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Updates

ACE, Chubb Atlantic expand captive reinsurance market

HAMILTON, Bermuda—ACE Ltd. and Chubb Atlantic Indemnity Ltd. in Bermuda both announced new captive reinsurance facilities last week.

ACE Ltd. said a captive reinsurance facility will be established within the ACE Group headed by Bruce M. Jones, formerly president of Sphere Drake Underwriting Management (Bermuda). The division's target will be captive-type entities with a predominantly casualty portfolio, on single and multiline bases, according to the company.

See **Updates** *on next page*

Liability clause in tobacco bill worries insurers

By MARK A. HOFMANN

WASHINGTON—Insurers fear an unexpected amendment to a bill designed to implement the so-called "global" tobacco settlement could unjustly shift a financial burden to them by allowing plaintiffs to sue insurers if tobacco companies cannot pay awards for smoking-related damages.

The amendment was offered by Sen. John Breaux, D-La., as the Senate Commerce, Science and Transportation Committee marked up the National Tobacco Policy and Youth Smoking Reduction Act, S. 1415, last week. The amendment reads simply: "If any time the tobacco product manufacturers cannot make the payments required under this act, all claims against an insurer, whether by direct action or otherwise, including past, pending and future claims, arising from or caused by the use of a tobacco product shall be preserved. Nothing in this subsection shall expand or abridge state law."

PHOTO: AP

Sen. Breaux

The amendment was one of few that won the committee's approval.

Last year, Louisiana's attorney general had sued tobacco company insurers and tobacco companies in state court in an attempt to recover that state's costs in providing health care for smoking-related illnesses (*BI*, March 31, 1997). A federal judge effectively quashed the case later in the year by ruling that it would have to be heard in federal court.

Meanwhile, 40 states and the tobacco industry reached a tentative agreement last year to settle all state Medicaid tobacco-related suits and provide cigarette makers with some immunity against class-action suits and punitive damage awards if the manufacturers paid an estimated $368.5 billion over a 25-year period (*BI*, June 23, 1997). But under the bill approved by the Commerce Committee last week, cigarette makers would enjoy far less immunity from lawsuits than they had won in last year's negotiations.

The bill, drafted in large part by Senate Commerce Committee Chairman John McCain, R-Ariz., only would limit the amount of

See **Tobacco** *on page 40*

CalPERS evaluates direct contracting

By ROBERTO CENICEROS

SACRAMENTO, Calif.—The California Public Employees Retirement System is evaluating direct contracting with medical providers to reduce its health benefit plan's exposure to destabilizing market forces.

CalPERS is interested in pursuing the idea in collaboration with other purchasers, though it does not have immediate plans or a target date for moving into direct contracting, Margaret Stanley, CalPERS assistant executive officer for health benefits, recently told a managed care symposium.

CalPERS' exploration of direct contracting is inspired by a desire to affect quality and control costs, Ms. Stanley said in her presentation.

"We would steer more patients to those providers who achieve the best outcomes," she said. "It also makes sense to us to pay the doctors and hospitals who provide the best quality more than we pay those that don't."

Benefit consultants say it is becoming more common for large employers to consider direct contracting. That approach, sometimes done out of necessity in areas underserved by health maintenance organizations, may be easier in competitive HMO markets, because a provider infrastructure already is in place.

CalPERS spends about $1.5 billion annually on health insurance premiums and provides health care and other benefits for more than 1 million employees, retirees and dependents.

"I think if CalPERS says they are going to do it and starts to follow through on it, it's going to become a big movement for very large purchasers," said Blaine Bos, a consultant with William M. Mercer Inc. in Chicago.

Health plan shareholders are increasingly pressuring for improved returns, which could lead

See **CalPERS** *on page 41*

Offer for NCCI questioned

Long-range impact of ISO running non-profit a major issue

By MEG FLETCHER

As details of an offer by Insurance Services Office Inc. to acquire the nation's largest workers compensation data service agency surface, buyers and regulators are raising new questions about the previously confidential proposal.

A major issue is the long-range impact of having ISO, which converted to for-profit status at the beginning of 1997, acquire the non-profit National Council on Compensation Insurance Inc. and operate NCCI's workers comp database products and services as a non-profit subsidiary.

Even the promise of a five-year cap on price increases hasn't allayed concerns about the future market impact of an enlarged ISO, which had 1997 net income of $37 million on $269.7 million in revenues.

New York-based ISO, which operates an extensive database on property/casualty claims, sells products and services involving all lines of property/casualty insurance except workers comp. ISO provides a variety of services, including prospective loss

See **NCCI** *on page 42*

GRAPHIC BY ADAM DOI

Druggists, drug makers head to trial

Some think employer costs could rise if druggists win

By ROBERT KAZEL

CHICAGO—A retail pharmacists' suit against drug makers may profoundly affect the cost of drugs for corporate buyers—though predictions of just how prices may change vary considerably.

On Sept. 14, a long-delayed class-action trial is scheduled to begin in U.S. District Court in Chicago with eight large pharmaceutical manufacturers and five drug wholesalers facing charges that they have violated the Sherman Antitrust Act by engaging in a price-fixing conspiracy.

The plaintiffs are about 30,000 independent druggists who say they historically have been denied discounts that the industry gives health maintenance organizations, mail-order drug programs, hospitals, nursing homes and other bulk buyers.

There will no doubt be a feeling of deja vu in the courtroom when the litigants reassemble, with U.S. District Court Judge Charles P. Kocoras presiding over the same issues he grappled with in pre-trial proceedings for two years.

The class action subsequently was tied up in an appeals court in Chicago for more than a year and now is headed back to Judge Kocoras' jurisdiction for trial after the U.S. Supreme Court last month allowed various appeals court rulings to stand without comment.

The case at trial will have a leaner look because more than half of its original defendants reached an out-of-court settlement with the pharmacists in June 1996.

The agreement, widely viewed as a victory for the druggists, gave them about $409 million in cash, though the distribution of the money is pending court appeals (*BI*, Feb. 24, 1997; June 17, 1996).

Far more important to the druggists, the agreement spelled out the right of pharmacists to receive the same drug discounts as anyone else, provided they could move market share of brand-name drugs similarly.

The trial will pit the pharmacists against: Abbott Laboratories, Johnson & Johnson, Novartis A.G., Rhone-Poulenc Rorer, G.D. Searle & Co., Forest Laboratories Inc., Pharmacia & Upjohn Inc., and Hoechst A.G.

See **Trial** *on page 40*

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Updates

Captive reinsurance facilities

Continued from previous page

ACE Insurance Co. Ltd. President Dominic Frederico said establishment of the division "allows us to concentrate personnel and resources on developing a sector of the market with great growth potential." An ACE spokeswoman said more details on the facility will be available this week.

Meanwhile, Chubb Atlantic said it has formed a new subsidiary, Chubb Atlantic Reinsurance Specialists Ltd., to underwrite and market reinsurance on behalf of the parent company.

The facility will provide access to excess-of-loss, quota share, aggregate stop-loss and fronting reinsurance, as well as consider non-traditional reinsurance, according to the company.

Captive reinsurance already accounts for about 30% of Chubb Atlantic's writings, said R. Lincoln Trimble, vp-underwriting manager property/casualty at Chubb Atlantic.

Mr. Trimble said,"We're trying to provide an alternative for the 1,500 or so captives domiciled in Bermuda."

Julian Griffiths of reinsurance intermediary Griffiths & Wanklyn Management Ltd. in Hamilton noted that historically only Sphere Drake, which now is Odyssey Re (Bermuda), has focused on captive reinsurance in Bermuda. "Having a choice of suddenly three companies is going to definitely improve things," he said.

Kaiser to hike its rates

OAKLAND, Calif.—Kaiser Permanente will seek "high single-digit to low double-digit" rate increases from California customers beginning January 1999, a Kaiser spokeswoman said.

Kaiser also will hike rates for its customers nationwide, in part to help offset $270 million in losses the non-profit health maintenance organization experienced in 1997 (*BI*, Feb. 23). Information about the increases in store for customers outside California is not available, the spokeswoman said.

While Kaiser's recent losses are a factor, increased rates were expected even before the health plan knew the size of its shortfall. "These rates essentially reflect the trend in health care today," the spokeswoman said. "Our rates have gone up and down, and at this point they are just below where they were in 1992, even though costs in health care have gone up. We need to adjust for that."

The rate hikes will apply to small and large employers as well as individuals, said the spokeswoman.

Lloyd's America director quits

NEW YORK—Peter Lane, managing director of Lloyd's America Ltd., has suddenly quit his post.

