking Services from LEGI-SLATE®
- Advanced, Easy-to-Use Electronic Mail and Bulletin Board Systems
- Keyword-Searchable Risk Management and Employee Benefits News Database
- Electronic Travel Services, including flight booking via the Official Airline Guides®
- And Much More

Easy Access Via Your Office Computer

- No Special Hardware or Software Requirements
- Local Telephone Call From Most Metropolitan Areas
- Convenient Canadian and Overseas Access
- Easy-to-Follow Menu Guide You Through RIMSNET Services



More than 200 corporations are presently accessing RIMSNET's unique news and information resources. RIMSNET information is tailored for risk management and employee benefits professionals, by the Risk and Insurance Management Society, Inc., the professional organization of risk managers and benefits professionals.

Contact Nancy Douglass, the RIMSNET manager, at (212) 286-9292 for additional details and subscription information.



205 East 42nd Street
New York, NY 10017

Try It Out!

Come to the RIMSNET Demo Room at the 28th Annual Risk Management and Employee Benefits Conference in Boston, April 29-May 4, 1990

DAVID will save the day (and save you money).

Those endless stacks of claims administration paperwork have terrorized you long enough. DAVID brings you CompPlus and P&CPlus, the inexpensive, effective weapons for Risk Managers.

CompPlus and P&CPlus are truly formidable. These complete systems for workers' compensation and liability claims and risk management will bring the paperwork Giant to his knees. And all without Giant costs.

CompPlus and P&CPlus are versatile programs, allowing adaptability in a multitude of industries. That's why DAVID is the fastest growing and most competitive company in the marketplace. DAVID has helped slay Giants nationwide.

Call today and let DAVID help reduce your losses and cut your costs.

DAVID
1(800)55-DAVID

DAVID Corporation
100 California St, Ste 820
San Francisco, CA 94111
1 (800) 55-DAVID
FAX (415) 362-5010

Mail this coupon and cut your claims processing down to size

YES! I'm interested in more information and a free demo diskette.

NAME _____
 TITLE _____ PHONE _____
 COMPANY _____
 STREET _____
 CITY _____ STATE _____ ZIP _____

INTERNATIONAL

Sydney hailstorm pelts underwriters

By KATE McILWAINE

SYDNEY, Australia—Insurers face hundreds of millions of dollars in claims from a freak hailstorm that pelted Australia's largest city last month.

Insured losses from a storm that dropped baseball-sized hailstones on Sydney March 23 will top \$200 million Australian (\$149.2 million), according to the Insurance Council of Australia.

However, the widespread flooding in north and central Queensland that occurred in the wake of Cyclone Ivan is largely uninsured, underwriters say. Cyclone Ivan hit uninhabited areas of Queensland's Cape York Peninsula.

An atmospheric depression that followed the cyclone continued to produce heavy rains last week, making it difficult to estimate the extent of damages. However, underwriters say much of the flood losses will be uninsured because flood coverage is optional in Australian property insurance policies and many businesses and homeowners do not buy the protection.

Ray Kent, chief manager-insurance for Brisbane-based Sun-corp Insurance & Finance Ltd., Queensland's largest insurer, said he had "only a handful of claims" as a result of the flooding.

Meanwhile, the majority of commercial claims from the hailstorm have come from motor vehicle dealers, many of which suffered damage to every vehicle in their lots, said Ted Williams, executive adviser of the insurance Council of Australia.

The "lion's share" of motor vehicle coverage was underwritten

by NRMA Insurance Ltd., a mutual insurance unit of the Sydney-based National Road & Motorists Assn. and one of New South Wales' largest automobile insurers.

NRMA General Manager Ray B. Willing said the company expects to receive motor vehicle damage claims of \$90 million Australian (\$67.1 million) as well as homeowners' property damage claims of \$20 million Australian (\$14.9 million).



The hailstorm was the worst natural disaster NRMA has ever experienced, Mr. Willing said, noting claims are expected to easily surpass the insurer's \$50 million Australian (\$37.3 million) payout for losses stemming from last December's Newcastle earthquake (BI, Jan. 1). Prior to the most recent storm, NRMA's largest losses stemmed from an October 1986 hailstorm that produced \$60 million Australian (\$44.8 million) in claims, Mr. Willing said.

Brian Dalton, general manager-insurance of The Motor Traders' Assn., a trade association representing motor vehicle dealers, said he expected total losses from insured members to total about \$20 million Australian. The MTA arranges insurance coverage for many of its members, which is spread among several insurers, he said.

Another market for motor vehicle dealers is coverage brokered

by C.E. McDonald (Aust.) Pty. Ltd. of Sydney.

Managing Director Trevor McWhirter said McDonald's clients' losses would be about \$12 million Australian (\$9 million), of which \$8 million would be claims for damage to dealers' vehicles and \$4 million in property and business interruption claims.

The coverage that will respond to the claims is underwritten by Sydney-based Australian Mutual Provident Society and by a hail insurance pool at Lloyd's of London, Mr. McWhirter said.

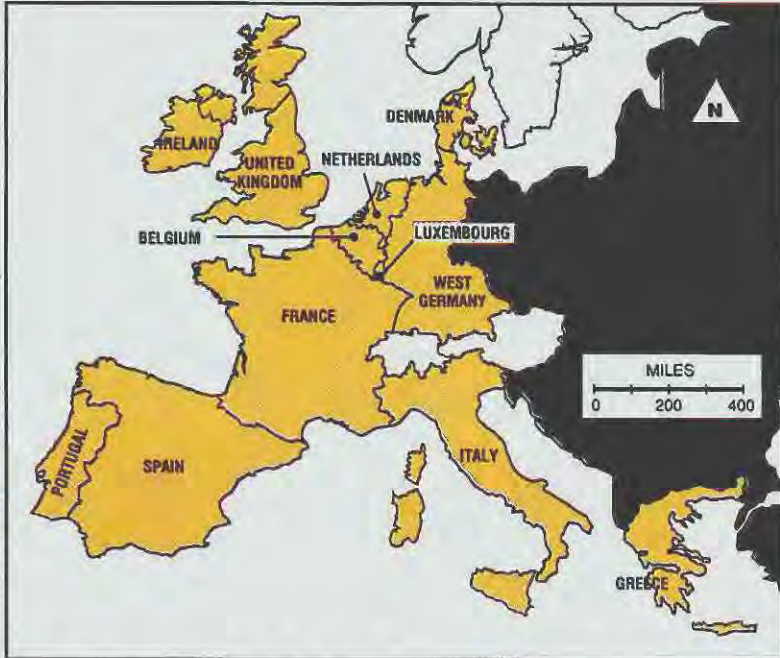
Aviation underwriters said they were surprised that the recent storm caused little damage to aircraft because the October 1986 hailstorm had caused considerable aircraft damage.

Graham Price, assistant general manager-New South Wales for the Australian Aviation Underwriting Pool Pty. Ltd., said the pool had not yet received any claims from the recent Sydney hailstorm. The pool writes 65% of the aviation coverage in Australia.

"We expected a lot of claims, but were fortunate," Mr. Price said.

By contrast, a late December storm that hit Brisbane produced more than half-million dollars in losses for the pool, said Brian Peake, assistant state manager-Queensland for the pool.

The Dec. 24, 1989, storm resulted in aviation hull claims from three airports of \$673,000 Australian (\$502,058), he said. And another major aviation insurer, Mr. Peake noted, faced losses from the same storm of \$400,000 Australian (\$298,400) after two airplanes were declared a total loss.



EC product safety

Scope of proposed directive assailed

By DENISE CLAVELoux

BRUSSELS, Belgium—A proposed directive intended to govern product safety in the European Community has run into strong opposition from industry and the governments of member states.

The proposed directive—which would impose stricter product monitoring requirements on manufacturers, importers and retailers of goods as well as introduce product recall regulations—was issued by the EC Commission last year (BI, Nov. 27, 1989) and won the approval of the European Commission's advisory body, the Economic

and Social Committee, early last month.

The proposed directive is designed to complement the EC's existing directive on product liability, which shifts the burden of proof in product liability cases to the manufacturer from the consumer. The product liability directive was due to be implemented in nearly every EC nation by last July, though some countries have yet to enact the law (BI, March 26).

The majority of the EC's Economic and Social Committee, which is composed of representatives from industry, labor and consumer groups, agreed that all those

involved in the design, manufacture and sale of products throughout the European Community should comply with a general safety requirement.

However, in a minority declaration, the industry faction on the committee said that the final product safety proposal should be limited to consumer products and similar goods.

The proposal now defines a product as "any manufactured product and agricultural product, and shall include any part of it such as raw materials, substances, components and semi-finished

Continued on next page

Due diligence for European risk managers

By Geoff Saunders

THE SPENDING SPREE that European, particularly British, corporations have enjoyed in the United States in recent years has put their risk managers in a dilemma over the question of whether to integrate the new acquisitions into the parental European risk management program. For, indeed, there are significant implications in such a move. Just maybe it would be less risky—and therefore preferable—to leave well enough alone.

What happens in practice depends to a large extent upon the culture and management style of the European parent. However, the approach is increasingly influenced by the parent's perception of, and the degree of legal comfort afforded by, the so-called "corporate veil."

The principle of limited liability, whereby each operating company is a self-contained legal entity and stands or falls by the actions of its own management, is an integral part of corporate law in most countries. By definition, its liabilities are limited to its own balance sheet and, in theory at least, all that is at risk is the amount of investment by the up-stream holding company.

Now any attempt to manage that company from a distance—whether it be the imposition of a product marketing or pricing strategy,

INTERNATIONAL PERSPECTIVE

wage structure, engineering standards or whatever—inevitably lays the parent wide open to the risk of being held jointly and severally liable for the actions of its subsidiary across a whole raft of eventualities, both planned and unplanned.

Why, then, exacerbate the situation by attempting to "manage" from the home base? Do European risk managers invite grief, and possibly corporate wrath, because they underestimate or even ignore the possibility of transatlantic lawsuits? Or perhaps it is that they firmly believe the benefits of a "group approach" to standards of health and safety, fire engineering, insurance, etc., are so important from the point of view of purchasing power and cost savings that these advantages outweigh the positive aspects of preserving the corporate veil?

Perhaps it is the recognition that in many liability situations, irrespective of the final determination of parental liability, the choice of "walking away" from the sinking subsidiary is not a realistic option. The corporate reputation is at stake, and the prospect of a "corporate boycott" across North America because of the abrogation of responsibility for the misdemeanors of the subsidiary would amount to a corporate disaster.

Therefore, the parent is faced with constant decisions as to the extent to which it should intervene in the running of its subsidiaries—treading an ill-defined line between maintaining operating freedom and imposing the corporate will.

A common example of the dilemma is in the field of employee safety. It may be entirely

laudable for the parent to attempt to apply a common safety standard throughout the world. Fine, until one operation generates a disastrous record in a particular year and the legal finger is pointed at the parent—"if you can achieve a high standard everywhere else, you have surely mismanaged this one!" What comfort then from the corporate veil?

The vulnerability of the corporate veil has never been more clearly demonstrated than it is now in environmental cleanup situations. Even tiny subsidiaries, maybe no longer operating, have possibly held title to real estate now requiring a massive cleanup response (under the U.S. Comprehensive Environmental Response, Compensation and Liability Act or other laws). The European parent would surely have done well to take that little company off the shelf, dust it down, and examine its murky past.

The "in phrase" for this decade has to be "due diligence," but do corporate CEOs, stockholders and providers of corporate finance really grasp the full extent and scope of a "due diligence exercise," diligently conducted?

It is all very well carrying out such an exercise in the big target operations, but often it is more fruitfully conducted in the long-silent but still legally existing little ones that come with the deal. That is where the skeletons lie.

Another new phrase, born out of the liability insurance market fiasco of 1985-1986, is the "twin tower approach," used to describe the choice facing European insurance buyers as to whether to maintain separate casualty, and sometimes property, insurance programs for North America rather than one global approach. The disparate types and scope of

covers available invariably determined, and still do for pharmaceutical and chemical companies, the approach to be adopted. Lack of pollution coverage and the imposition of "claims-made" coverage in the United States have dictated the "twin tower" approach for many corporations.

Restricted liability coverage, inadequate limits and fly-by-night insurers are among the many aspects of risk that it is incumbent upon risk managers to explore during their participation in any due diligence exercise. Every exclusion on a liability policy is an area of risk that remains within a corporation and is therefore inherited by the European parent, potentially turning the acquired company into a Trojan horse full of long-tail liabilities.

Whether buying or selling subsidiaries, all risk managers should think advisedly about the implications of self-insurance of liability risks. It may appear highly attractive to insure the liability program in a wholly-owned captive insurance company. But, the net effect of this is to move that liability risk up the corporate pyramid, i.e., nearer to the parent. Thus, because protection has been contractually granted in the form of "occurrence" liability coverage or indeed "claims-made" coverage with an extended notification period, that contract may well stand to be sued long after the insured subsidiary has been sold.

It is all very well to build in a provision that cover ceases immediately when the subsidiary is no longer part of the parent family, but such a clause, if it is to be effective, should cancel cover respectively for IBNR losses, a move that may make the subsidiary unsalable.

Philosophically, it is surely doubtful whether any CEO would be willing to expose the captive—assuming it is a true captive and not writing open-market business—to long-tail

Continued on next page

Business Insurance invites risk managers, benefit managers and safety managers of non-U.S. corporations to submit articles for the International Perspective section. For more information, contact International Editor Stacy Shapiro in London at 01-404-4228 or Copy Desk Chief Paul Winston in Chicago at 312-649-5442.

INTERNATIONAL

Due diligence

Continued from previous page
liability claims from subsidiaries that have long since disappeared from the parent family. Neither will the future participants in the captive welcome the idea of paying for losses of long-departed offenders!

The idea of allowing liability risks and corresponding self-insurance to rest with operating companies or divisions is particularly valid where there is a substantial outside shareholding. It would be seen by parent company management as "subsidizing" of the minority shareholders if the parent were obliged to make good a large loss in that subsidiary, due to the risk manager's self-funding or captive activities.

While on the subject of liability insurance, it is perhaps appropriate to note the implications of aggregate limits on product liability policies. A

European parent acquiring the subsidiary of a U.S. corporation may well ask if it may access the past liability coverage of the U.S. corporation—in case there are already defective products out in the marketplace doing damage or causing injury. The U.S. corporation may well accede to this request and indicate an available indemnity of, say, \$10 million. But beware. That \$10 million remains available only so long as that U.S. firm itself remains free from product liability claims. It may subsequently erode that limit totally with its own defective product liability losses, and there may finally be no protection whatsoever!

In a similar vein, it is interesting to note the readiness with which many international insurance companies market themselves as global insurers, capable of providing service in virtually all territories for multinational firms. A global liability insurance program usually

involves a master liability policy, issued for the full indemnity limit.

"Off the back" of the master agreement local policies are issued to the respective subsidiaries in each territory, often showing the equivalent indemnity limit in the local currency. This network of policies is of course the means by which premiums are collected and channeled to the London office of the insurance company. In totality, they will correspond to the overall premium negotiated by the corporate risk manager and apportioned in accordance with his instructions.

The master policy will show an aggregate limit for product liability claims in each year of insurance. Theoretically, it is possible for each policy to be called upon to pay the full indemnity limit simultaneously and, because each local policy is a contract, legally binding in the territory, the global insurer has no option but to meet each claim in

full. The way around this is to incorporate in the master policy an obligation upon the parent to reimburse to the insurer any sum over and above the exhausted aggregate—another example whereby liability is moved up the corporate pyramid from operating subsidiary level to the parent.

This may be a remote possibility but it should be pointed out to the subsidiaries that the indemnity shown on their local policies remains intact only to the extent that other parts of the group are not already eroding the master limit. This could be occurring unbeknownst even to the risk manager.

This possibility alone may justify the purchase of higher catastrophe liability layers.

The ability of the risk manager to organize retrospective cover to make good these "contingency" exposures in the context of acquisitions and divestments is of

paramount importance. The due diligence report submitted to the board should contain full information on the exposures being inherited, contractually or otherwise. Also, the adequacy of all past liability policies should be disclosed.

Depicted on the front of the brochure for this week's annual conference of the Assn. of Insurance & Risk Managers in Industry & Commerce are four horsemen of the Apocalypse: terrorism, flood, pestilence and pollution. Although these do not quite correspond to the biblical horsemen of Revelation, they do signal the urgency with which the risk manager should cast aside his insurance image and assume a total risk management role. ■

Geoff Saunders is risk management adviser for The RTZ Corp. P.L.C., a London-based mining company.

Product safety

Continued from previous page
products."

The industry group also warned that, if adopted in its present form, the EC's product safety directive would impose a heavy burden on small firms.

Another criticism put forward by the employer group was that the measure's definitions relating to what constitutes a "safe product" and an "unacceptable risk" should be more clearly defined.

For example, the safety directive would require EC member nations to establish authorities to control "the compliance of products with the obligation to place only safe products on the market."

In addition, the safety proposal states that if such a safety authority "has reasonable grounds for suspecting that a product presents an unacceptable risk of an immediate and grave nature...it shall take all appropriate measures to withdraw those products from the market or to prohibit or restrict their being placed on the market."

The concerns expressed by certain members of the Economic and Social Committee were echoed by representatives from national governments meeting in Brussels last month.

The wide scope of products subject to the proposed safety directive is causing the most concern among member nations.

For example, West Germany and the United Kingdom want to see foodstuffs and agricultural products excluded from the scope of the safety directive, while France and Portugal are adamant that they should remain.

Belgium has suggested that all products except those that are solely used for commercial purposes be excluded, but this interpretation is strongly opposed by West Germany and The Netherlands.

And, Belgium, Greece and Denmark are calling for a system whereby manufacturers would provide product safety information to consumers and allow them to evaluate the risks posed by a product. However, the United Kingdom opposes this plan.

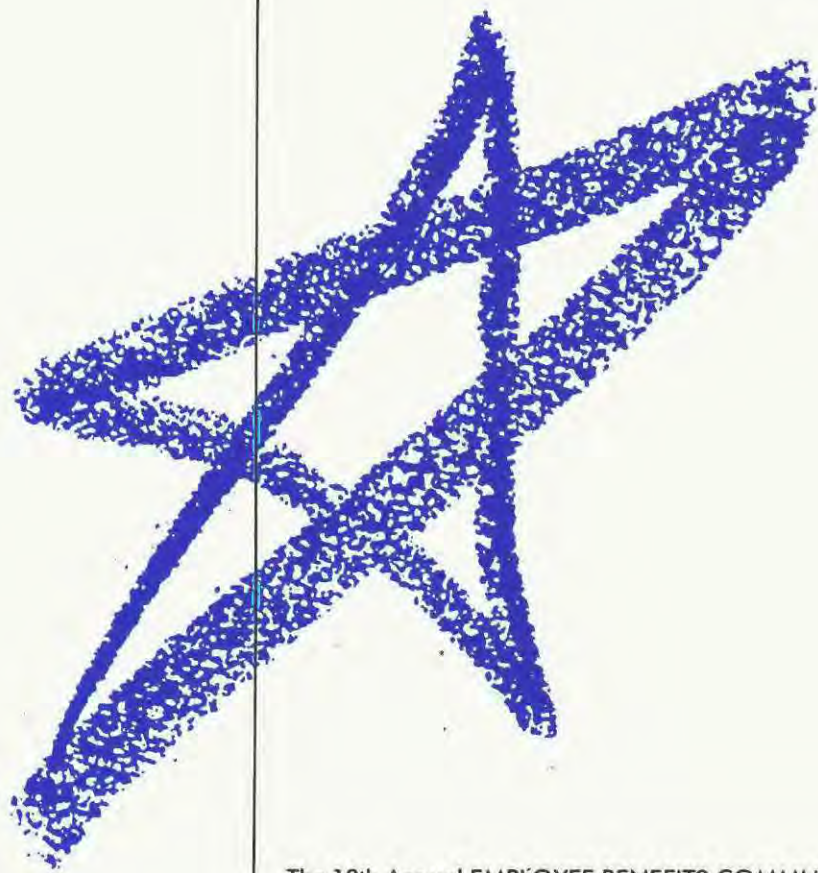
Some member states also expressed doubts about the proposed product recall system, with some concerned that the system might not work effectively in all of the 12 countries.

The draft proposals say that all national governments would have to ensure that they have the legal and practical means to recall faulty or unsafe goods and would allow the European Commission to step in when a product threatens the safety of people in several member states.

The EC member state representatives will continue discussing the proposed directive in the hope of coming up with a compromise proposal in time for the EC ministers to examine it at their meeting on May 7.

EBC

AWARD OF EXCELLENCE



The 18th Annual EMPLOYEE BENEFITS COMMUNICATION AWARDS will be presented on August 13th during a luncheon, in Chicago, sponsored by Business Insurance, honoring excellence in communicating employee benefits.

The Competition is open to all companies in the U.S. and Canada, and has no restrictions as to the size of the company.

A panel of benefit managers and communication specialists will select winners from a variety of categories.

Entries will be accepted beginning April 2nd. No entry will be accepted after April 30th.

For Competition rules and entry forms, or for details and reservations for the Awards Luncheon, write to the EBC Registrar at the address below, or call (212)-210-0780.

EBC Awards/Business Insurance
Communication Services Department
220 East 42nd Street, New York, NY 10017

Business Insurance
a publication of Crain Communications Inc

INTERNATIONAL

U.K. retiree health coverage

Employers should help to finance retiree care: Actuaries

By CAROLYN ALDRED

LONDON—British employers can play an increasing role in helping finance medical care for retirees as the burden on the government to provide health care for people over 60 increases, the British Institute of Actuaries concludes.

"Insurance in its various forms can play a part in the shaping of our future society so that the needs and desires of the over 60s can be met without producing undue distortions in the economy of the U.K.," according to a recent report by the institute.

Currently, most medical care for people over 60 in Britain is provided free through the government's National Health Service.

However, "the number of people who are over the age of 60 is expected to grow at a reasonable rate for the rest of the century, then more rapidly in the early part of the next century" while the proportion of the population within working age will decline, the report says.

Private insurance—particularly employer-provided group health insurance—already is playing an increasing role in providing health care for the United Kingdom's working population, the Institute of Actuaries notes.

In 1988, total private medical insurance premiums in the United Kingdom totaled about 800 mil-

lion pounds (\$1.45 billion at year-end 1988 exchange rates). Private medical insurance plans covered about 6 million people or about 11% of the British population.

However, only 3% of people over the age of 65 who had private medical insurance were covered under an employer-paid plan, the survey showed.

"This shows the very small proportion of employers who are currently prepared to continue to pay PMI premiums for people who have retired," pointed out the actuary group.

The British government, as part of its program to reform the British National Health Service, is encouraging the growth of private medical care, particularly for the elderly, the group notes.

To facilitate this drive, the government last year passed legislation that makes medical insurance premiums paid by those over age 60 tax-deductible as of April 30. However, the tax relief only applies to individual policies and not group policies.

But the Institute of Actuaries contends "a group-based approach to insured cover for medical expenses offers some significant advantages."

For example, group insurance allows bulk negotiation by an employer; lower unit selling cost for the insurer; and lower unit administration expenses, the actuary group says. As a result, "it will be necessary for us in the U.K. to consider the ratio-

nalization of tax relief for the over 60s between those paying through the individual market and those using bulk purchase," the group suggests.

The Institute of Actuaries points out that in the United States most medical insurance is arranged through employer programs, including retiree medical insurance. "This utilization of group insurance has proved extremely efficient in terms of providing medical insurance and keeping administration costs within bounds," the institute contends.

However, "there are acknowledged weaknesses in the U.S. system," the group says.

The cost of retiree health care for U.S. employers has increased substantially in recent years and "in the years to come we may well see the U.S. begin to install public health provision," says the Institute of Actuaries. "Nevertheless, the group system provided by the employer works and works well. An efficient administration system does point the way for the United Kingdom," the report says.

"The extreme hospitalization costs of care for patients at advanced ages means that the state must remain as the provider of last resort, but private insurance can be a useful addition of funds to the total health industry, particularly with the administrative and unit cost advantages when approached on a group basis," the Institute of Actuaries concludes.

AEGIS sues Focus Insurance

By ROGER SCOTTON

HAMILTON, Bermuda—Utility industry captive Associated Electric & Gas Insurance Services Ltd. is suing defunct Focus Insurance Co. Ltd. to recover \$1.3 million under a commutation plan Focus devised to pay creditors.

The AEGIS suit, filed recently in Bermuda's Supreme Court, seeks \$500,000 more than the amount offered by Focus, a former Trenwick Reinsurance Co. subsidiary that went into runoff three years ago.

Focus, formerly called Trenwick Reinsurance Co. Ltd., took its current name after it was acquired in December 1987 by Forum Reinsurance Co. Ltd.

AEGIS, which is based in Jersey City, N.J., and is represented in Bermuda by Argus International Management Ltd., will not discuss the action.

However, Focus Chairman Mark Hardy contends the suit stems from a disputed \$1.3 million reinsurance treaty claim originally filed by AEGIS in or around 1986. He said that \$800,000 of the AEGIS claim was undisputed.

"The problem arose when AEGIS came along with a claim for an additional half a million in November of last year," Mr. Hardy said. "That's when things became difficult."

Focus' commutation plan was based on the company's financial position as of July 31, 1989. In a letter to creditors last year, Focus said its liabilities totaled just more than \$50 million, though the company has \$36.6 million in reserves.

Capital and surplus varied depending on which accounting standard was used (BI, Nov. 27, 1989). Under U.S. generally accepted accounting principles, capital and surplus was deficient by \$11.8 million as of July 31, while after discounting loss reserves—as Bermuda law allows—Focus' capital and surplus stood at \$802,840, the letter said.

"We're offering 100 cents on the dollar on outstanding payables at July 31, and 60 cents on the dollar on case reserves," Mr. Hardy said.

"So really, it's a question of which bracket the AEGIS claim falls into."

Noting that July 31, 1989, was the date on which Focus reconciled its accounts, Mr. Hardy said, "That was effectively the cutoff date in the commutation. This demand for an extra \$500,000 unfortunately came along

after that."

Mr. Hardy said that Focus is still considering its response to the AEGIS suit, adding that he is unsure why it was filed. "It's possible that we were overly aggressive in our approach to the commutation and that's why this has gone to court. All I can say is that some of our 50 or so cedants have already accepted our commutation proposals," he noted.

J&H salary freeze

Johnson & Higgins (Bermuda) Ltd., Bermuda's largest captive management company, last week froze salaries of 15 top managers for six months in the wake of a controversial tax increase.

The freeze is intended to help control costs in light of a new 5% payroll tax to be phased in over five years (BI, March 5).

That tax, which local companies have paid for years, is being applied to foreign companies for the first time. It will cost J&H about \$107,000 in the next year, said Brian Hall, the company president in Bermuda.