An internal Lloyd's statement issued last week by Chief Executive Officer Ron Sandler announced Mr. Lane's resignation, which is effective April 30.

Nick Prettejohn, managing director of business development at Lloyd's, has taken over Lloyd's North America in addition to his current position. Mr. Prettejohn will be based in London but is expected to travel frequently to the United States.

Mr. Sandler commented in the statement: "I am extremely grateful to Peter for his considerable contribution to Lloyd's, particularly during (reconstruction and renewal), and more recently with the establishment of the North American business unit, and the agreement with U.S. insurance regulators to reduce Lloyd's surplus-lines funding requirements. We wish him well for the future."

A spokesman for Lloyd's America said Mr. Lane had resigned by mutual agreement, adding, "There's a clear feeling on both sides that (Mr. Lane) made a very significant contribution through reconstruction and renewal and, indeed, in working to establish the North American unit, but that now he wants to pursue other opportunities outside Lloyd's."

Mr. Lane joined Lloyd's as its director of marketing in March 1994, and he took the post of managing director of Lloyd's America in New York when it was formed at the beginning of last year. At about the same time, he relinquished his position as executive chairman of Lloyd's Aviation Ltd., Lloyd's wholly owned aviation claims adjusting business.

This is not the only upheaval to have hit Lloyd's America. Late last spring, the head of the London office, John Spencer, left to rejoin broker Ballantyne, McKean & Sullivan Ltd. Mr. Spencer was not replaced until December, when Julian James joined the unit from broker Sedgwick Energy & Marine Ltd.

Prudential: No decision yet

NEWARK, N.J.—Although Prudential Insurance Co. of America is making "substantial progress" in deciding its health care business' strategic direction, no decision has been made yet, Prudential HealthCare President and Chief Executive Officer Steve Shulman said in an electronic mail sent to health care employees.

Mr. Shulman said the operation has a "number of viable options," including a sale to a strategic buyer, such as a competitor, or to a financial buyer. "I have said that our goal was to have a decision by the end of the first quarter of this year," said Mr. Shulman in the e-mail sent March 27. "While we are winding down the process and I expect a decision relatively soon, it is clear that we won't have one by Tuesday," he said. He was referring to March 31, the end of the first quarter.

Meanwhile, separately, Oldwick, N.J.-based A.M. Best Co. said it has

See **Updates** *on page 42*

Errors & omissions

• Due to incorrect information supplied to *Business Insurance*, CIGNA Managed Care Network of Northern New England was identified as a combined HMO/POS plan on page 110 of the Dec. 29, 1997, Directory of Managed Care Providers. The network is not licensed as an HMO and operates only as a POS program.

Employers unfazed so far by Oxford's troubles

By JUDY GREENWALD

NORWALK, Conn.—Employers and analysts are apprehensive about Oxford Health Plans Inc.'s prospects in light of new information that has emerged about its financial troubles, but at least so far, benefit managers are staying with the company.

Oxford's 10-K filing with the Securities and Exchange Commission last week revealed Oxford has had to obtain another $100 million in bridge financing from a Donaldson Lufkin Jenrette Securities Corp. affiliate, in addition to a $100 million DLJ loan it had already obtained in February. Oxford said it expects to incur still-undetermined losses this year, in addition to the $291 million net loss it suffered in 1997.

The SEC filing also revealed a planned $9 million severance package for Oxford founder and former Chairman Stephen Wiggins, though the New York Insurance Department has since suspended Oxford's payment to him.

In February, Oxford said it had arranged for a $350 million infusion of capital from an outside investment group, Texas Pacific Group, as well as plans to raise another $350 million in debt, with the Texas Pacific investment contingent upon the debt financing. It also named Dr. Norman C. Payson, founder of Healthsource Inc., as chief executive officer (*BI*, March 2).

Last week, Oxford announced that it had named turnaround

See **Oxford** *on page 43*

Absent, tardy, terminated

Firing workers for excessive absence OK under ERISA: Court

By SALLY ROBERTS

CHICAGO—Employers are not in violation of the Employee Retirement Income Security Act if they fire an employee for excessive absenteeism even if the absences fall under sick leave benefits, an appeals court has ruled.

Diane L. Lindemann, a former inventory control analyst for Mobil Oil Corp. in its Cicero Lube Plant in Cicero, Ill., sued Mobil in 1994 for wrongful termination, alleging the oil giant fired her in retaliation for her use of short-term disability benefits.

She alleged the termination was in violation of Section 510 of the 1974 federal act that provides, in part, that it is unlawful for any person to discharge or discriminate against a participant or beneficiary for exercising any right to which an employee benefit plan entitles him or her.

Mobil argued that it fired Ms. Lindemann for her excessive absences and tardiness, which violated the company's no-fault attendance policy, and not for her use of benefits. Mobil further argued that excessive absenteeism is a legitimate, non-discriminatory reason for discharge, even when excused as required under the short-term disability plan.

Under Mobil's no-fault attendance policy, an employee can be disciplined for absences regardless of whether they were excused absences, as provided for under the short-term disability plan, or non-excused absences.

In upholding a lower court's decision, the 7th U.S. Circuit Court of Appeals ruled late last month that Mobil was justified in firing Ms. Lindemann. The court said she failed to establish that Mobil

See **ERISA** *on page 33*

24-hour cover loses another

SinglePoint leaving California

By JOANNE WOJCIK

SAN DIEGO—SinglePoint Integrated Insurance Programs, a joint venture formed by Zenith Insurance Co. and UNUM Life Insurance Co. of America to market an integrated group health and workers compensation product, is withdrawing from the California market.

The San Diego-based operation is the latest of the so-called 24-hour programs to call it quits in the state where the concept of integrated benefits was born.

Several of the state's managed care companies, many of which had recently acquired workers compensation insurers in preparation for offering an integrated benefit product, also are abandoning the 24-hour concept in California (*BI*, March 9; Feb. 9).

Ironically, at the same time that interest in 24-hour coverage is waning in California, the concept of integrated benefits is taking off in the rest of the country, according to the San Francisco-based Integrated Benefits Institute.

The IBI was formed about two years ago, when fewer than 20 integrated benefits products were available in the U.S. marketplace, said Bill Molmen, the organization's general counsel.

Now more than 57 integrated benefits products

See **24-hour** *on page 43*

Return-to-work underutilized

Key to lost time: Survey

By RODD ZOLKOS

An inability to find modified duties for injured workers, rather than the injuries themselves, causes the bulk of lost work time, a survey suggests.

Less than 10% of work-related injuries are serious enough to require workers to take more than three days off for medical reasons, according to the survey of industrial medicine physicians conducted by care management organization ManagedComp Inc. Yet across the country, nearly one in four workplace injuries results in lost time of at least three days.

Waltham, Mass.-based ManagedComp conducted the survey at a recent meeting of the American Conference of Occupational and Environmental Medicine.

More than two-thirds of the physicians who responded indicated they see delays in returning injured workers to work resulting from employers not permitting modified duty, employers permitting modified duty but having no jobs available, or treating doctors being unwilling to

See **Lost time** *on page 41*

Inside

• Employers should use creativity in making defined benefit plans attractive rather than abandon them, this week's editorial says. **PAGE 8**

• A ruling that two casual workers had contracts of employment suggests that British employers should examine employment documents closely. **PAGE 35**

Departments

Advertiser Index	40
Classifieds	38
Commentary	41
Datebook	34
Directory of 401(k) Plan Administrators	20
Global Briefs	35
Insurance Services Guide	36
International	35
Letters	8
Opinions	8
Ticker	43

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Employers refashion plans to suit today's workforce

By JERRY GEISEL

Flexibility. Employee empowerment.

Those are the objectives guiding the employers leading the drive to make pension programs more valuable and better appreciated by employees.

Only a few years ago, hybrid plans, such as cash balance and pension equity plans, were examples of the latest and perhaps best thinking in innovative pension design. Hybrid plans are so named because they are intended to combine the best features of defined benefit and defined contribution plans.

While dozens of employers each year are converting traditional plans to cash balance and PEP plans, other employers are adding features to their pension plans unimaginable until recently.

Examples of cutting-edge design include:

• Allowing employees to choose annually between two pension benefit accrual formulas within one pension plan. Houston-based Shell Oil Co. is the first company to adopt such a design. One formula will appeal more to shorter-service employees, while the other formula will have the greatest value to long-service employees.

"We want to give employees more choices in their benefits. We want to educate employees and then let them make intelligent choices that are best for their situations," said Frank Miller, Shell's manager of benefit plans analysis in Houston (see story, page 6).

• Allowing employees to transfer annual contributions made to cash balance plans to defined contribution plans, such as 401(k) plans. Employers that allow such transfers include Public Service Enterprise Group, a Newark, N.J.-based utility, and Centura Health, an Englewood, Colo.-based health care system, while EDS Corp., a Plano, Texas-based information-technology company, is planning to offer such an option by the year 2000.

• Giving employees the option at retirement or termination of employment to transfer 401(k) account balances to their defined benefit plans, where the contributed funds will be converted to monthly annuities. Employers that now permit such transfers include Pittsburgh-based Armco Inc. and San Francisco-based BankAmerica Corp.

• Giving employees the option at termination or retirement to transfer lump-sum payments from their defined benefit plans to 401(k) plans.

"This provides additional flexibility to employees interested in such a feature," said Maryellin Treacy, manager of payroll and benefits at Easton, Pa.-based Victaulic Co. of America, which has such a provision linking its defined benefit and defined contribution plans.

See **Flexibility** *on next page*

401(k) plan fee disclosure receives more exposure

Department of Labor considers several actions

By ROBERT KAZEL

Employers and employees may soon get help in discerning how much 401(k) plan service providers are charging in recordkeeping and investment management fees, officials say.

Administrative and investment fees, which were the subject of Department of Labor hearings last fall (*BI*, Nov. 12, 1997), vary widely among plans, and employers and employees often are only vaguely, if at all, aware of their magnitude. This is particularly true for smaller employers, which may have little know-how in cost comparison and little alternative but to pay much higher fees than large plan sponsors.

The Labor Department is looking at ways to improve the communication of fees to employers and employees, but no revolution in government mandates is likely: The DOL wants to leave the actual fee-setting to the private sector as much as possible, said Olena Berg, assistant secretary of labor for pension and welfare benefits administration.

The department is taking or considering these actions relating to fee disclosure, Ms. Berg said last month:

• Educational efforts. The department will distribute a brochure about 401(k) plan fees to plan participants this spring. It may also distribute educational materials to small plan sponsors.

• Field work. To get a better idea if new rules are needed, or if existing rules are working, the department is studying 50 companies and their 401(k) plan service providers to see how fees are being disclosed. "At the end of that, we think we'll have a much better idea of what's going on in the field," Ms. Berg said. She could not predict when the study would be complete.

• Collaboration. Cooperation with trade groups, service providers and plan sponsors will be attempted in an effort to produce voluntary remedies to the lack of information.

• If necessary, Section 404(c) of the Internal Revenue Service Code could be used to expand voluntary fee-disclosure guidelines from mutual funds to other financial investments, such as bonds and insurance products.

Nearly a year ago, the Labor Department in two advisory opinions said 401(k) plan sponsors are responsible under the Employee Retirement Income Security Act of 1974 for determining if vendor fees are reasonable.

Surprisingly, strong agreement appears to exist in the 401(k) plan processing field that fees are not being disclosed adequately, particularly to small employers—though few would venture a guess as to how to communicate complex sets of fees clearly to audiences of benefit managers and employees.

Plan sponsors have increasingly outsourced the processing of 401(k) accounts to outside vendors, entrusting them both with routine administrative tasks and, frequently, more lucrative investment management.

While plans usually can figure out their administrative costs, vendors' asset-based investment fees usually can be calculated

See **Fees** *on page 12*

Multiemployer plans get thumbs up

Creation of withdrawal liability has helped pension plans remain fully funded

By MICHAEL PRINCE

Multiemployer pension plans are sailing on the smooth seas of financial health.

Partly the result of strong investment results and partly from prudent management, many of the nation's 2,000 multiemployer pension plans can boast nearly full coffers. And despite the fact that last year's much-publicized strike by the International Brotherhood of Teamsters union against the United Parcel Service of America Inc. involved the company's attempt to withdraw from its multiemployer pension plans, the likelihood of many such withdrawals in the future does not appear great, experts said.

A recent study demonstrates the extent of the plans' financial health. The Segal Co. earlier this year released its annual survey of multiemployer pension plans. It concluded that the average fund had a funding ratio of 96%. And of the 466 funds surveyed, 71% were fully funded. Although this was down from 73% in last year's survey, the drop was attributed to changes in interest rates, market fluctuations and plan benefit increases. Overall, the survey concluded that "multiemployer defined benefit pension plans continue to be very well funded."

But this has not always been true. The passage of the Multiemployer Pension Plan Amendments Act of 1980 spurred the plans to economic health, pension experts agreed. The main provision was the creation of withdrawal liability for employers that pull out of underfunded plans. As a result, plans' trustees responded and looked "to get out from under anything that looked like an unfunded liability," said Robert Ridley, a partner with the Los Angeles law firm of Farmer & Ridley.

Prior to that time, employers often would negotiate benefit increases with the unions in lieu of salary increases. But without withdrawal liability, these promises to pay more benefits in the future when employees retired were essentially hollow. Now, however, each benefit increase is generally matched by increased funding.

"This isn't free money anymore," said Dallas Salisbury, president of the Employee Benefit Research Institute in Washington.

Also, he said, trustees held the line on benefit increases to rein in any unfunded liability. And since the law took effect, employers have paid more attention to the plans because of withdrawal liability.

"Before the law, employers took much less interest in the plans," said Robert Krinsky, chairman of The Segal Co.

Multiemployer plans were set up to

See **Plans** *on page 12*

Flexibility

Continued from previous page

• Allowing two-way transfers. In this arrangement, employees, typically at retirement, can transfer funds from their 401(k) plans to defined benefit plans, where the funds are converted into monthly annuities. Alternatively, an employee can take the cash value of his or her defined benefit plan account and transfer it to a 401(k) plan, where the individual has a choice of investment options. Indianapolis-based Countrymark Cooperative Inc. offers such two-way transfers.

"Think of pension plans as a unified nest egg. If barriers are removed between defined contribution and defined benefit plans, an individual can allocate the money to meet his needs throughout retirement," said Dennis Coleman, a principal at The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J.

To be sure, the latest round of innovative plan design—be it giving employees a choice of benefit accrual formulas within one plan or linking defined benefit and defined contribution plans—still is in its infancy.

But rapid growth may be just around the corner, as employers look for new ways to make their pension plans more attractive to employees.

"You can add something of real value, and that may give an employer a leg up in a tight labor market for qualified workers," said Mr. Coleman.

"As employers become more aware of their ability to add flexibility to their plans at no added cost, many more will adopt these provisions," said Kevin Wagner, a consultant in the Southfield, Mich., office of Watson Wyatt Worldwide.

The move to make pension plans more flexible comes on the heels of the first major employer effort—launched during the mid-1980s—to overhaul defined benefit plans to increase both their appeal and value.

That earlier drive began as employers, increasingly frustrated by the high cost and low employee appreciation of their traditional pension programs, scrapped those plans in favor of cash balance and PEP plans.

Cash balance and PEP plans feature relatively easy-to-understand benefit formulas with benefits expressed as lump-sum amounts. That allows employees to instantly know the cash value of their benefits.

In addition, benefits in cash balance and PEP plans typically are portable, meaning employees can take them at termination and, unlike many traditional plans, do not have to wait until retirement to receive the benefits.

Cash balance and PEP plans—compared to traditional final average-pay plans—also provide much richer benefits to shorter-service workers, an attractive feature to an increasingly mobile workforce.

Far from supplanting cash balance or PEP plans, the ongoing drive to increase the flexibility of pension plans often incorporates hybrid programs.

For example, at BankAmerica, the banking giant that adopted the nation's first cash balance plan in 1985, employees at retirement can transfer account balances from their 401(k) plan to the cash balance plan.

"It is a way of marrying the two plans," notes Ray Allsup, vp and benefits consultant at BankAmerica.

Such a transfer feature could appeal to employees who might want to convert some or all of their 401(k) money to a guaranteed monthly annuity offered through the cash balance plan, Mr. Allsup said.

"You can get a guaranteed benefit for life," said Karen Dearth, Armco's supervisor of employee benefit administration, referring to the company's 401(k)-to-cash-balance-plan transfer feature.

For an employee with a big 401(k) lump-sum payout, transferring the money to his or her company's defined benefit plan and having the plan convert the money to a monthly annuity saves the time and expense of searching for a commercial insurer to buy an annuity.

"You don't need to find an insurer, which wants to make a profit on the annuity," said Marty Collins, a Kwasha Lipton principal in Fort Lee, N.J.

Flexibility and empowerment also are behind another facet of the new wave of plan design linking defined benefit and defined contributions plans: allowing employees to transfer cash balance plan contributions—which are formally known as credits—to their 401(k) plans.

For example, at Public Service Enterprise Group, employees annually can transfer up to half of the cash balance credits they earn that year to their 401(k) plan, which has eight investment options.