Mr. Hall has promised not to pass the added costs on to his approximately 170 captive clients.

A review of management salaries, scheduled for April 1, will be postponed six months, he said. He would not say how much the salary freeze will save.

Dover settlement

Former accountants for Dover Insurance Co. and the defunct Bermuda company's liquidator have settled a 6-year-old malpractice suit out of court for about \$9 million, according to Bermuda sources.

The San Francisco office of Seidman & Seidman was the sole remaining defendant in a 1984 suit in which Charles Kempe, Dover's liquidator, sought \$50 million in damages from the accountants and a dozen other defendants. A trial was to have begun this month in U.S. District Court in San Francisco (BI, March 12).

Attorneys for Seidman & Seidman would not return calls and Mr. Kempe said he could not confirm

Bermuda

settlement details.

Mr. Kempe said Dover's assets would be distributed later this year, though he said he could not yet estimate the size of the payout.

Liquidators join forces

Bermuda's top two insurance liquidators have joined forces to form a new accounting practice in the wake of the 1989 merger of Big

Eight accountants Arthur Young & Co. and Ernst & Whinney.

Charles Kempe, joint liquidator of Mentor Insurance Ltd., and Christopher Whittle, liquidator of Norad Reinsurance Co. Ltd., announced in February the formation of Kempe & Whittle, an Ernst & Young International affiliate.

Mr. Kempe, whose firm Charles Kempe & Co. previously was affiliated with Arthur Young, has been named chairman of the new firm, while Mr. Whittle, who previously headed the firm of Whittle Condon, will be managing partner.

TRAVIS SOFTWARE'S EMPLOYEE BENEFIT SYSTEMS



The Most Popular Widely-Used COBRA ADMINISTRATION SOFTWARE

CORPORATE COBRA MANAGER

For complete, fast and accurate COBRA administration, over 2,000 firms and institutions have chosen Corporate Cobra Manager. The system automatically produces up to 29 letters, forms and documents required by COBRA. Easy-to-use... requires beneficiary's name, qualifying event and elected benefit plans. All record-keeping, correspondence generation and premium computations are part of the system. Includes COBRA amendments passed November 1989.

Travis Software Corp. supports and updates the Corporate Cobra Manager as new regulations arise or new features are added.

SINGLE EMPLOYER VERSION AS LOW AS \$1295 MULTI-EMPLOYER VERSION AS LOW AS \$3750



The Easy, Economical Way to Administer FLEXIBLE BENEFIT PLANS

Designed for complete flexible benefit plan administration, Travis Software Corp. has documented, supported and updated the system so that operators need not be benefit plans experts.

Employee selections and deduction amounts are entered at the beginning of the plan year. The system prints verification and enrollment forms, reimbursement checks and performs duplicate claims checking. Available in both single and multi-employer versions.

SINGLE EMPLOYER VERSION \$1295

DISTRIBUTOR and RESELLER Inquiries Invited

NEW GROUP PREMIUM BILLING MANAGER

A complete billing system for Life, AD&D, Disability and Health Plans. Includes rate and premium calculation, user-definable step-rated tables, automatic handling of rate changes. Calculates agent/broker/association commissions. Offers full reporting capability.

RETIREE PREMIUM BILLING MANAGER

Administers Retiree Medical Plans, Reduced Benefit Plans and other "non-deduct" plans requiring payments by participants. The program generates billings at user-selected frequency, maintains receivables aging file, tracks account status and supplies data on primary and supplemental carriers as well as management summary reports. The system requires no special operator training and is only \$1295.



TRAVIS/HR far exceeds the employee information functions of other HRIS systems. Through its unique standard capabilities and the variety of optional modules, TRAVIS/HR provides users the information to track employee information to produce reports for management to project "bottom-line" analysis of employee costs, budget, expansion cost projectors and other vital data.

TRAVIS/HR is easy to implement and use. System parameters give you control of system sophistication and data requirements. Wherever possible, data is entered once, even on repetitive tasks, and automatic building of code libraries and record transfer from set-up time to a minimum.

FEATURES
• USER DEFINABLE FIELDS
• MEMO FIELDS
• HELP WINDOWS
• GLOBAL UPDATING
• TABLE DRIVEN
• SECURITY
• SOFTWARE INTERFACING

TRAVIS / HR SYSTEM AS LOW AS \$1995

FOR FURTHER INFORMATION 713-496-3737

Travis Software
1001 S. Dairy Ashford, Suite 206 • Houston, Texas 77077

Name _____
Title _____
Company _____
Street _____
City, State, Zip _____
Telephone _____

PLEASE SEND MORE INFORMATION ON:

CORPORATE COBRA MANAGER
 TRAVIS HR
 TRAVIS FLEX
 RETIREE PREMIUM BILLING MANAGER
 GROUP PREMIUM BILLING MANAGER

Today more than ever, for Claims Administration, Workers Compensation Administration and Flex 125—

FACTS products offer money-saving solutions.

FACTS

- Medical, Dental, Vision and Short-term and Long-term disability claim processing.
- Hundreds of standard reports plus full feature relational data base reporting.
- Multiple fee schedules, discounts, per-diems, alternate deductibles, and co-pays for PPO claims.
- Age rated premium billing with open receivables tracking and producer commission payments.
- Integrated pre-admission certification and utilization review record-keeping.

FACTS 125

- Take-home pay illustrations on-line in the enrollment module.
- Enrollment and confirmation form printing.
- Automatic accruals and credit tracking.
- Discrimination testing.
- Comprehensive periodic enrollee statement printing.
- Integration with claims.

FACTS COMP

- Multiple level payment and reserve categories for tracking medical, legal, indemnity and other types of claim payments.
- Automatic diary payments for all types of partial and full disability.
- Complete body part, injury source and accident cause record-keeping and reporting.
- Integrated state payroll and medical payment fee schedules.

NCR/ADDS

In partnership with ADDS (a subsidiary of the multibillion dollar industry leader NCR) FACTS products combine the current technology of the NCR Tower with state-of-the-art software to provide automated solutions for all areas of employee benefits administration and risk management. Call for more information or complete and return the coupon below today.

FACTS SERVICES INC.
1575 San Ignacio
Coral Gables, FL 33146
Phone: 305-284-7400
FAX: 305/665-0598

Please send me more information on the following FACTS product:

FACTS FACTS 125 FACTS COMP

Phone _____ City _____ State _____ Zip _____

Address _____ Attention _____ Company _____

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$108.50 per column inch, minimum of one inch. Straight classified is \$9.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.

BUSINESS DEVELOPMENT EXECUTIVE

New York (Tri-State)

REL CONSULTANCY GROUP is the leading operational consultants to the P&C insurance industry. We are seeking to expand our successful practice by appointing an insurance executive with a track record of success to top management of large companies. Reinsurance brokers given preferred consideration.

Knowledge of insurance processing — gained in underwriting or brokerage within the P&C — would be helpful, but extensive training will be provided. Please send resume with compensation history to **President, P.O. Box 947, Larchmont, New York 10538.**



TIRED OF SELLING INSURANCE POLICIES?

How about marketing and seminars to some of the top agents and brokers in the country? Get off the commission roller-coaster and still stay within the insurance industry and advance your marketing skills. Crittenden Publishing, Inc., has an immediate opening for somebody to run and expand our Insurance conference & seminar department. The right candidate should possess direct marketing experience, self-starter initiative and the entrepreneurial spirit to want to build your dept. Salary starts at \$25K - \$30K DOE plus a generous bonus with big upside potential and standard company benefits including a 401K program. Send resume and cover letter to:

**Director of Marketing
Dept. JLE
PO Box 1150
Novato, CA 94948**

**GET RESULTS!
ADVERTISE IN THE
PROFESSIONAL MARKETPLACE**

We are opening an office in the Los Angeles and San Francisco areas. We have various programs available for the right individual to head up the office. A surplus lines license for P & C is necessary. Please call for appointment 1-800-666-9178 ask For Arnold Skoller for further details.

TRUCK AGENTS

Stop Wasting Your Time
Improve Your Hit Ratio
Increase Your Market Share
We Sell Truckers X-Dates
"NATIONWIDE"
800-288-XDATES (9328)
Not Available In All States

ASSOCIATIONS/GROUPS

Parent of an A, (VI) Rated liability carrier interested in loaning capital to Groups or Associations to form an industry-owned liability insurer under the Federal Risk Retention Act. Should develop minimum \$2,000,000+ annual premiums to start.
Reply to: **Box 2596
Business Insurance
740 Rush St., Chicago, IL 60611-2590**

HELP WANTED

EMPLOYEE BENEFITS CONSULTANTS
We are the experts for Employee Benefits Consultants, i.e., Actuaries, Health and Welfare, Managed Health Care, Defined Contributions. Whether a potential candidate or employer, contact Brad Stewart for a confidential discussion. **HERITAGE SEARCH CONSULTANTS, INC., P.O. Box 98, Olney, MD 20830, 301/924-1192**

OHIO BROKERAGE
positioning for 2nd quarter addition to their commercial sales staff. Requires proven performance in the development of commercial P&C accounts in the premium range of \$75K/\$100K (minimum). Aggressive brokerage offers solid markets and service support. Salary OPEN with bonus incentives.
**GILBERT-HAFNER & COMPANY
Insurance Staffing Consultants
6060 N. Central, Dallas, TX 75206
AC 214 361-9341**

UNDERWRITER

Promising underwriting management position with leading aviation insurer. 5 to 10 years of casualty experience with strength in larger risk workers' compensation underwriting area. Position would involve production underwriting and travel. Salary commensurate with experience and ability. **Box 2602, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

Have available for surplus lines agents with books of business for private passenger physical damage, liability programs etc. a facility to place that business with. Loss runs and financials to be provided on request. Call 1-800-666-9178 ask for Gary for further details and arrangements for appointment.

LEGAL NOTICES

**Attorney Code #16819
CMT: tml
IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION OF THE PATRIOT LIFE INSURANCE COMPANY
NO.89 CH 9456
NOTICE OF CLAIMS DATE AND PROCEDURES**

PLEASE TAKE NOTICE that on August 23, 1989 an Order of Liquidation With a Finding of Insolvency was entered against Patriot Life Insurance Company ("Patriot") by the Circuit Court of Cook County, Illinois. Zack Stamp, Director of Insurance of the State of Illinois is the statutory and court affirmed Liquidator of Patriot.

TAKE FURTHER NOTICE that pursuant to the Order, all rights and liabilities of Patriot and its creditors, policyholders and all other persons interested in its assets are fixed as of August 23, 1989, unless otherwise provided in a subsequent order of the Court.

TAKE FURTHER NOTICE that on September 13, 1989 the Circuit Court of Cook County, Illinois entered an Order Fixing the time and procedure for the filing of claims. Pursuant to the terms of that order, any and all persons, partnerships, corporations, associations, estates, trusts and governmental units having or claiming to have any accounts, debts, claims or demands against Patriot, or claiming any right, title or interest in or to any funds or property of Patriot in the possession of the Liquidator are required to file a Proof of Claim with Liquidator, or the Florida Ancillary Receiver, on or before 4:30 p.m. Chicago Time, August 24, 1990.

TAKE FURTHER NOTICE that the form and required content of all proofs of claim are described in the Illinois Revised Statutes, 1987, Chapter 73, Paragraph 821. Proofs of claim, together with supporting documents, if any, are to be filed with, and may be secured from, the Special Deputy Liquidator, Patriot Life Insurance Company, in Liquidation, 446 East Ontario Street, Suite 700, Chicago, Illinois 60611 or the Florida Department of Insurance, Ancillary Receiver of Patriot Life Insurance Company, Post Office Box 110, Tallahassee, Florida 32302. Filing shall occur upon receipt of Proof of Claim by the Liquidator or the Ancillary Receiver. The Liquidator reserves the right to require such additional information with respect to any claim as he may deem necessary. The Liquidator further reserves all rights to any and all defenses of Patriot concerning such claim(s). All Proofs of Claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIMS WITH THE LIQUIDATOR OR THE ANCILLARY RECEIVER AT THE ABOVE MENTIONED OFFICES IS AUGUST 24, 1990 AT 4:30 P.M., CHICAGO TIME. NO ONE HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST PATRIOT LIFE INSURANCE COMPANY SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF PATRIOT UNLESS SUCH CLAIMS ARE FILED WITH THE LIQUIDATOR OR THE ANCILLARY RECEIVER ON OR BEFORE AUGUST 24, 1990 AT 4:30 P.M.