While accumulated credits in the cash balance plan currently earn 6% interest, employees potentially can earn much higher returns when they transfer credits to the 401(k) plan.

"We are trying to increase the total retirement pool of money," said Dick Quinn, PSE&G's director of performance and rewards.

"This is the best of both worlds," said David Conner, director of compensation and benefits at Centura Healthcare, which also gives employees the option of transferring cash balance plan credits to

See **Flexibility** *on page 6*

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Flexibility

Continued from page 4
its 401(k) plan.

If employees are willing to increase investment risk, they may be able to get a higher investment return through the company's 401(k) plan compared to the cash balance plan, Mr. Conner added.

"We want to give employees more flexibility on how to invest their funds," concurred Marcia MacLeod, manager of benefits development at EDS, where employees, starting in 2000, will be able to transfer annually up to one-third of cash balance credits earned that year in the cash balance plan to a 401(k) program.

'We want to give employees more flexibility on how to invest their funds,' says EDS' Marcia MacLeod.

Yet another twist to flexibility and empowerment is allowing employees at termination or retirement to transfer the cash value of their pension benefit to 401(k) plans, where the benefit may earn much-higher investment returns.

For example, at Countrymark Cooperative, terminating employees can leave their account balances in the company's cash balance plan, where the account will earn 6.5% interest.

Or, employees can transfer the funds to several investment options offered through the 401(k) plan, where investment returns may potentially be much greater.

"We wanted to give employees greater flexibility at managing pension monies after they left the company. For employees who want to seek a potentially higher rate of return, this program allows them to do that," said Kelly Nicodemus, senior benefits administrator at Countrymark.

Meanwhile, the growth of cash balance and PEP plans—the first generation of innovative defined benefit plan design—continues unabated.

Perhaps as many as 500 to 700 cash balance and PEP plans now have been formed, typically conversions from traditional final average-pay plans.

As recently as the early 1990s, roughly only 200 cash balance plans had been established. The first PEP plan—set up by New York-based RJR Nabisco Inc.—was established in 1992.

"Cash balance plans continue to grow, while PEP plans have had the fastest acceptance of any type of defined benefit plan," said Eric Lofgren, a consultant in the New York office of Watson Wyatt, which helped develop the PEP concept. Nearly 100 PEP plans now are operating, he said.

"There continues to be tremendous interest in cash balance and PEP plans," agreed Vince Tobin, chief actuary with Buck Consultants Inc. in Secaucus, N.J. BI

Dual formulas make a good mix

By JERRY GEISEL

Shell Oil Co.'s newly designed pension program may be the ultimate in giving employees choice and empowerment.

Employees at the Houston-based petroleum giant can choose each year between two benefit accrual formulas within one pension plan.

Under one formula—in place at Shell for many years—pension benefits are based on final average pay. The formula includes an age- and service-based point system, in which employees whose age and years of service equal 80 are eligible for heavily subsidized early retirement benefits.

The new formula—known as a pension equity plan—also bases benefits on final average pay. But unlike the heavily backloaded traditional plan, in which benefits sharply increase in value when an employee hits the 80-point "cliff," the benefit accrual rate is much smoother under the pension equity plan.

In general, employees who intend to spend much, if not all, of their careers at Shell will earn greater benefits under the traditional plan, while shorter-service employees will fare better under the equity plan.

Giving employees the choice of two coexisting but different pension benefit formulas will help the company attract and retain employees whose backgrounds and career ambitions widely differ.

"We can attract career employees as well as those who want to move on," said Frank Miller, Shell's manager of benefit plans analysis.

"Employees will decide each year on the formula that works best for them based on their career situation," Mr. Miller said.

For example, employees such as computer specialists, who tend to be highly mobile, are more likely to opt for the pension equity plan because of the richer benefits it offers for shorter service.

On the other hand, employees such as oil drillers, who tend to work their entire careers for Shell, are likely to remain in the traditional plan.

"You need different kinds of benefits for different people," said Norman Parrish, a consultant in The Woodland, Texas, office of Hewitt Associates L.L.C., which worked with Shell in putting the program together.

While employees can choose between the two formulas each year, Shell benefit executives do not expect many employees to switch back and forth between the two formulas annually.

Instead, such changes are likely to be made when employees' career plans change.

"The notion is that you only change plans when your career expectations change," said Mr. Parrish.

Adoption of the new pension program, which took effect Jan. 1, ties in with a change in Shell's corporate culture, Mr. Miller notes.

"We want to educate employees and give them choices, as opposed to the old paternalistic way of doing things," he says.

"It is a new world, not the old paternalistic Shell. Employees have to take responsibility for themselves. But Shell will give them the tools to do so," Mr. Parrish said.

One incidental but welcome outcome of the dual-choice pension program is that employees who traditionally have had little interest in defined benefit plans—even younger employees—are now taking the time to analyze the two benefit designs to see which one works best for them.

"This has caused a lot of people to focus on pension compensation much more so than in the past. As a result, appreciation of this benefit has increased. That is a nice byproduct," Mr. Miller said.

Over the long haul, Shell executives expect the new program to be cost-neutral compared to the prior one-design plan.

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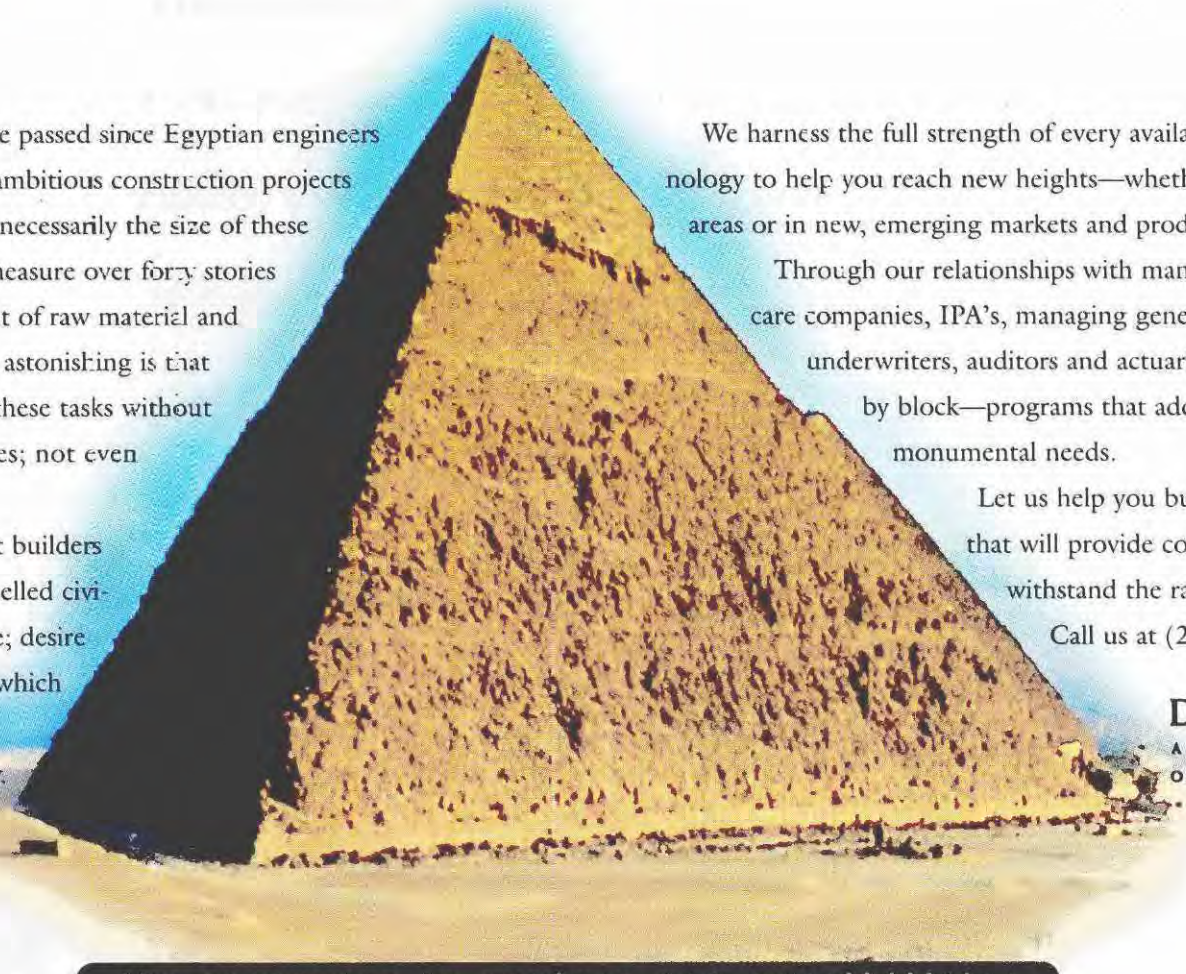

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Opinions

Making plans fit workforces

ARE DEFINED BENEFIT pension plans dinosaurs doomed to extinction?

Whoever believes that is just plain wrong.

As we report in this week's issue, the defined benefit field is just bursting with creativity.

Consider how Shell Oil Co. has redesigned its pension plan. Employees can choose from two benefit accrual formulas, with one formula more geared to long-service employees and the other more tailored to employees who intend to move on after a few years.

Other employers are breaking down the barriers between their defined benefit and defined contribution plans. Employers are taking such imaginative approaches as allowing employees who leave or retire to roll over lump-sum distributions from defined contribution plans to defined benefit plans, while others are allowing transfers to go in the opposite direction.

In addition, some employers with cash balance plans are giving employees the flexibility to transfer annual credits earned under the plans to 401(k) plans, an attractive feature to employees willing to accept greater risk to secure potentially higher investment returns.

There is a common theme to these design changes: Employers are trying to make their defined benefit plans more meaningful and relevant to their employees.

Too often we have heard that employees don't understand or don't appreciate defined benefit plans and that in itself justifies scrapping the plans.

Rather than giving up on the plans, which still are the best ways to provide secure retirement income, employers should be asking what they can do to make the plans relevant to today's workforce.

A pension plan, for example, that provides great benefits to employees who spend 30 years at a company but only skimpy benefits to shorter-service employees may have made sense decades ago when there was a higher expectation of lifetime employment with a single employer.

But workers now are more likely to move on after a few years of employment, and pension plans often need to be redesigned to reflect that reality, a design change many employers have been putting in place.

And in response to complaints that employees don't understand their pension plans, employers in greater numbers than ever are putting in easier-to-understand pension programs, such as cash balance and pension equity plans.

Just as employers are doing their part to revitalize defined benefit plans, the government is doing its part, too.

The Internal Revenue Service, whose often-complex rules have increased the cost of pension plan administration, is taking some welcome common-sense action. Those steps may encourage employers to hang onto their pension plans.

Rather than throwing the book at employers that violate pension rules, which is easy enough to do given the complexity of rules and the myriad pension plan transactions employers have to track, the IRS is giving employers incentives to report and correct errors.

As we have reported, under one voluntary new program, employers that find mistakes can report them to the IRS, propose remedies and generally pay fees ranging from $2,000 for the smallest pension plans to up to $35,000 for the larger plans.

That's a huge change from before, when the IRS could and did demand "correction fees" of millions of dollars from the largest plans.

Those kinds of potential penalties gave employers little incentive to detect and report mistakes to the IRS.

With its more reasonable penalty approach, the IRS is grasping an obvious fact: Compliance with pension rules can be best achieved through voluntary action.

The IRS simply lacks the resources to audit every pension plan, nor would it make economic sense to hire an army of auditors. By making penalties for self-reported mistakes fair and reasonable, employers no longer have to fear that stepping up and admitting mistakes will cost them dearly.

The new policy, we believe, is in everyone's self-interest. The government has a greater assurance that employers will be more willing to self-police their pension plans, mistakes that can hurt employees will be corrected faster, and perhaps the government will not have to spend so much of its resources on enforcing compliance with pension rules and regulations.

Letters

U.K. lawyers' mutual insurer defended

To the editor: Carolyn Aldred reports in some detail the difficulties currently facing the mutual insurer with whom all solicitors in England and Wales are obliged to place the first £1 million ($1.7 million) of their professional indemnity coverage ("Beset by Claims, Lawyers' Mutual Facing Big Deficit" and "Broker Advocates Private Legal Cover"), (*BI*, March 30).

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com

While it is certainly the case that the Solicitors Indemnity Fund faces very considerable difficulties, there is a danger, I feel, that your readers may gain the impression that support for a return to the commercial insurance market is overwhelming, when this is not necessarily the case.

The policy terms and conditions offered by the SIF are very fair and straightforward. Coverage is still written on an each-and-every basis with costs in addition, with relatively modest levels of deductible and no avoidance of coverage for innocent non-disclosure. Certainly those in the London market with whom I have discussed this subject, including people involved when solicitors errors and omissions insurance was written in the open market, do not greet the prospect of the potential demise of the SIF with unalloyed joy.

Top-up insurance—above the £1 million limit of the fund—is already placed in the commercial market, but the overwhelming majority of claims, of course, do not reach this level. The overhead required to handle the volume of claims processed by the fund would, I venture to suggest, make the prospect unattractive in anything but the shortest term to any insurer required by its capital provider to return a profit—something the SIF does not have to do.

Ian Lupson
Gouldens Solicitors
London

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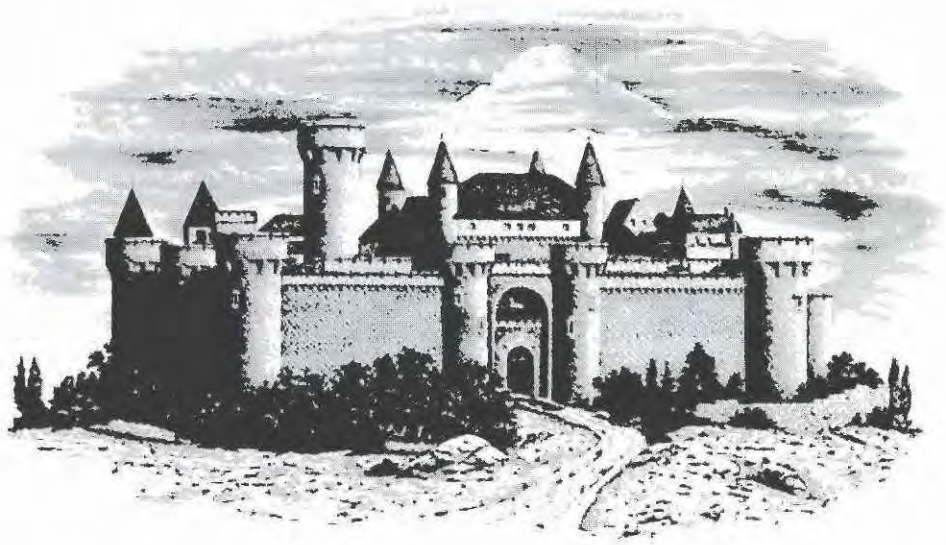

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Plans

Continued from page 3

assist union workers in industries where it's common to jump from employer to employer, such as trucking or construction. Administered by trustees from both labor and management, the plans allow members to carry their pensions as they move from one employer to another.

Employers benefit because they don't have to set up their own plans; they instead join the industry's plan. To the employees, the plans have added value because their financial security "is tied to the financial success of an entire industry, rather than the financial success of an individual company," Mr. Salisbury said.

Figures compiled by the Pension Benefit Guaranty Corp., the federal government agency that guarantees plan participants basic benefits, further demonstrate the financial health of the multiemployer plans.

According to its 1997 annual report, the PBGC's multiemployer insurance program showed a surplus of $219 million for the year. The multiemployer program covers 8.8 million people in about 2,000 plans. And while the PBGC's single-employer insurance program has had a surplus for the past two years, the multiemployer insurance program has enjoyed surpluses for the past 15 years.

Benefit experts also said that last year's UPS strike does not foretell of things to come for the plans.

"It's an aberration," said Mr. Ridley, the Los Angeles attorney. "There were no lessons learned or trends set from this battle of behemoths," he added.

Mr. Salisbury of the EBRI agreed. "At the end of the day, I don't think it had much of an effect one way or the other," he said.

The experts said the UPS situation was unique because numerous trucking companies have gone bankrupt in the past two decades. This leaves the active trucking companies, in particular UPS, supporting the bankrupt firms' workers. Management at UPS, with a younger worker population, felt it would benefit financially to withdraw from the plans and pay the withdrawal liability, which was estimated at $700 million, rather than continue to support an aging pool of non-UPS workers.

Another reason the experts cited was that the size of UPS and the Teamsters union dwarfs that of most employers and unions in multiemployer plans.

The UPS strike bears "very little application to multiemployer plans generally," Mr. Krinsky said.

Besides making existing plans healthier, the 1980 law essentially discouraged new plans from being established. Because companies are fearful of withdrawal liability and taking on other companies' retirement benefit obligations, such as when companies in the plans go broke, few multiemployer plans have started. Companies are reluctant to join already-existing multiemployer plans for the same reasons, experts said.