James W. Schacht, Special Deputy Liquidator

INVITATION TO BID

The Virgin Islands Housing Authority invites sealed bids for the procurement of insurance for Fire and Extended Coverage. The coverage is to become effective May 9, 1990. The bid closing date is April 24, 1990. For bid information and a copy of the Invitation for Bids, contact the **Property, Procurement & Maintenance Department, Virgin Islands Housing Authority, St. Thomas, VI, (809) 775-2741.**

POSITIONS WANTED

Atlanta. Corporate insurance Risk management/claims. 22 years insurance experience. Strong marine, inland, cargo & aviation. Please respond to: **Box 2597, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

SPECIALTY PROGRAM INSURANCE AND REINSURANCE MARKETING BROKER
Excellent opportunity for individual who has strong understanding of property-casualty insurance and reinsurance of niche program business. Successful candidate will need strong proposal writing and company market preparation skills. Responsibilities include insurance consulting, marketing and reinsurance broking. Strong casualty rating background. Knowledge of computer skills helpful. Small office mentality. Respond to: **Box 2601, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

RISK MANAGER
Brevard County (the Space Coast) seeks a Risk Manager to direct the County's self-insured and fully-insured programs, including a \$10 million self-insured comprehensive health insurance program for 3,000+ participants, as well as general liability, auto, property, life insurance and worker compensation programs. Requires a Master's degree in business/public administration or a closely related field plus at least three years of progressively responsible risk management experience for a comparably sized operation. May substitute experience for education. Salary Range up to \$48,192, dependent upon qualifications. **Submit resumes to the Office of Human Resources, 2575 N. Courtenay Parkway, Merritt Island, FL 32953. EOE M/F/V/H**

RISK MANAGER

To assist the nine (9) NJ State Colleges in developing and implementing comprehensive risk management programs. Duties include: develop risk management policies and procedures; represent the colleges in insurance purchasing endeavors; serve as liaison between insurance brokers, carriers, the NJ State Bureau of Risk Management and the colleges; establish vigorous loss prevention programs; administer claims; maintain records for budgets and cost projections. Reports to the Chairperson of the NJ State Colleges Risk Management Committee. Bachelor's Degree from an accredited college, MBA, preferred; ARM or CPCU certification desirable. At least five (5) years in higher education or public sector risk management preferred. Private sector experience in corporate, institutional, insurance company or brokerage setting may be considered as a possible substitute. Office location: Trenton Vicinity; Salary: \$49,271 - \$55,992. Start date: July 1, 1990. Deadline of May 4, 1990 for sending resume to:

**Risk Management Search Committee
Attn: J.H. Kuhlen, Jr.
Glassboro State College
Glassboro, New Jersey 08028**

Glassboro State College is an Affirmative Action/Equal Opportunity Employer. Applications from women, minorities and the handicapped are encouraged.

CAROLYN DAVIS ASSOCIATES, INC.
STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY
701 Westchester Avenue
Suite 317W
White Plains, NY 10604
914-682-7040
FAX: 914-682-8361

CEO

Well established growing general insurance agency in the Pacific Northwest looking for a hands-on CEO with proven P & L management and administrative abilities.

Attractive equity package can be structured for financially qualified principal willing to make investment. This is an exceptional opportunity for the right candidate.

Reply to: **Box 2600, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

LOGIC ASSOCIATES, INC.
Risk Management Executive Search Consultants
Celebrating Our 12th Year Of National Service To The Risk Management Community
Telephone 212-227-8000 170 Broadway Suite 1208
Fax 212-766-0188 New York, New York 10038
"The Original and #1 Choice in Risk Management Recruiting"

STAFF ATTORNEY
Chicago law firm with insurance and reinsurance practice seeks staff attorney. Prior experience supervising and monitoring claims and handling defense and coverage litigation required. Candidate must possess excellent oral and written communication skills, be a graduate of an accredited law school, and licensed to practice in Illinois. Insurance company experience desirable. Please send resume and salary history in confidence to:
PETERSON, ROSS, SCHLOERB & SEIDEL
200 East Randolph Drive - Suite 7300
Chicago, Illinois 60601-6969
Attention: Recruiting Coordinator

Advertise in The Professional Marketplace
FAX your classifieds for the next issue:
FAX: 312/280-3189
PHONE: 312/649-5340
Contact:
Margaret Hikido, Classified Ad Manager, to reserve space.



RISK MANAGER

CATHOLIC HEALTH CORPORATION, a system of 98 facilities in 14 states is recruiting a Risk Manager to work out of the central office located in Omaha.

Responsibilities include the continued development and control of the entire risk management process and coordination of services with risk/loss control contractors. Also included is management of property, liability, workers, compensation, auto and heli-pad insurance, as well as supervision of a claims analyst.

The candidate we are seeking will possess 5-10 years of risk management experience including claims settlement, insurance placement brokerage, and hospital or health system risk management experience. A bachelor's degree is required, preferably in business.

Please send resume to: **Barbara A. Anderson, Director/Employee Relations, CATHOLIC HEALTH CORPORATION, 920 South 107th Ave., Suite #200, Omaha, NE 68114.** We are an equal opportunity employer.

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,659
Vice-Presidents, General Managers and Other Administrative Personnel ... 4,006

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,795
Secretaries, Treasurers, controllers and other Financial Personnel 3,842

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,719
Sub-total **24,021**

Associations 554
Government, Unions and Educational Institutions 1,417
Commercial Consumers
Sub-total **25,992**

Insurance Agents and Brokers 10,515
Insurance Companies 7,673
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,800
Others Allied to the Field 2,771
TOTAL **50,751**

* Source Business/Occupational breakdown of qualified circulation, May 29, 1989 issue, as submitted to BPA for June 1989 BPA Publisher's Statement.

New York fire

Continued from page 1

to the windowless, two-story Happy Land club early March 25, trapping 87 people inside.

Firefighters arrived within three minutes of the 3:41 a.m. alarm, but could save none of those trapped inside, most of whom died of smoke inhalation, possibly within seconds of the start of the blaze.

Horrified rescue workers found 19 bodies on the club's first floor and on one of two narrow staircases and 68 bodies on the second floor. Five people who were in the club when the fire broke out survived.

It was New York City's worst fire since the infamous Triangle Shirtwaist Co. fire, which killed 145 garment workers on March 25, 1911.

Authorities quickly ruled the Happy Land fire an arson, and police later arrested Julio Gonzalez, a 36-year-old Bronx man. According to police, Mr. Gonzalez admitted setting the fire with \$1 worth of gasoline he bought at a local gas station after being ejected from the club following an argument with a former girlfriend.

The woman, a club employee, survived.

Mr. Gonzalez was charged last week with murder in the 87 deaths.

The garage-like building that housed the Happy Land club is owned by Clarendon Place Corp., a New York real estate firm controlled by Alex DiLorenzo III. Mr. DiLorenzo is the heir to his father's huge portfolio of New York properties that once included Manhattan's Chrysler Building.

Forbes magazine last year estimated the DiLorenzo family's holdings at more than \$500 million.

Mr. DiLorenzo bought the Happy Land building and several other buildings on the same block for \$885,000 in 1985. Clarendon Place then leased the building for 30 years to Little Peach Realty, another New York firm, owned by Morris Jaffe and Jay Weiss, Ms. Turner's husband.

An affiliate of Little Peach sublet the building in September 1987 to Elias Colon, who incorporated Happy Land Social Club Inc. in March 1988.

Mr. Colon died in the fire.

Happy Land never held required liquor or cabaret licenses and had a history of problems with city agencies.

In September 1988, police arrested three people at the club for selling liquor without a license.

Roughly two months later, city inspectors ordered the building vacated for fire and building code violations. Violations included the lack of a second exit, fire alarm, sprinkler system and emergency lighting.

City officials said last week that notice of the vacate order was sent to Mr. DiLorenzo.

Mr. DiLorenzo could not be reached for comment.

Despite the vacate order, the club continued operating.

In July 1989, a club bartender was arrested for selling liquor without a license. Notice of the arrest and the club's operation was sent to the city fire and buildings departments, but the club remained in business.

Little Peach sued last year in New York Supreme Court in the Bronx to evict Mr. Colon for non-payment of rent, but the action does not mention the illegal operation of the club.

Little Peach last week referred questions to Roger Boyle, a lawyer with Boyle, Vogeler & Haines in New York.

Mr. Boyle said he is sure liability insurance is in place, but he did not provide details.

In a situation like this, a subtenant—in this case Mr. Colon—typically would buy liability insur-

ance naming the tenant and property owner as additional insureds, sources say.

The tenant—in this case Little Peach—might then buy contingent liability coverage, again naming the landlord as an additional insured.

The landlord itself might then buy additional contingent liability coverage.

It is unclear whether these steps were followed in the Happy Land case or whether sufficient liability coverage was placed.

"I cannot conceive of anybody carrying enough insurance to cover this thing," said Ronald Berson, a lawyer with Gair, Gair, Conason, Steigman & Mackauf in New York.

"It probably is inadequate," he said, noting that the type of building the social club occupied generally is not covered by large limits.

Meanwhile, New York state court rulings could expose Claren-

don Place and Little Peach to liability for the disaster while protecting New York City, legal sources say.

In a decision issued March 22, three days before the fire, the Appellate Division of the state Supreme Court ruled that property

a case in which a 9-year-old boy was shot and blinded while passing in front of a building occupied by drug dealers.

The Appellate Division panel overturned a lower court order dismissing the case.

Separately, the Court of Appeals

'I cannot conceive of anybody carrying enough insurance to cover this thing,' says attorney Ronald Berson. 'It probably is inadequate,' he says, noting that the type of building the social club occupied generally is not covered by large limits.

owners and tenants can be held liable for injuries to third parties resulting from the operation of an unlawful business on the property.

The 3-2 ruling—which is being appealed to the Court of Appeals, New York's highest court—came in

ruled in 1984 that New York City owes no special duty to individuals injured because of a building's non-compliance with safety codes.

The 1984 ruling was cited by a state Supreme Court judge in dismissing the city from a lawsuit

filed in the wake of a remarkably similar Bronx social club fire in 1976.

Twenty-five people died in that fire, which was started by a man using gasoline purchased at a local gas station.

In addition to dismissing the city as a defendant, the Bronx judge also dismissed Power Test, the gas station. The judge ruled that although the station illegally sold gasoline in a container, it was not responsible for the fire, according to Mr. Berson, who represented the plaintiffs in the case.

The dismissal of the city was not appealed. The dismissal of Power Test was appealed, but the Appellate Division in 1988 affirmed the lower court's ruling.

New York Mayor David N. Dinkins last week proposed legislation including fines against owners of buildings housing social clubs that reopen illegally after being cited for safety violations.

Insurance services guide

RISKMASTER™ Software

by **Tillinghast**
a Towers Perrin company

ONSITE TRAINING
ONGOING SUPPORT

Installed in Over 45 States & Canada

- GENERAL CLAIMS
- WORKERS' COMP
- VEHICLE ACCIDENTS
- CHECK WRITING
- EXP. MODIFICATION FACTORS
- ACTUARIAL REPORTING
- NEW WC FEE SCHEDULING SYSTEM FOR ALL STATES

FOR PC/LAN/MINI/MAINF

For Marketing Questions or to Attend a Free Seminar, Call (313) 567-6616

InPhoto Surveillance



USA

800-822-8220

FAX: 800-752-0720

Advertise in
The Insurance Services Guide

FAX your advertisement for the next issue

FAX: 312/280-3189

PHONE: 312/649-5340

Contact Margaret Hikido to reserve space.



TEMPORARY CLAIMS EXAMINERS

Qualified, experienced medical & dental claims examiners are available nationwide to assist you with claims processing.

Staff is available during regular hours, after hours and on weekends. Examiner skills are exactly matched to your requirements on manual or on-line systems.

As the leading national firm devoted exclusively to temporary assistance in claims processing, we have been the proven answer to claim backlog problems for over 600 companies. Call us to find out about how we can be a part of your solution.

CLAIM SERVICES RESOURCE GROUP • 800-331-5039

SPECIAL Introductory Offer LIMITED TIME ONLY

CLAIMS MANUALS

Medical, Disability, Dental

Over 1460 pages including 95 index pages

SPEED UP CLAIMS HANDLING • IMPROVE ACCURACY • MAINTAIN CONSISTENCY • DEVELOP GUIDELINES •

Comprehensive Reference Basis for Training Updates Available

(213) 681-3300
J. P. Kennedy Publishing Co.
747 E. Green Street, Pasadena, CA 91101
10-DAY REFUND GUARANTEE



Software of Florida, Inc.

Insurance Software Specialists

- SOPHISTICATED SOFTWARE
- QUALITY SERVICE
- AFFORDABLE PRICING

- HEALTH CLAIMS ADMINISTRATION AND BILLING
- WORKERS' COMPENSATION CLAIMS ADMINISTRATION
- FLEXIBLE BENEFITS ADMINISTRATION
- COBRA ADMINISTRATION

MINI, MICRO AND NETWORK BASED SOFTWARE
CALL FOR MORE INFORMATION OR A FREE DEMONSTRATION
(813) 797-7814

2087 U.S. 19 NORTH / SUITE D, CLEARWATER, FLORIDA 34623



INSURANCE SOFTWARE PACKAGES, INC.
Value Leaders In Risk Management Software

Full Function Claims Management Systems
Ideal For Self Insureds, TPA's, Associations & Carriers

- o WORKERS' COMPENSATION
- o EMPLOYEE HEALTH BENEFITS
- o MEDICAL FEE SCHEDULE & BILL REVIEW SERVICE
- o MULTI-LINE LIABILITY
- o GENERAL LIABILITY
- o COMMERCIAL AUTO
- o COBRA

Installations



Coast To Coast
Call For A Free Demo Diskette
Micro & Network Versions Available



INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56th Street, Tampa, FL 33610
US (800) 237-8133 FL (813) 621-6069



Come see us at RIMS 90, Booth #114/116, Hynes Convention Center, Boston, MA 4/29 - 5/4.



ADMINISTRATOR

Cost Effective COBRA Administration Software
Specifically Designed For T.P.A.'s and Insurance Companies

- * Handles upto 9999 employer groups with 999 divisions each.
- * Automatic processing of all COBRA functions.
- * Provides complete claim eligibility including age tracking.
- * Produces customized reports, billings, & correspondence for each employer.
- * Easy to use, menu driven.
- * P-C Based, full upload/download capability.
- * 100% user satisfaction warranty

* INCLUDES LEGISLATIVE CHANGES EFFECTIVE 1/1/91!

BENEFIT PLAN SYSTEMS CORPORATION

Quality Software
Exceptional Service

15012 Red Hill Ave, Ste. H
Tustin, CA 92680-6524

* FREE DEMO DISK 1-800-523-8047

For advertising information in the INSURANCE SERVICES GUIDE Contact: Margaret Hikido, 740 N. Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340

Labor-management

Continued from page 2

manufacturer, for years has worked closely with the United Auto Workers on a range of cost containment programs, including expanded use of health maintenance organizations, second surgical opinion programs and preferred provider organizations for certain specialized health care procedures.

This cooperation has saved millions of dollars, said Jack Dunn, supervisor-insurance programs of employee relations staff for the Dearborn, Mich.-based company.

"We are trying to work together on the health care front to solve common problems," said Robert Pokorwinski, coordinator of benefits at the UAW's National Ford Department in Detroit.

Management and labor cooperation at Bell Atlantic and Ford are among the health care cost control initiatives identified by the Washington, D.C.-based National Assn. of

Manufacturers. Previous examples have been in-house medical clinics (BI, March 5) and strategies utilized by small employers (BI, March 19).

Employers and unions working together on innovative health care strategies is vital in controlling health care inflation, experts say.

Health care costs at heavily unionized companies tend to be significantly higher than at non-union companies.

In 1989 medical indemnity plan costs at companies with more than half of their workforce in unions averaged \$3,205 per employee, 31.2% higher than the \$2,442 on average at companies with no unions, according to benefit consultant A. Foster Higgins & Co. Inc. (BI, Jan. 29).

This disparity is largely due to the generally richer benefit programs provided to unionized employees, Foster Higgins said in its report.

Efforts by Bell Atlantic and Ford are welcome news to other employers, whose attempts to reign in health care costs often are actively resisted

by unions.

A recent study by the Service Employees International Union found that health benefits were a major issue for 73% of all workers on strike in 1989.

"In addition to the human tragedy, the U.S. economy faces staggering losses," the SEIU said, noting that lost economic output attributable to "health benefit strikes" exceeded \$1 billion last year.

"As the '80s draw to a close, health care cost inflation is the No. 1 collective bargaining headache and the driving force at the picket lines," said the union.

Attempts by nearly all the regional phone companies—including Bell Atlantic—to shift health care costs to workers during negotiations last summer triggered a round of strikes by the CWA and the IBEW (BI, Aug. 14, 1989).

For example, Bell Atlantic locked horns with the CWA and the IBEW after it proposed a \$150 deductible for individual and family hospitaliza-

tion covered under its self-insured indemnity plan.

Union employees previously received first-dollar hospitalization benefits.

Ultimately, Bell Atlantic signed a three-year agreement in August saying it would establish managed care networks for each of its regions (BI, Aug. 21, 1989). Workers using the network would not pay a deductible for hospitalization, but would pay a \$10 copayment for physician office visits after which all expenses would be covered in full.

A \$250 per person deductible for non-network care, after which all costs will be covered, has been tentatively agreed upon.

With an agreement on a managed network in place, the union-management task forces are meeting to plan the network.

"There is a very positive attitude. We are not sitting across from one another on the table, but are going forward sitting together," said Donna Martin, Bell Atlantic director of ben-

efits planning in Arlington, Va.

"The company and unions are committed to together developing a managed care network rather than the company" developing it alone, said Judy Bryant, Bell Atlantic's director of employee relations.

"We are working very closely together," agreed Ms. Lephart of the CWA.

But the Bell Atlantic-CWA/IBEW managed care working committee has a lot of work ahead of it, company and union officials agree.

It must interview prospective managed care vendors, like insurance and HMO operators, and then analyze what ultimately will be a plethora of proposals.

Recommendations will be forwarded to a union-management steering committee. That group's recommendations, in turn, will be reviewed by Bell Atlantic.

Bell Atlantic's Ms. Bryant said dramatically rising health care costs have forced the company and unions have to work together.

After rising 23% from 1987 to 1988, Bell Atlantic's health care costs are projected to have risen 15% to 20% between 1988 and 1989. Total annual health care costs now exceed \$300 million.

"Health care is a joint problem. But it also is a joint opportunity" to work together, Ms. Bryant said.

At Ford, the company and the UAW agreed through collective bargaining on a series of initiatives since the mid-1980s to try to control health care costs.

They include:

- A preferred provider program for foot care, which reduced the volume of podiatry services for Ford's hourly employees in Southeast Michigan by 50% over 18 months between 1983 and 1985.

Podiatrists in the program agree to abide by protocols established by the National Foot Care Program of Southfield, Mich.

- PPOs for laboratory tests and vision care.

- A second surgical opinion program for 10 select procedures, including cataract removal and hysterectomies. A 20% coinsurance requirement is imposed on employees who do not obtain a second opinion.

- Precertification of elective hospital admissions. For example, in Michigan, Ford has contracted with Blue Cross/Blue Shield of Michigan to provide precertification review.

"The Blues have told us that the precertification program would save several million dollars annually," Mr. Dunn said.

At the same time, the UAW has been very helpful in encouraging members to consider enrolling in managed health care programs, such as HMOs, Mr. Dunn said.

About 30% of Ford's hourly union employees are enrolled in about 50 HMOs, up from 7% in 1984.

Mr. Pokorwinski of the UAW said his priority as a union leader is to assure high-quality care for members. "My first concern is that the quality of care is there. If there is a savings, that is a plus," he said.

Indeed, he describes certain cost control programs, such as mandatory second surgical opinions, as having a dual benefit.

"It holds down costs and assures my members whether or not they need an operation," Mr. Pokorwinski said.

Ford's Mr. Dunn acknowledges that total savings from cost management programs are small compared to the company's 1989 health care tab of \$1.1 billion, up about 10% from 1988.

But, he says, there has been some success in controlling costs and that has been the result of cooperation between Ford and the UAW.

Both parties recognize, though that there still is a long way to go before health care costs truly are under control, Mr. Dunn said.

"I hope the company and the union find the magic bullet" on controlling health care costs, Mr. Dunn said. ■

RIMS

1 9 9 0

RIMS PREVIEW

PUBLISHING: APRIL 23
AD CLOSING: APRIL 10

The perfect kick-off for this year's Risk & Insurance Management Society Conference in Boston is BI's 'Take-Out' section.

BI readers will find last minute details and updated program and speaker changes at RIMS '90; a floor plan and list of exhibitors; a map of Conference hotels; and transportation info; a Boston entertainment and restaurant guide, and weather watch from BI editors; and updates on conference and other hospitality functions.

Additional copies of our RIMS Preview 'Take-Out' section will be available at BI's booth #1023-1025. You get extra exposure at no extra cost.

CAPTIVES/ RISK MANAGER OF THE YEAR

PUBLISHING: APRIL 30
AD CLOSING: APRIL 17

BI will be at RIMS distributing extra copies of the Captives feature issue, announcing BI's 13th annual Risk Manager of the Year and the Risk Management Honor Roll. This issue also includes BI's exclusive annual Directory of Captive Managers. A special issue wrap-around will list advertisers, their page, and booth if at RIMS.

Direct your advertising to the executives who have the power to buy your products and services. The timing is perfect. Your advertising will keep your name in front of your customers and prospects whether they're at RIMS, or back at their offices.

RIMS REPORT: EMPLOYEE BENEFITS

PUBLISHING: MAY 7
AD CLOSING: APRIL 24

This follow-up report on new perspectives and insights presented at RIMS is an outstanding reinforcement for those who attended the employee benefits sessions. For those who did not, BI editors detail all the vital information covered at the conference. BI's RIMS Report on Employee Benefits is a well-read issue, giving advertisers direct access to the purchasing influentials actively seeking information on employee benefits.

RIMS REPORT: RISK MANAGEMENT

PUBLISHING: MAY 14
AD CLOSING: MAY 1

Business Insurance rounds up its coverage of the RIMS Conference with reports on the risk management sessions. Our editors will deliver an information-packed issue to over 155,000* readers. BI's final conference coverage of RIMS '90 gives you one more chance to emphasize, reinforce and direct your advertising message to the purchasing heavyweights who can make a difference on your bottom line.

*includes pass-along

Business Insurance
Published by Crain Communications Inc.

New York · 212/210-0228

Chicago · 312/649-5276

Los Angeles · 213/651-3710

Walbrook

Continued from page 1

cal malpractice and directors and officers liability insurance. Weavers is the major underwriter of these types of coverage in the London market, and specializes in "heavy" or tough-to-place accounts.

Together, Walbrook and Anglo American wrote an estimated \$700 million in gross premiums on the Weavers line slip in 1988.

Mr. Head said last week he is attempting to restore some form of line slip similar to the Weavers slip—which may include Weavers staff—and that could offer as much capacity as the current slip.

"I am looking for new capital," Mr. Head said last week, explaining that Anglo American, which wrote the other 45% of the Weavers slip, "doesn't have enough capital to write 100% of Weavers' business."

"Anglo American is endeavoring to increase capacity to take up the 55% of the Weavers stamp which Walbrook had and we have reached an understanding where Anglo will be actively involved in the management of (Weavers) at this stage," agreed Peter Wilson, chief executive of LUI.

Among the options that Mr. Head is investigating is to increase Anglo-American's own capital to allow it to write more business, or to find new partner insurance companies to join with Anglo American on a line slip.

In addition, Mr. Head has met with the major reinsurers of the Weavers line slip to rally for financial, technical and administrative support to set up a facility to handle the runoff of the LUI subsidiaries' business.

While Mr. Head would not identify the reinsurers with which he has met, Munich Reinsurance Co. is among Weavers' largest reinsurers.

"We need (the reinsurers') support for a facility to be built," said Mr. Head, which includes the preserving of Weavers' backroom operations. "We need to know who's going to open the envelopes and answer the phones into the next century."

A facility to handle the runoff of claims facing the Weavers slip is "a priority" for policyholders, said Philip Wroughton, chairman of C.T. Bowring & Co. Ltd. in London, a Marsh & McLennan Cos. Inc. unit. He denied reports that brokers were putting together a facility to handle the runoff.

Meanwhile, Anglo American Chairman and Chief Executive Officer John Cumming "is assisting in the day-to-day operations of Weavers," said Mr. Head.

Anglo American set up a subsidiary early last week to allow it to oversee Weavers' operations without formally assuming management and the legal liability of Weavers' and LUI's directors, Mr. Head said.

"The intention is to keep the (Weavers) staff together and to preserve the ability to underwrite and handle claims for our insurance principals," stated Roger Borley, managing director of Weavers. "We believe that Anglo is best placed to assist us and to offer a long-term solution."

Mr. Wilson pointed out that LUI has "various plans" to restore Walbrook's health, though he wouldn't comment on what those plans were. "We would hope...to get Walbrook back into business."

However, some observers doubted whether Walbrook would be able to resume underwriting.

"It seems to me in this business you can't close your doors and then open them up again. There was an awful lot of concern about security before (last week's) announcement. This is adding fuel to the fire," said Brian M. O'Hara, president of Bermuda-based X.L. Insurance Co. Ltd.

Mr. Head would not say whether Anglo American had stopped underwriting last week. However, he did say Anglo American has "slowed down" its underwriting for the moment "until the hurricane dies out" so that underwriters don't make mistakes in the heat of the moment. Because Anglo American is financially

strong, "we have the luxury of waiting," he said.

The frantic activity in London involving Walbrook and Weavers came to light Friday, March 23, when Marsh & McLennan Cos. Inc. instructed all M&M offices to stop placing business with the Weavers line slip immediately.

Bowring's Mr. Wroughton would not say how M&M knew of the troubles at Weavers the day before the LUI board was to meet and discuss Walbrook's future.

However, M&M has been tracking the health of the Weavers line slip since it questioned the strength of some of the slip's members two years ago, Mr. Wroughton confirmed.

On Saturday, March 24, LUI directors met to discuss the findings of a preliminary actuarial report as of year-end 1989 for all LUI subsidiaries that was prepared by the Tillinghast division of Towers, Perrin, Forster & Crosby Inc.

The British Department of Trade and Industry had ordered an actuarial report for year-end 1989 for all LUI subsidiaries after Tillinghast issued a report on Walbrook and its subsidiaries for year-end 1988, Mr. Wilson confirmed.

Last year, LUI had voluntarily asked Tillinghast to review the adequacy of the reserves of Walbrook and its subsidiaries Desert Insurance Co. Ltd. of Bermuda and El Paso Insurance Co. Ltd. The review followed questions by M&M in 1987 and by Alexander & Alexander Services Inc. early in 1989 about the security of various insurers formerly and currently on the Weavers slip.

Last year, Tillinghast endorsed Walbrook's 1988 reserves following some qualifications. Walbrook and its subsidiaries reported year-end 1988 reserves for outstanding claims of 231 million pounds (\$418.1 million at applicable exchange rates), a 57% increase from 147 million pounds (\$276 million) at year-end 1987 (BI, May 22, 1989; May 8, 1989).

Walbrook and its subsidiaries reported net earned premium volume rose 28.3% in 1988 to 93.3 million pounds (\$168.9 million). Walbrook has not yet released its 1989 results.

However, last year's Tillinghast report did not assess the adequacy of the reserves of insurers owned by LUI but not treated as subsidiaries of Walbrook.

These companies include Kingscroft Insurance Co. Ltd. (formerly Kraft Insurance Co. Ltd.), Lime Street Insurance Co. Ltd. (formerly Louisville Insurance Co. Ltd.) and Mutual Reinsurance Co. Ltd., all of which were bought by LUI in 1988.