But perhaps the biggest reason new plans haven't started is the decline of organized labor. Unless unions demand it, companies won't join plans and new plans won't spring up. For example, most new trucking companies are small and non-unionized and therefore are not participating in transportation industry multiemployer plans.

Perhaps the most dramatic change under way in multiemployer plans is the growing interest in a 401(k) element to the plans, said Cynthia Drinkwater, senior director of research at the International Foundation of Employee Benefit Plans in Brookfield, Wis.

Younger employees have been expressing greater interest in a 401(k) plan, said Mr. Ridley, as it is seen as allowing greater potential investment returns while providing access to the money—an employee can generally borrow some money from his or her account—before retirement.

"If the unions want the members to participate in their plans, they will have to go in that direction," he said.

One union, Plumbers Local 75 in Milwaukee, set up a 401(k) plan in the early 1990s, said Gary Hamilton, its business manager and financial secretary/treasurer.

Of the 1,000 active members of the union, more than 400 are enrolled in the voluntary plan, he said.

Rather than replace the existing defined benefit plan with the voluntary 401(k) plan, the union leadership conceived of it as a supplement.

"It was not initiated to take the place of the pension plan at all," Mr. Hamilton said. "I believe they complement each other," he said.

Each participating member presents completed 401(k) forms to one of the 204 participating employers when starting a new job. The employer then deducts a specified amount from the employee's pay and sends it to the plan administrator, who splits it up among the seven investment options per the employee's directions.

Starting the plan required IRS approval, a time-consuming process, Mr. Hamilton said. This initial burden, he said, represents a reason other multiemployer plans haven't added a 401(k) component, even though the plan is relatively easy to administer after startup.

So far, he said, the plan has been popular with the employers and employees.

For employers, the plan eliminates the problem of unfunded liabilities. Once the employer deducts the money, it no longer has any responsibility, and the risk of investment losses falls on the employee. With a traditional defined benefit plan, if investments don't earn a high enough return to cover benefit obligations, the employer has to make additional contributions to the plan to ensure it can pay the benefits.

"It gets them off the hook. This way it takes off that liability," Mr. Hamilton said.

For that reason, Mr. Hamilton sees the 401(k) plan as supplementing, not replacing, the defined benefit plan. It can act as a way for employees to direct how the money will be invested and to add to—or diminish—their retirement assets. By itself, though, it can't guarantee that workers will receive the same amount they would under a defined benefit plan. BI

Fees

Continued from page 3

through the use of the plan's expense ratio.

"Nobody looks at expense ratio," said Louis Valentino, director of defined contribution services in the New York office of Watson Wyatt Worldwide. "In a good economy, nobody looks at expenses."

The government's new concerns about 401(k) plan fees stem from research showing fees have increased, that more plans are paying out more money in fees, and that employees rather than sponsors are tending to bear a heavier burden of paying them. A survey by Lincolnshire, Ill.-based Hewitt Associates L.L.C. last year, for instance, found recordkeeping fees being paid by 35% of parti-

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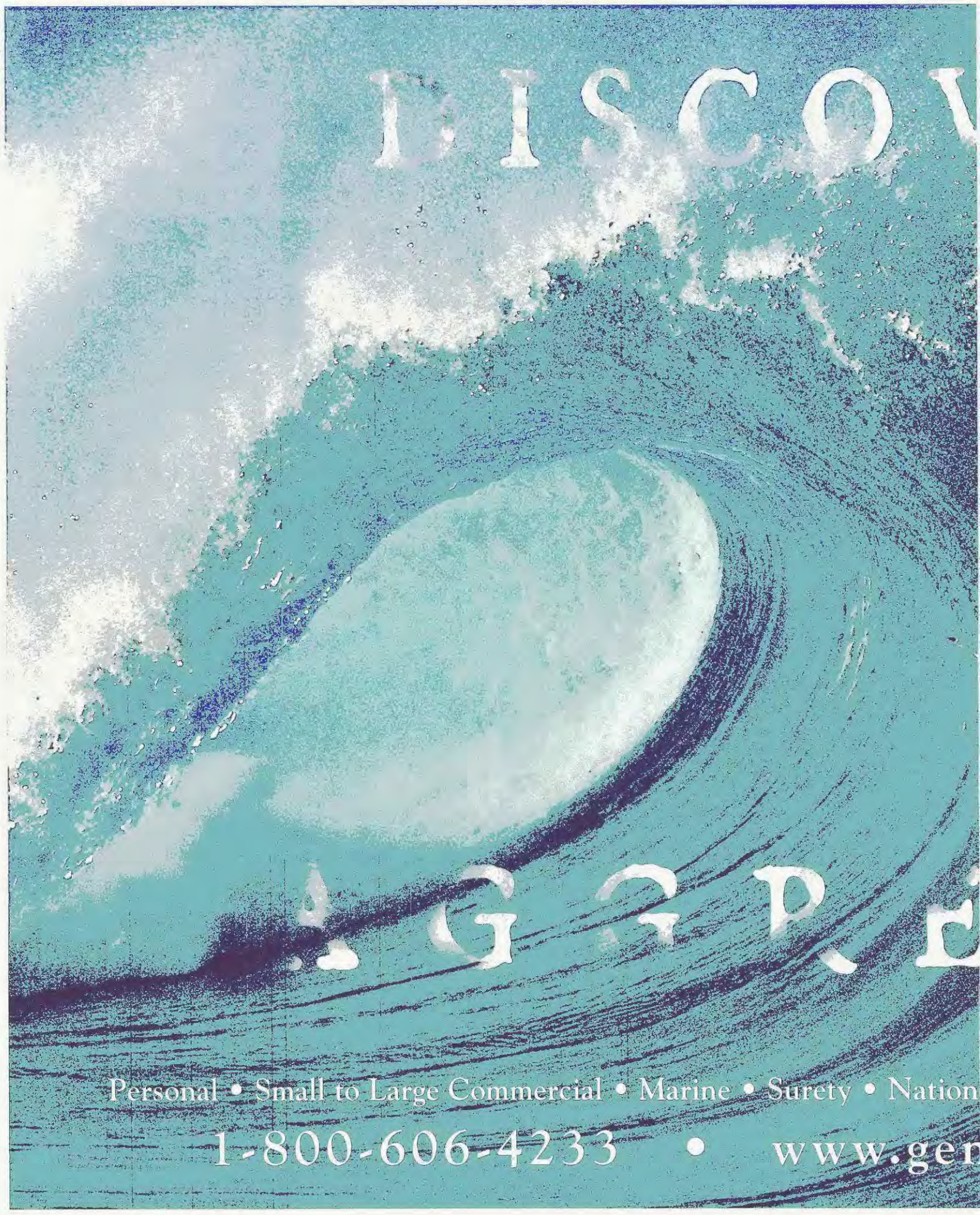

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ipants, up from 29% in 1995 and 27% in 1993.

Suppliers of plan services justify the high fees charged to small employers by arguing that the 401(k) plan vendors benefit from none of the economies of scale associated with large plans but that small employers still demand that vendors provide expensive, sophisticated services, such as automated voice response technology and World Wide Web sites on the Internet.

"Certainly the fees for small plans are pretty high," said Robert A. Liberto, vp of Segal Advisors, a New York-based consulting and 401(k) plan recordkeeping subsidiary of The Segal Co. "Small plans tend to pay a lot more for the same privileges."

An average small company probably pays about $60 per employee per year in 401(k) fees, while a large plan sponsor may pay "almost nothing," he said.

While this discrepancy for many years was unknown to many plan sponsors and certainly to employees, recently variations in vendor charges have begun coming to light, said Janet Rubenstein, a principal with Milliman & Robertson in Seattle.

"Employees are nervous, and they're asking the question," she said. "There's so much money flying around, no one knows what's going on."

Small employers are at a big disadvantage when shopping for 401(k) plans because they have little bargaining power and cannot force prospective providers to itemize costs in detail, said Rich Koski, a principal with Buck Consultants Inc. in Secaucus, N.J. "The smaller employer often doesn't even know what questions to ask," he said.

The difficulty in making sense of 401(k) plan pricing stems, at least in part, from its impressive growth over the past several years, said David Wray, president of the Profit Sharing/401(k) Council of America, a Chicago-based research and advocacy group.

According to surveys by the organization, the assets of polled 401(k) plans averaged $197 million in 1996, up from $70 million in 1991. Average individual participant balances increased 78% over the same period. Out of the roughly 700,000 defined contribution plans in the nation, about 250,000 are 401(k) plans, Mr. Wray said.

This attraction of employees to 401(k) plan investments and the accompanying bull market among mutual funds is, in fact, the main reason few participants or plan sponsors have questioned vendor fees over the years, industry observers say.

An employee earning 20% interest in an equity fund, in other words, is unlikely to question the components of a vendor's comparatively modest fees for recordkeeping and its investment management fees. This may be true even though a small annual deduction from the plan could mean hundreds of thousands of dollars in diminished earnings when an employee retires.

"The fee issue, of course, is a quagmire," Mr. Wray said, but he added it is not one that truly will trap any plan participant. Fees, he said, are relatively low in today's competitive 401(k) plan marketing environment and shouldn't affect employers much, except those with fewer than 500 employees. These small companies do have limited options in the 401(k) market, he said.

"Clearly, the very large companies have had very large success at driving fees down," he said. "Fees should not stop someone from having a plan as long as they're reasonable."

Yet fee disclosure, although a good general goal, may be a big failure if plan sponsors find themselves unable to understand the fees to compare vendors with one another, he said.

"The Department of Labor has gone way too far, way too fast with this issue," Mr. Wray said. "Our view is that the plan sponsor can't figure it out right now."

But Ted Benna, president of The 401(k) Assn. in Cross Fork, Pa., said his group is supporting voluntary disclosure of fees by vendors to avoid potential mandatory action by the government. Participants in 401(k) plans must know the exact cost of their investments, even if the vendors are unaccustomed to this level of openness, he said.

"Some (vendors) are adamant," he said. "They absolutely refuse. They feel burying and hiding (the fees) is a better sales strategy."

But many 401(k) service providers claim they already offer complete disclosure of fees to employers because they offer services—usually bookkeeping—on a fee-for-service basis, with easily understood breakdowns of costs. Benefit consulting firms fall into this category, and they point to banks, insurance companies, brokerages and mutual fund companies as providers more likely to want to conceal fees, if only because their bundled fee structures are so complex.

"Are the fees appropriate for the service you're getting?" Mr. Valentino asked. "The average people on the street wouldn't know."

"Most plan sponsors pass a minimum amount of information to participants," he said. "Investment fees aren't shown (by the vendor). There are various pieces, but no one sees the whole picture."

The notion of large vendors hiding costs in cryptic bundles is fiction, said Steve Saxon, an attorney in the Washington law firm of Groom & Nordberg who represents banks, insurers and other major providers of 401(k) plan services.

"There's a lot of information about fees available, and most (employer) institutions are more than happy," he said. "I don't think there's a need for federal regulation on this issue. None of our clients have opposed full disclosure."

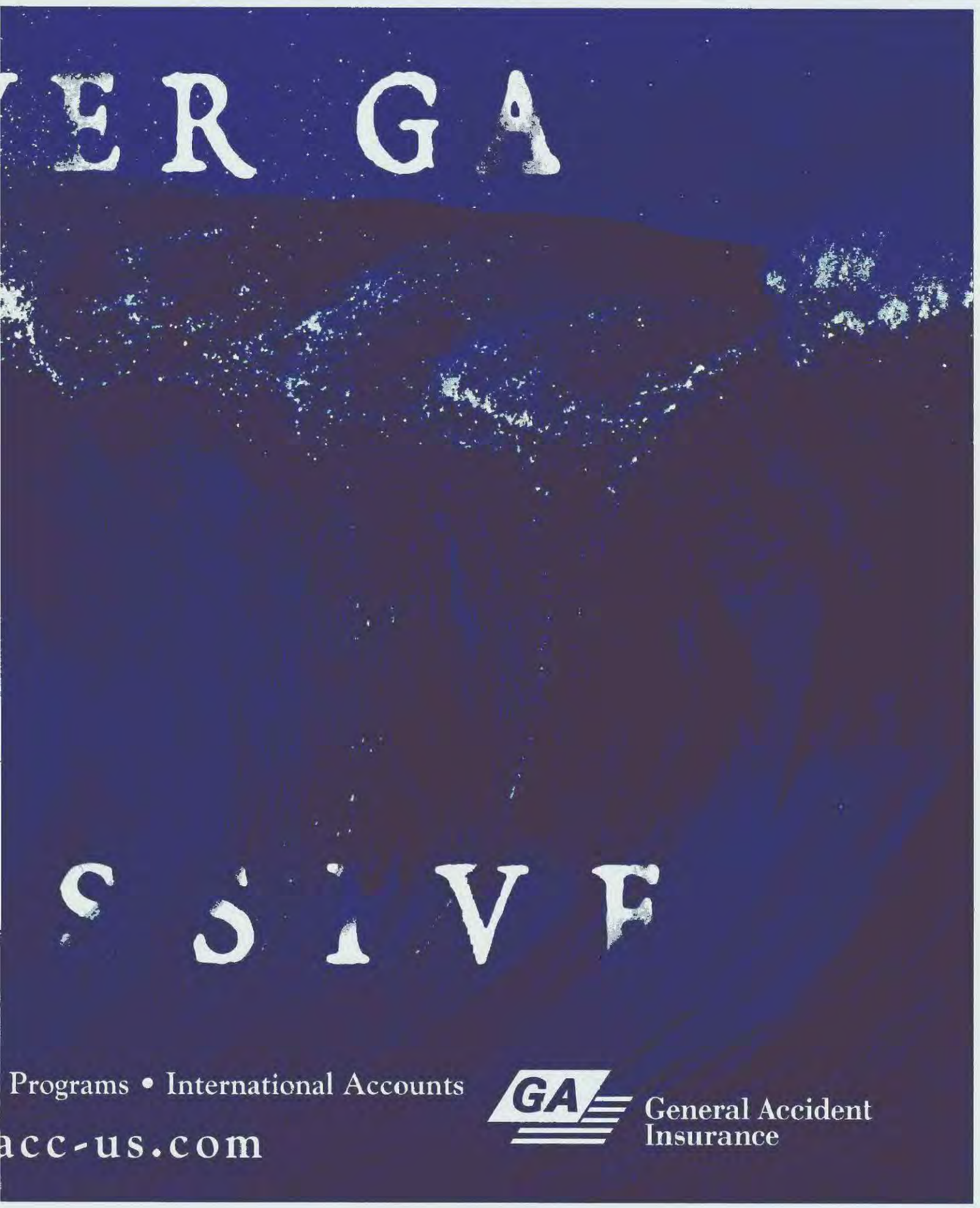
If the main sticking point is that providers are charging small plan sponsors relatively high fees, Mr. Saxon said, that is the reality of the market. Small plans require much more time and attention by vendors, particularly during their initial set-up periods, and small plan sponsors often don't even employ benefit managers to assist in the work, he said.

Smaller plans are "not totally cheated," even if they may seem disadvantaged, said Ruth Hughes-Guden, a principal in New York-based Morgan Stanley Institutional Investment Management. It is unreasonable for small employers to want the same services as large plans for equal fees, she said, though she supports full disclosure of any fees that exist. It is up to the plan sponsor, like any good consumer, to insist on learning what the fees are, she added.

When choosing a 401(k) plan vendor, employers should send requests for proposals to vendors in identical formats so that details of fees can be compared easily, she said.

"Would you go out and buy a car without knowing what you're paying for?" Ms. Hughes-Guden asked.

See **Fees** *on page 16*



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To learn more about *Kemper Property Resource,* call an independent agent or broker who represents Kemper, or contact one of our Branch Marketing Directors listed below.