These companies have written coverage as part of the Weavers line slip over the years, but were taken off the line slip in 1988.

LUI reported that loss reserves for all insurers owned by LUI totaled 485.9 million pounds (\$879.5 million) as of year-end 1988.

Sources in London say Tillinghast now may recommend that the reserves of Walbrook and its subsidiaries be increased by as much as 65% to 350 million pounds (\$564.9 million) as of year-end 1989. However, the increase in reserves reflects business written by Walbrook last year and does not represent a substantial deterioration in reserve adequacy, sources point out.

The sources also say that Tillinghast will recommend that the reserves of all LUI insurance subsidiaries be increased by 55% to 750 million pounds (\$1.2 billion).

Mr. Wilson will not comment on the new Tillinghast report or the reserve estimates.

However, he did say that the new Tillinghast report—the final draft of which is expected to be on LUI directors' desks this week—led the board on March 24 to halt Walbrook underwriting "until all is known."

"Over the weekend it became apparent that there would be a need to strengthen the reserves quite substantially of the companies that the London United Group took over a few years ago and which are now in

runoff," Mr. Wilson said.

"The actual degree of reserve strengthening is not finally known. All the indications which were available in the last week showed that (there might be) a possibility that those companies could be insolvent," Mr. Wilson added.

Until the full extent of reserve strengthening is known, Desert, El Paso, Kingscroft, Lime Street, Mutual Reinsurance and London United Reinsurance Co. (Bermuda) Ltd.—another LUI insurance unit that has been in runoff—have suspended the payment of claims until the final Tillinghast report is published.

"We hope to still keep (these companies) alive" to pay claims, said Mr. Wilson.

However, if the companies are declared insolvent, "it could be that Walbrook would have to post additional reserves for non-recoverable reinsurance because" the six other LUI insurance units have at one time reinsured Walbrook, said Mr. Wilson. "It would mean that Walbrook's additional reserves would cause a reduction in Walbrook's surplus."

LUI had intended to increase the capital and surplus of Walbrook and its subsidiaries to 70 million pounds (\$112 million) as of year-end 1989, Mr. Wilson said. Surplus was 66.4 million (\$120.2 million) at year-end 1988.

"But even if Walbrook had to put up reserves based on the figures so far produced, Walbrook would still have a surplus," said Mr. Wilson.

"The problems have arisen not because the reserves we reviewed last year (of Walbrook, El Paso and Desert) should be substantially different, but because of the reserve situation of the other companies," agreed Tillinghast Vp John Ryan in London.

In addition, "the gearing (of Walbrook) is very high so any change in (reserve) numbers is magnified compared to the size of Walbrook's capital," said Mr. Ryan.

Tillinghast was not asked in last year's report to comment on the size of Walbrook's capital in relation to its reserves, he said.

Following the LUI directors' meeting on March 24, the directors informed the Department of Trade & Industry that they had halted underwriting at Walbrook and that the other LUI insurers had stopped paying claims, said Mr. Wilson.

While a DTI spokeswoman says the department ordered LUI to take the drastic actions, Mr. Wilson adamantly insists the decision was made by the LUI board and subsequently endorsed by the DTI.

The DTI on Monday issued a statement that it had placed "a requirement on Walbrook...to cease taking on insurance business."

The DTI said that the latest Tillinghast report "exposed financial uncertainties...LUI has told the department that it is endeavoring to resolve these financial uncertainties as quickly as possible."

Also on Monday, LUI suspended the trading of its stock on the London Stock Exchange. The stock last traded at 30 pence per share, down from a high last year of 137 pence.

The troubles at Weavers do not directly impact Anglo American, Mr. Head emphasized.

London-based Anglo American has only been a member of the Weavers line slip since 1987 and has not been battered by poor results from the late 1970s and early 1980s like Walbrook and other members of the slip.

To beef up security, Anglo American earlier this year purchased two additional reinsurance contracts that strengthened the reinsurance coverage it has as a member of the Weavers slip, Mr. Head has said.

One of the reinsurance contracts, written by Centre Reinsurance (Bermuda) Ltd., offers significant protection in excess of Anglo American's existing insurance reserves as of Dec. 31, 1989. The other contract covers portions of layers of reinsurance for the Weavers slip that Anglo American had self-insured. This "holes program" is placed with Zurich In-

No fallout expected, IIE syndicates say

CHICAGO—Two Illinois Insurance Exchange syndicates owned by London United Investments P.L.C. are well-insulated from problems at LUI's Walbrook Insurance Co. subsidiary, syndicate and IIE officials say.

"We are an independent organization from London," stressed Richard Foss, president of LUI Management Inc. in Chicago, which manages LUI Insurance Syndicate Inc. and LUI Insurance Syndicate Number Two Inc. on the Illinois exchange. LUI in London is the syndicates' ultimate parent.

Problems in London have had "no effect" on the syndicates, he said. "We have our own sources" of funding and are "fully solvent."

Exchange officials agreed.

"We are confident the syndicates are insulated from the problems of their parents," said IIE President and Chief Executive Officer James M. Skelton.

While the LUI syndicates ceded about \$3.27 million in reinsurance to Walbrook in 1989, the syndicates either hold letters of credit—which are automatically renewable and irrevocable—or have withheld funds for the full amount ceded, syndicate and exchange officials noted.

In addition, the IIE's guaranty fund would provide policyholders with up to \$15 million if the LUI syndicates are unable to pay claims, he said.

Mr. Foss said his syndicates have not yet decided whether they will continue to cede business to Walbrook. But, the syndicates have ceded only 38 policies to Walbrook in the last two to three months, he said. "About 60% of our business is written on a net basis," he said.

The LUI syndicates split their books of business almost equally between professional liability business and a range of excess liability coverages.

Mr. Foss said he has lost one client but gained one since the news of Walbrook's underwriting suspension broke early last week.

"People who know us—and know what we are—are not costing us business," he said.

"There is an obvious concern in the brokerage community," said the IIE's Mr. Skelton. "But we can allay their fear because the LUI syndicates are insulated from their parents."

"People may get nervous and move their business, but if they take the time to look at the relationship, they would be less concerned," said Hank Mueller, president of the Illinois Insurance Exchange Broker's Assn. and a broker with Travis-Pedersen & Associates in Chicago.

"We have not had a single request to move business," said Alison J. Renner, president of A.J. Renner & Associates Inc. in Chicago, the exchange's largest brokerage.

—Ey Meg Fletcher and Stacy Adler

ternational Ltd. (BI, March 12).

Anglo American in London is not related to insolvent Anglo-American Insurance Co. of Louisiana.

Many brokers in London are hoping that Anglo American salvages some type of U.S. casualty line slip.

"A phoenix is about to rise from the ashes," one broker said.

Others are more cautious.

"It boggles the mind that people would want to support an outfit that has taken over the runoff of a company—which may end up not paying claims in full—and continue to un-

derwrite," said a London underwriter. However, "if they provide needed capacity I reckon the brokers will go for it."

But "they would want to be back in business with very well-regarded underwriters—which would mean changes in some of the Weavers team—and back in business within a month," the underwriter said.

"From what I hear in the U.S., people are going to be very reluctant to use Weavers again," noted Chris Pountain, a stock analyst with Morgan Stanley in London.

Legal fees

Continued from page 2

Insurers seldom contest the work of policyholder lawyers out of fear the policyholder will file a bad-faith lawsuit against the insurer, sources said.

"By filing this RICO action, Fireman's Fund is making a statement that we will not be cowed by threat of legal reprisal," Mr. Black said.

"We feel responsible for fighting fraud on behalf of our customers and consumers in general, particularly when it is as blatant and costly as this," said Dan Kummer, an Allstate vp.

Operation of the alleged Alliance was facilitated, in part, by a unique California law that allows policyholders to pick their own counsel, known as Cumis counsel, rather than using insurer-appointed attorneys as is customary, insurers charge.

In a 1984 case—*San Diego Navy Federal Credit Union vs. Cumis Insurance Society Inc.*—a California appellate court found that when an insurer defends a policyholder with a reservation of rights, an insurer-appointed attorney could have a conflict of interest. The attorney works for the insurer that is

contesting coverage but represents the policyholder seeking the coverage, the court explained.

The so-called Alliance allegedly took advantage of this ruling and used network attorneys to represent both sides in disputes. Alliance attorneys would even pay policyholders to be clients, the suit alleges.

"By controlling the plaintiffs' attorneys, the Alliance could be assured that the infiltrated lawsuits would be conducted in such a manner as to allow the Cumis attorneys to maximize their fraudulent billings to the insurance companies," the complaint alleges.

"Once the Alliance had infiltrated both sides of the lawsuit, the Alliance manipulated and prolonged the lawsuit in order to maximize the fraudulent billings by Cumis counsel to the insurance companies," the complaint alleges.

Six defendants already have pleaded guilty to one or more counts of mail fraud in related criminal actions. Two other attorneys allegedly involved in the Alliance have been indicted for committing perjury before a federal grand jury investigating fraudulent litigation.

Market reaction

Continued from page 1

And observers say a lot of Weavers' business already has been shifted to other markets amid questions about the slip's security.

"We don't have one line here with Weavers because about a year ago we figured, 'Where there's smoke, there's fire,'" said Andrew H. Marks, president and chief executive officer of broker MLW Services Inc. in New York.

Brokers questioning Weavers' security "caused a lot of business to move," said an insurance company official.

After Marsh & McLennan Cos. Inc. raised concerns in late 1987 about the discounting of loss reserves by five of the then-eight participants on the Weavers slip (*BI*, Jan. 11, 1988), the slip was restructured.

Last week M&M confirmed that on March 23 it directed its offices worldwide to cease placing "new business, renewals, anniversaries of long-term policies and any other transactions bearing additional premiums" through Weavers.

M&M's "account to Weavers is less now than before," said Philip Wroughton, chairman of M&M subsidiary C.T. Bowring & Co. Ltd. in London.

Meanwhile, M&M and Bowring are looking for alternative markets, including Lloyd's syndicates.

In an April 1989 letter, Alexander & Alexander Services Inc. questioned whether Walbrook could meet future obligations (*BI*, April 24, 1989).

Business Insurance learned that within the last month, after reviewing Weavers' 1988 financial results, A&A sent clients a second letter about Weavers, though details were unavailable.

"As you know, A&A has been monitoring the Weavers slip for several years. We have also endeavored to keep our clients informed," Tinsley H. Irvin, A&A chairman and chief executive officer, told *Business Insurance*.

"Our task in recent days has been to assist clients who request immediate marketing efforts to develop alternative coverage. We are working with them on an individual basis to develop options which are best suited to their particular needs," he said.

Other U.S. brokers, upon hearing the Walbrook news, immediately notified their offices to seek alternative markets for clients insured under the Weavers slip.

"The immediate problem we have is with business that has been quoted as new or renewal for April 1. Since Walbrook is not writing any business, we have asked our offices to seek alternatives," said Richard E. Meyer, executive vp of Johnson & Higgins in New York.

"There are a number of other underwriters who are anxious to come in and help, on their own terms and conditions," Mr. Meyer said. "Domestic underwriters are more prepared to go at this point."

Many policyholders recently have left Weavers, which writes only on its own claims-made form, for insurers which were willing to write coverage on an occurrence basis, he said.

"We will certainly offer to find our clients alternatives upfront, even if we renewed their account two months ago," said Bill G. Jensen, corporate vp of Arthur J. Gallagher & Co. in Rolling Meadows, Ill. Gallagher has placed "very little business" with Weavers, he said.

"Business we have placed with them would easily be transferred to other markets because the bulk of it is not high-risk business," said Donald R. Weber, chairman and chief executive officer of Financial Guardian Group Inc. in Kansas City, Mo.

"We're obviously scrambling to find alternative markets" for coverage that is about to renew with Weavers, said Randall Goss, president of U.S. Risk Insurance Agency Inc. in Dallas.

But such markets may not exist for some Weavers' policyholders with

hard-to-place risks, said Renwick Severance, vp-special services for Republic Hogg Robinson Inc. in Boston.

RHR's next step for clients will "depend on the kind of business they are in and whether or not the coverage is replaceable," he added.

Some brokers say they have taken no direct action.

"We have not done anything with our clients yet. We believe it is best to wait a few days until the facts are clear before we take any actions," said W. Marston Becker, president of McDonough Caperton Insurance Group in Charleston, W.Va.

"We have been in touch with most of our clients who are insured by Weavers. We're not sure if we should try to move the business now or wait until it renews," said Bruce C. Dunbar, chairman, chief executive officer and president of broker McGriff, Seibels & Williams Inc. in Birmingham, Ala.

Wholesale brokerage Thomas F. Sheehan Inc. of Schaumburg, Ill., would only market Weavers coverage to other insurers if policyholders specifically requested a change, said President Thomas F. Sheehan. None had as of midweek, he said.

Several major U.S. insurers say they are willing to write coverage that has been placed with Weavers.

American International Group Inc. "will see business" due to the developments at Weavers, said AIG Vice Chairman Thomas R. Tizzio.

He would not predict how much Weavers' business AIG may end up writing or how rates and terms would change for policyholders moving to AIG.

Rates and conditions will be set risk-by-risk and AIG will do basically the same types of excess casualty and professional liability business it already writes, he said.

Weavers' gross premium volume of about \$700 million in 1988 "maybe ought to be worth \$1 billion or more," said Mr. Tizzio.

Though the market has enough capacity to absorb Weavers' business, "it won't be easy because it's very difficult business," he said.

"We're not drooling, hoping Weavers will be out of business," said Dennis A. Busti, president and chief executive officer of Reliance National Insurance Co. in New York. But "we are prepared to step in and write that business."

Reliance National—a Reliance Group Holdings Inc. unit—and Weavers have similar specialties, including excess liability and directors and officers liability insurance. "To the extent that Weavers cannot underwrite that business, we would definitely be there to help fill that void," said Mr. Busti.

The recently announced sale of its General Casualty Cos. unit to Winterthur Swiss Insurance Co. for \$630 million (*BI*, March 19) will give Reliance "more than enough capital to write the business," Mr. Busti added.

Berkshire Hathaway Inc. also is "certainly a potential market for that business," said Vp Michael A. Goldberg.

Some brokers had already approached Omaha, Neb.-based Berkshire about assuming business underwritten by Weavers that renews on April 1. "We are a market today and have been a market for the last three or four years for excess and umbrella business for Fortune 1,000 companies," he said.

Because Berkshire had not priced aggressively—in one case Weavers wrote coverage for 50% less than Berkshire had quoted—its book of excess liability and D&O risks shrunk over the past two years, Mr. Goldberg said.

The St. Paul Cos. Inc., which is "accepting new business," has some expertise in medical liability, excess liability, construction and electronics and other lines Weavers writes in the United States, said a spokeswoman.

The St. Paul, Minn.-based insurer would apply its normal underwriting guidelines, she said.

A spokesman for Chicago-based

CNA Financial Corp. said: "We would be a market for those insureds, but we would adhere to our underwriting standards."

Zurich-American Insurance Group is also "willing to look at the Weavers business and is actively exploring possible opportunities," a spokeswoman said.

Meanwhile, many London brokers were confident that the London market itself could replace any lost capacity.

"We've been speaking to alternative markets and we are confident that (underwriters) see an opportunity and will come forward with new capacity," added Ray Cox, assistant general manager at Lloyd's broker Willis Faber & Dumas Ltd.

Some of the business on the Weavers slip can be written by other underwriters, but "the terms at which it was written (by Weavers) may have to be modified," said Victor Blake, chairman of CNA Reinsurance of London Ltd.

"While Weavers has the profile of being the casualty leader, there are a number of other companies who write support lines to Weavers for traditional heavy U.S. casualty business," said Ken Carter, chairman of broker Lloyd Thompson Ltd.

However, placing U.S. casualty business will become more difficult for brokers, who already are scurrying to replace coverage written by Weavers in midterm, and to find alternative markets for April and July renewals, underwriters note.

Weavers has the reputation as a

'We're not drooling, hoping Weavers will be out of business,' says Dennis A. Busti, president and chief executive officer of Reliance National Insurance Co. in New York. But 'we are prepared to step in and write that business.'

market for U.S. casualty business that supplied ample capacity at very competitive rates with policies written on a claims-made form that is broader than the forms Lloyd's syndicates and other London underwriters use.

"I would have thought there will be sufficient capacity in London for the business, if written at the right rates, but it will take longer for brokers to go around and get it," said Eugenio Rebizzo, an underwriter in the London office of Italian insurer Assicurazioni Generali S.p.A.

Whereas brokers previously would be able to place 60% to 100% of an account with Weavers, other underwriters "who don't want to get their fingers burned" are unlikely to write such large lines, said Mr. Rebizzo.

Generali, which often followed Weavers on U.S. casualty risks "when the conditions were right," will continue to write the business, he said. "We might try to increase our business if the terms are more interesting," though Generali does not plan to write "huge amounts" of U.S. casualty coverage, he said.

Several London underwriters already offer added capacity.

In particular, several underwriters with Lloyd's syndicates managed by Merrett Holdings P.L.C. units are trying to help fill the void. All were once assistants to retired underwriter Robin Jackson, whose syndicate vied with Weavers as the No. 1 U.S. casualty underwriter in London until the hard market of the mid-1980s.

The underwriters are:

- Lloyd's non-marine underwriter John Fenn of syndicate 1038, managed by Pulbrook Underwriting Management Ltd., a Merrett subsidiary. Mr. Fenn said last week that he agreed to lead two excess liability line slips placed by Lloyd's broker Gibbs Hartley Cooper Ltd. that would be open to all Lloyd's brokers.

The first will write \$5 million in coverage excess of \$5 million, while the second will write \$15 million excess of \$10 million.

Coverage will be written on a more restrictive claims-made form than Weavers' form and will require a higher attachment point, said Mr. Fenn. Weavers' coverage generally attached above \$2 million.

"I was asked by some underwriters to kick off a line slip this week. I hope the market will support it," Mr. Fenn said. The slip was not completed as of Thursday.

- Lloyd's non-marine underwriter Stephen Burnhope of syndicate 1067 managed by Merrett Underwriting Agency Management Ltd., who will provide up to \$10 million in E&O coverage for mid-sized U.S. legal, accounting, publishing and other professional firms. The slip is being put together in the London market by Lloyd's broker Leslie & Godwin Management Services Ltd.

Syndicate 1067 plans to write 15% of the slip, which is being supported by other Lloyd's syndicates, said Mark Coupland, professional liability underwriter for the syndicate.

Risks will be written on a new claims-made form prepared especially for the slip, he said.

Though the program was being put together before last week's developments, the announcement of its formation was moved up and finishing the slip "has a greater degree of urgency" because of the Walbrook situation, he said.

- Lloyd's non-marine underwriter Richard Lawrence of syndicate 1068, managed by MUAM, who said last week he had "already quoted business...for renewals and at midterm."

One of the syndicate's specialties is D&O coverage for U.S. companies, which Weavers has traditionally led in the London market.

"Weavers is being replaced" on D&O business, Mr. Lawrence said, though he added it would be difficult for his syndicate to pick up Weavers' entire 25 million pounds of D&O premium volume.

Other London insurers also are willing to write business now written by Weavers—for a price.

For Lexington Insurance Co. Ltd., an AIG unit, "capacity is not a problem. Once there is discipline (in the market) we would be willing to play more and play harder," said an AIG spokesman in London.

Meanwhile, some brokers and underwriters contend that, if needed, there will be insufficient capacity in London to replace Weavers' slip.

"I think there will be people prepared to come in and write professional indemnity business. I don't think the same can be said of large corporate casualty business," said Chris Burbidge, non-marine director of Terra Nova Insurance Co. Ltd.

"Brokers will want to find underwriters who will write similar chunks of business and you don't fill holes that quickly," he said.

"It's difficult to see whether the regular market will step in to fill the capacity," said Brian O'Hara, president and chief operating officer of X.L. Insurance Co. Ltd. in Bermuda, a policyholder-owned facility that writes \$75 million in liability coverage excess of \$25 million, as well as excess E&O and D&O coverage.

About 15% to 20% of X.L. policyholders' underlying coverage is underwritten on the Weavers slip, particularly "difficult risks such as pharmaceutical, chemical and heavy manufacturing operations," he said. "However, we have seen an evolution away from Weavers in recent years."

Mr. O'Hara did not rule out the possibility X.L. would lower its attachment point below \$25 million "if

that is what shareholders ask for."

The Weavers situation will presumably be discussed at a regular shareholders' meeting scheduled for Friday, said Mr. O'Hara.

Despite insurers' willingness to look at the Weavers business, some brokers speculate that if Weavers permanently discontinued underwriting it could contribute to a hardening of the U.S. casualty marketplace.

FG's Mr. Weber said underwriters could be affected psychologically, creating an attitude "that they might need to take a tougher look at underwriting before more problems occur."

Some Weavers policyholders will have reasonable alternatives and others may face "extremely high prices," said another brokerage executive. "It's a tricky situation."

Prices tend to be highest during busy market periods, and the rush of business that would follow Weavers' closing could shore up pricing, Mr. Palmieri explained. "The collapse of a market like Weavers could create that kind of effect, and certainly that would be good for pricing," he said.

"Anybody that gets into a problem (like this) helps the market to tighten," said the AIG spokesman in London.

Others disagree.

A market turn is "wishful thinking...I would like to think so, but I don't believe it," said John Rogers, chief financial officer at Willis Faber Holdings Inc. in Grand Rapids, Mich.

Some brokers said the London market's image would be tarnished if Walbrook does not resume underwriting.

"Because of some of the problems that London has had in the past few years, if Weavers does not pay claims, I do not think it will help London's image," FG's Mr. Weber speculated.

Brokers have historically had a "feeling of comfort" when dealing with British insurers, but the Walbrook suspension illustrates that those insurers should be evaluated individually, said Mr. Weber.

"Insureds who have been dealing in the London market for years distinguish Walbrook from Lloyd's syndicates," said J&H's Mr. Meyer. But, "among the general public, the perception is that they are the same and, therefore, it will have an impact on the London market's image."

"While this is obviously a major situation and doesn't do the London market's reputation any favors, brokers and underwriters will find a way around the crisis," said Mr. Carter of Lloyd Thompson.

Meanwhile, underwriters and brokers point out that at least the timing of Walbrook's underwriting suspension favors policyholders.

Many London underwriters who stopped writing U.S. casualty business in the mid-1980s subsequently shifted to property catastrophe coverage, only to be clobbered by catastrophes like the explosion of the Piper Alpha drilling rig, Hurricane Hugo, the California earthquake and European windstorms.

Many London underwriters have been assessing whether to again write U.S. casualty business, brokers say.

"There has been some criticism of London for writing too much property catastrophe business. This is an opportunity for underwriters to write more casualty business at their own terms," said Callum Stewart, chairman of broker C.E. Heath (North American) Holdings Ltd.

"People's appetites have changed. Underwriters concentrating on property in recent years have been burnt. Underwriters will pick up and sift through the (Weavers) business and select what they want to write," CNA Re's Mr. Blake said.

This story was reported by Agent/Broker Editor Linda J. Collins, Associate Editor Laura Mazzuca and New York Bureau Chief Douglas McLeod in the United States and Associate Editor Carolyn Aldred and International Editor Stacy Shapiro in London.

Buyers' response

Continued from page 1

announced last Monday that Walbrook, which wrote 55% of the Weavers slip, had suspended underwriting and that six LUI subsidiaries have suspended claims payments pending completion of an actuarial report on the LUI subsidiaries' reserves.

Throughout the week, many risk managers were searching—but calmly—for replacement markets.

"So far, we don't view it as a disaster," said Daniel Creasey, president of the Risk Management Foundation of the Harvard Medical Institution in Cambridge, Mass. Mr. Creasey helped create Controlled Risk Insurance Co., the Cayman-based captive that writes professional liability insurance for medical facilities, including Harvard's.

"Prospects are quite good" for replacing the per-occurrence limits of \$5 million, with a \$10 million annual aggregate, in excess coverage Weavers wrote for the captive above its \$2.5 million per-occurrence retention, he said.

Another insurer, which Mr. Creasey would not name, quoted the captive coverage on Monday, offering more capacity but at a higher price, he said.

Mr. Creasey said his chief concern is "retrospective—for the last three or four years. We've paid our premiums and would like to have coverage." He said "one or two" open claims against the captive could pierce the Weavers layer, though he thought it unlikely.

Some policyholders already replaced their coverage last week.

For example, the Los Angeles County Bar Assn. moved the professional liability coverage available to bar members through its association program to Chicago-based Dearborn Insurance Co., a subsidiary of Aon Corp., said Richard Walch, executive director.

Mr. Walch said Weavers wrote around \$2 million in coverage with an annual aggregate of \$4 million for the association program.

Meanwhile, many parents of captives that purchase excess coverage from Weavers do not happily retain more risk if Weavers does not resume underwriting, observers said.

If Weavers does not resume underwriting, it would "strengthen the alternative market," said Linda Nabors, risk manager of Dallas-based Dresser Industries Inc. and the new president of the Captive Insurance Companies Assn.

D. Hugh Rosenbaum, a principal with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. in Stamford, Conn., agreed.

Mr. Rosenbaum asserted that large captives should be retaining up to \$25 million but that "they have been prevented from doing that because of the obduracy of Weavers' underwriters

saying, 'OK, you can push it up further if you want, but we're not changing our price.' So they've been stuck with it."

Weavers' point of view has been that "if you were going to get hit above that retention, you were going to get hit all the way up to a zillion dollars and they'd have to pay," he explained.

Some risk managers were waiting for more definitive information about the future of the Weavers line slip before looking for replacement coverage.

"It would be precipitous to do anything" now, said Mark F. Wilson, corporate risk manager of First Mississippi Corp. in Jackson, Miss.

"Certainly we're concerned," he said. "This type of press about any of our insurers is a cause for concern. But it doesn't mean anything is wrong that won't be corrected in the future."

Weavers writes liability coverage for First Mississippi excess of a \$5 million excess layer written by PRIMEX Ltd., an offshore insurer the chemical manufacturer helped form. PRIMEX writes \$5 million of excess coverage above \$1 million. Weavers has offered \$20 million in excess coverage above the \$5 million PRIMEX layer (BI, June 27, 1988).

Thomas Jefferson University in Philadelphia plans "to go slow and evaluate the situation carefully, because it's changing daily," said M. Michael Zuckerman, director of risk management and insurance.

However, if covers from Weavers is no longer available, "we're confident our brokers will be able to present meaningful alternatives," he said.

"Weavers is not the only market for us—it's the most cost-efficient. I believe in long-term relationships, and I think Weavers has been a fair long-term market."

Other risk managers concurred, despite questions raised by brokers Alexander & Alexander Inc. and Marsh & McLennan Cos. Inc. since late 1987 about Weavers' ability to pay future claims (BI, April 24, 1989; Jan. 11, 1988).

The questions raised in A&A's letter last year to former, current and potential Weavers clients about Weavers' financial stability may have caused some policyholders to find coverage elsewhere, "but I'm aware of no one personally that did change (insurers) as a direct result," said Ken Hoffman, director of risk management at the University of Pennsylvania in Philadelphia.

One reason many buyers stayed with Weavers at their last renewal was "because there were signs that Weavers was taking corrective action. They were strengthening their line slip, and their reputation as a good underwriter" remained intact, Mr. Zuckerman said.

Some observers also pointed out that Weavers cannot be counted out yet.

For example, there is the possibility that the

slip will be realigned and writing again soon, said Mr. Creasey.

The blow to Weavers' credibility could be substantial even if the slip is revived, but "I suppose if there's enough capital behind it, it will be like everything else and just move right along," he added.

But, if Weavers does not resume underwriting, some insurance buyers will have a rough time finding a replacement market, observers predicted.

Chemical companies in particular could be hurt by the loss of Weavers as a market for liability coverage, said Stephen Scammell, director of risk management at GAF Corp. in Wayne, N.J.

"There's a very limited number of players in the marketplace, and Weavers was one," he said.

U.S. pharmaceutical companies also would have problems finding coverage, said Douglas S. Williams, associate director-corporate insurance at Boehringer Ingelheim Corp. of Ridgefield, Conn.

Weavers has been especially valuable to pharmaceutical companies because other insurers would consistently follow the coverage written by the slip, he said. "They always provided a lead for us that others would follow," Mr. Williams said.

Until December 1988, Weavers led two \$10 million layers of excess product liability coverage above \$20 million for Boehringer Ingelheim, Mr. Williams said.

But, the company was one of those that left Weavers when its financial security was questioned, "coupled with the fact that they were taking a hard position on pricing," he said.

The company now has \$20 million of product liability insurance excess of \$20 million with Boston-based Lexington Insurance Co., a unit of American International Group Inc.

Other insurance buyers predicted that the situation could trigger a hardening of the U.S. casualty market.

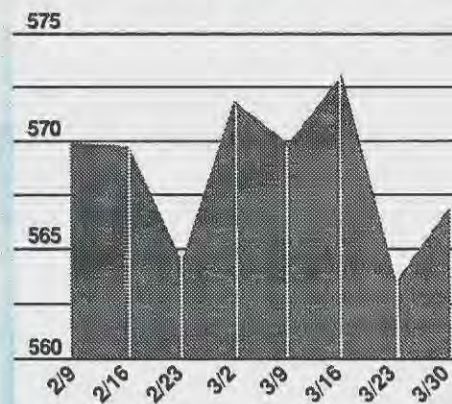
"I think it will allow the underwriters here to increase their prices. They'll see it as an opportunity to pick up business," said Lorrie Neiburg, manager of insurance programs at Franciscan Health System in Aston, Pa.

"I think a lot of domestic insurers may have felt for a long time that London charged too little. They may have an 'I told you so' attitude, she said.

But, Mr. Hoffman of the University of Pennsylvania said "it is too early to tell" whether Weavers' troubles will result in the hardening of the casualty insurance market.

Also contributing to this report were Associate Editors Christine Woolsey in Chicago and Louise Kertesz in Los Angeles.

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks turned upward last week, as the Business Insurance Index rose 3.3 points to 566.8 on March 30, from 563.5 on March 26. Advancing issues were led by Nobel Insurance Ltd., up 26.3%; American General Corp., up 22.1%; and Statesman Group Inc., up 17.7%. Declining issues followed Tokio Marine & Fire Insurance Ltd., down 14.0%; Lawrence Insurance Group, up 12.3%; and Fremont General Corp., down 8.2%. The most active issue during the week was American General, 8.4 million shares traded. The BI Index gained 0.6% for the period; the Standard & Poor's 500 was up 0.81%; the New York Stock Exchange Composite was up 0.75%; and the Dow Jones 30 Industrials were up 0.1%.

British Issues

March 29 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
					High	Low
Comm Union	461	21.3	28.7	6.2	473	461
Genl Accident	1076	16.5	66.7	6.2	1078	1061
Royal Exch	225	19.8	15.3	6.8	226	225
Royal	481	25.9	34.0	7.1	485	481
Sun Alliance	294	10.8	17.0	5.8	294	291
Brokers						
Bradstock	252	17.7	10.0	4.0	252	252
CE Heath	527	14.8	34.5	6.6	531	527
Hogg Group	149	9.8	9.7	6.5	152	149
Lloyd Thompson	279	17.4	9.7	3.5	279	269
PWS Holdings	58	9.1	3.3	5.7	58	58
Sedgwick Grp	245	18.4	16.0	6.5	252	245
Steel Brl Jones	287	17.5	14.7	5.1	290	284
Willis Faber	257	16.2	16.0	6.2	257	251

Source: Philip Olsen/Paul Hodges, Insurance Industry Specialists Kitcat & Ailken Stockbrokers, London

BI Industry Stock Report

MARCH 26, 1990 THROUGH MARCH 30, 1990

	Price	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value																											
		% change	% change	% change	% change	High	Low								High	Low	High	Low																																			
BROKERS																																																					
Alexander & Alexander	NYS	26.75	3.38	-15.08	34.00	24.00	261	1.00	3.74	18	9.18	2.91	2.91	8.00	-12.33	12.28	9.13	6.50	16	0.36	4.50	15	3.29	2.43																													
Corroon & Black	NYS	32.00	-1.54	-16.34	41.00	32.00	211	1.36	4.25	15	12.73	2.51	2.51	55.50	3.98	-9.02	62.88	46.75	130	2.60	4.68	9	49.19	1.13																													
Gallagher Arthur J & Co	NYS	23.25	-4.12	-6.06	26.50	17.75	54	0.60	2.58	16	5.33	4.36	4.36	33.75	4.65	-6.90	41.00	23.88	243	0.20	0.59	14	22.81	1.48																													
Frank B Hall	NYS	4.00	0.00	33.33	4.50	2.50	193	0.00	0.00	-2	-2.80	-1.43	-1.43	30.50	0.00	10.91	31.50	21.75	5	0.00	0.00	11	15.22	2.00																													
Hilt, Rogal & Hamilton	OTC	15.00	-1.64	-19.46	20.63	11.25	22	0.28	1.87	20	4.60	3.26	3.26	3.00	26.32	50.00	3.00	1.50	45	0.00	0.00	-	7.76	0.39																													
Marsh & McLennan	NYS	71.38	4.01	-8.49	89.75	59.25	600	2.48	3.47	17	10.56	6.76	6.76	30.38	4.29	-23.10	44.13	26.50	1195	1.20	3.95	6	37.50	0.81																													
Poe & Associates	OTC	13.00	0.00	-1.89	13.00	8.00	3	0.40	3.08	16	1.89	6.88	6.88	45.50	-3.70	-4.71	52.50	34.75	274	2.32	5.10	10	33.30	1.37																													
BROKERS AVERAGE																																																					
AVERAGE																													0.0	-4.9						2.7	14																
CONGLOMERATES & HOLDING COMPANIES																																																					
Berkley WR Corp	OTC	37.75	2.03	-9.31	46.50	29.25	90	0.44	1.17	8	25.06	1.51	1.51	13.00	4.00	-10.34	15.25	9.75	13	0.00	0.00	11	12.60	1.03																													
Berkshire Hathaway Inc.	NYS	6725.00	-5.28	-22.03	8900.00	4625.00	3	0.00	0.00	26	2869.00	2.34	2.34	10.00	2.56	12.68	10.38	6.88	10	0.40	4.00	7	10.71	0.93																													
ITT (Harford Group)	NYS	53.50	2.39	-10.65	64.50	51.88	1094	1.60	2.99	8	53.33	0.94	0.94	59.25	-2.47	-1.25	63.50	47.50	1811	2.40	4.05	7	43.47	1.36																													
Sears (Allstate)	NYS	39.25	2.28	1.29	48.13	36.50	2939	2.00	5.10	9	37.75	1.04	1.04	36.75	1.73	-7.55	42.38	25.63	557	1.20	3.27	8	24.87	1.48																													
CONGLOMERATES AVERAGE																																																					
AVERAGE																													0.4	-10.2						2.3	13																
INSURERS/REINSURERS																																																					
Aetna Life & Casualty	NYS	49.88	2.84	-14.01	62.50	48.38	709	2.76	5.53	9	58.11	0.86	0.86	46.63	-1.84	9.71	48.00	32.50	43	0.92	1.97	18	31.82	1.47																													
Ambar Corp	NYS	7.13	0.00	-43.56	16.38	5.75	912	0.20	2.81	3	29.08	0.25	0.25	55.50	3.98	-9.02	62.88	46.75	130	2.60	4.68	9	49.19	1.13																													
American General	NYS	38.63	22.13	17.94	40.25	28.13	8402	1.56	4.04	12	34.68	1.11	1.11	33.75	4.65	-6.90	41.00	23.88	243	0.20	0.59	14	22.81	1.48																													
American Heritage	NYS	22.88	0.00	-19.74	24.63	19.50	2	0.92	4.02	12	22.60	1.01	1.01	30.50	0.00	10.91	31.50	21.75	5	0.00	0.00	11	15.22	2.00																													
American Indemnity/Finl	OTC	6.25	-7.41	-21.88	13.00	6.25	33	0.56	8.96	-2	17.38	0.36	0.36	3.00	26.32	50.00	3.00	1.50	45	0.00	0.00	-	7.76	0.39																													
American International	NYS	93.00	-0.27	-11.85	112.00	78.25	1618	0.48	0.52	11	41.92	2.22	2.22	30.38	4.29	-23.10	44.13	26.50	1195	1.20	3.95	6	37.50	0.81																													
Aon Corp	NYS	37.50	6.38	-11.50	43.25	29.75	279	1.52	4.05	11	19.62	1.91	1.91	45.50	-3.70	-4.71	52.50	34.75	274	2.32	5.10	10	33.30	1.37																													
Argonaut Group	OTC	70.50	0.71	2.36	71.50	52.25	9	1.60	2.27	9	36.83	1.91	1.91	13.00	4.00	-10.34	15.25	9.75	13	0.00	0.00	11	12.60	1.03																													
AVEMCO Corp	NYS	23.88	0.00	-2.05	27.50	20.38	4	0.40	1.68	16	9.52	2.51	2.51	10.00	2.56	12.68	10.38	6.88	10	0.40	4.00	7	10.71	0.93																													
Baldwin & Lyons Inc.	OTC	20.75	1.22	-3.49	24.00	15.88	5	0.28	1.35	7	20.80	1.00	1.00	59.25	-2.47	-1.25	63.50	47.50	1811	2.40	4.05	7	43.47	1.36																													
Belvedere Corp	ASE	4.50	-2.70	-18.18	6.38	4.25	5	0.04	0.89	-6	8.03	0.56	0.56	36.75	1.73	-7.55	42.38	25.63	557	1.20	3.27	8	24.87	1.48																													
Chandler Insurance	OTC	9.25	-2.63	-21.28	13.25	7.00	230	0.00	0.00	5	5.53	0.97	0.97	11.75	2.17	-17.54	14.50	8.25	82	0.20	1.70	15	10.61	1.11																													
Chubb Corp	NYS	93.63	-4.59	-2.35	102.75	64.00	1045	2.64	2.82	10	55.49	1.69	1.69	10.50	2.44	-3.45	13.63	8.75	64	0.80	7.62	-2	13.75	0.76																													
CIGNA Corp.	NYS	50.63	1.76	-15.98	66.75	45.25	568	3.04	6.00	11	66.64	0.76	0.76	17.25	-4.17	-9.80	20.25	15.50	129	0.96	5.57	6	15.72	1.10																													
CNA Financial Corp	NYS	74.88	2.39	-25.13	108.75	60.75	171	0.00	0.00	8	54.87	1.36	1.36	2.50	17.65	-9.09	3.63	1.88	82	0.16	6.40	7	4.19	0.60																													
Continental Corp	NYS	30.38	2.10	-3.19	38.63	25.75	473	2.60	8.56	11	41.36	0.73	0.73	17.25	-4.17	-9.80	20.25	15.50	129	0.96	5.57	6	15.72	1.10																													
Durham Corp	OTC	30.13	-2.82	-2.03	34.75	29.00	6	0.92	3.05	15	26.32	1.14	1.14	17.25	-4.17	-9.80	20.25	15.50	129	0.96	5.57	6	15.72	1.10																													
Fremont's Fund	NYS	32.13	1.98	-8.87	40.75	30.00	278	0.68	2.12	47	32.74	0.98																																									

Who Covers Business Insurance From A to Z?



Zurich-American. We cover business after business. Inside and out. Front to back. Start to finish. In short, we make it our business to know yours.

It's a special approach. One that enables us to provide creative solutions to your insurance needs. And to follow through with truly helpful, dependable service.

What's more, as part of the worldwide Zurich Insurance Group, with offices and experience in over 70 countries, we have the capacity to make a world of difference for you at home or abroad.

So make sure you're covered from A-Z. Just ask about Z-A. Zurich-American.

 **ZURICH-AMERICAN
INSURANCE GROUP**
American Creativity. Swiss Dependability.

Zurich Insurance Company • American Guarantee and Liability Insurance Company • Executive Offices, Schaumburg, IL 60196

A MEMBER OF THE WORLDWIDE ZURICH INSURANCE GROUP