thouseho@kemperinsurance
Tim Householder,
Property Claim Specialist

KEMPER®
www.kemperinsurance.com

Nick Catalano, Atlanta
(770) 986-7702

John Varitimos, Braintree
(781) 380-7218

Jane Stein, Charlotte
(704) 329-2576

Jeff Fox, Chicago
(312) 559-2199

Neal Finn, Cleveland
(216) 514-3888

Maureen Herzog, Denver
(303) 752-5492

Ben Montgomery, Dallas
(972) 364-5182

John Wakelin, Houston
(281) 583-3390

Larry Oslie, Los Angeles
(818) 369-8808

Darrell Happel, Minneapolis
(612) 820-6201

OPERTY IN A WHOLE NEW LIGHT

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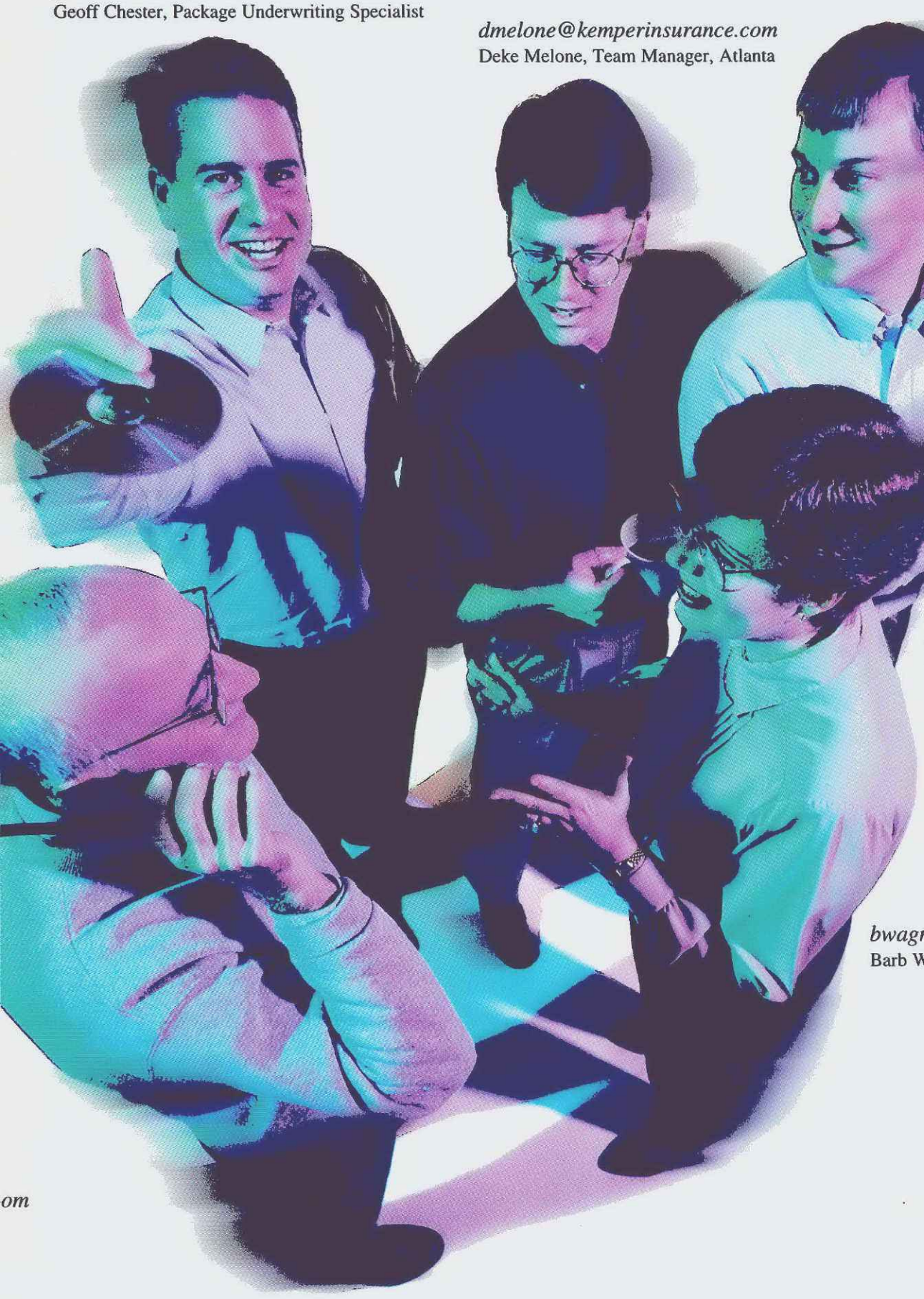
Geoff Chester, Package Underwriting Specialist

dmelone@kemperinsurance.com
Deke Melone, Team Manager, Atlanta



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Penny Webber-Hyde, San Francisco
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Jamie Wohlgemuth, Seattle
(206) 281-3367

Mary Wilkinson, St. Louis
(314) 951-3130

Jim Maraska, Summit
(908) 522-4191

Paula Banks, Syracuse
(315) 449-5642

Danny Sgro, Toronto
(416) 351-2401

Fees

Continued from page 13

Few employees of Minneapolis-based Dayton Hudson Corp. seemed to care about vendor fees when the company recently instituted several changes in its 401(k) plan, said Fred Hamacher, vp of compensation and benefits. "We got a few questions, I'm sure, in our service center—but not many," Mr. Hamacher said.

Dayton Hudson pays Hewitt Associates, its recordkeeper, and State Street Global Advisors, its investment manager, a total of 2.5% of plan assets in fees, he said, and Mr. Hamacher considers that a healthy reflection of the plan's bargaining position in the market. More than 60,000 people are enrolled in it.

"We're very cognizant of fees," said Jeff Bailey, the company's director of benefit finances. "That was one of the key criteria when we made some changes in our program. We negotiate them straight up front."

Less cognizant of vendor fees is Sweet Ideas Inc., a bulk food and candy retailer based in Troy, Mich., with shops in 89 locations. Of the company's 800 workers, only about 30 to 40 are enrolled in the company's two-year-old 401(k) plan, said Mark Cobelak, payroll supervisor.

The candy company, which does 401(k) plan outsourcing with Aetna Inc., does not consider the fees it pays unreasonable, though Mr. Cobelak could not immediately say what the fees are. And to him, the idea of paying fee money today isn't closely associated with a loss of retirement savings decades ahead.

"The fees are modest; I'm still young," he said. "I have plenty of time. I don't think they're extreme." BI

Proposals would aid small employers

By JERRY GEISEL

Federal legislators and the Clinton administration are trying to arrest the decline in defined pension plan coverage for employees of small companies.

A bipartisan bill introduced in the House and Senate, as well as an administration proposal, would allow small employers—those with 100 or fewer employees—to offer a new, easier-to-administer pension plan.

The congressional proposal is known as the Secure Assets for Employees Act—or SAFE—while the administration plan is known as the Secure Money Annuity or Retirement Trust, or SMART.

The new plans, as long as they met certain requirements, would be exempt from such administrative cost raisers as non-discrimination tests.

In addition, both the benefit formula and funding requirements would be relatively simple, reducing actuarial and other administrative costs, proposal advocates say.

"The proposals would greatly reduce the administrative costs associated with defined benefit plans," said Brian Graff, executive director of the American Society of Pension Actuaries in Arlington, Va.

While neither proposal, if enacted, would be the hit that 401(k) plans have been for both large and small employers, advocates say the measures are at least a first step in giving small employers a lower-cost defined benefit plan option.

"While neither plan will be a 'son of 401(k),' they may appeal to a niche. And certainly they are a step in the right direction," said Jack Stewart, an assistant director in the pension department at The Principal Financial Group in Des Moines.

The proposals come at a time when defined benefit plan coverage among small employers has been in a virtual free fall. Last year, for example, the federal Pension Benefit Guaranty Corp. said it insured just over 27,000 pension plans with fewer than 100 participants. That's a decrease from about 31,000 such plans in 1996 and a huge decline from 1980, when the agency insured about 75,000 small-employer defined benefit pension plans. Many of these small employers have added 401(k) plans.

By contrast, defined benefit pension plan coverage among the nation's largest employers, which can better afford the higher administrative costs associated with those plans, actually has been creeping up each year.

While the administration and congressional proposals share certain features—most significantly, reduced reporting requirements, exemption from nondiscrimination tests, and 100% vesting at all times—they have differences. Those include:

- Eligibility. Only small employers with 100 or fewer employees could offer a SMART plan, and only if they did not offer a defined benefit plan within the past five years. Professional service firms could not offer a SMART plan.

By contrast, all small employers, including professional service firms, could offer a SAFE plan, and there would be no five-year look-back rule.

- Benefit formula. Under both plans, individual accounts would be established for each participant. With a SMART plan, an employer could choose to provide a benefit equal to 1% or 2% of an employee's compensation for each year of service.

For example, assume an employer opted for a 2% benefit feature and an employee's salary averaged $60,000 during his or her 25 years with the company. That employee would be entitled to an annual benefit of at least $30,000 at age 65. The actual benefit could be higher if cumulative investment returns exceed 5%.

Under the SAFE plan, the employer has one more option, since the minimum benefit could equal 1%, 2% or 3% of employee compensation.

- Covered compensation. Under the SMART plan, the maximum employee compensation that could be used in calculating benefits would be $100,000, while the covered compensation limit for SAFE plans would be $160,000, the same limit that applies to other qualified pension plans.

Small-business lobbyists say the lower compensation limit under the SMART plan is a significant drawback compared to SAFE.

That lower limit can result in a much-lower benefit for owners or other highly paid employees, said David Kemps, manager of employee benefits policy at the U.S. Chamber of Commerce in Washington.

"If small-business owners cannot accrue a significant benefit, they will be less likely to offer a plan," Mr. Kemps added.

- Past-service credit. Under SAFE, employers could provide benefits for up to 10 years of employees' prior service with the employer before the employer offered a SAFE plan.

SMART does not offer past-service credits. BI

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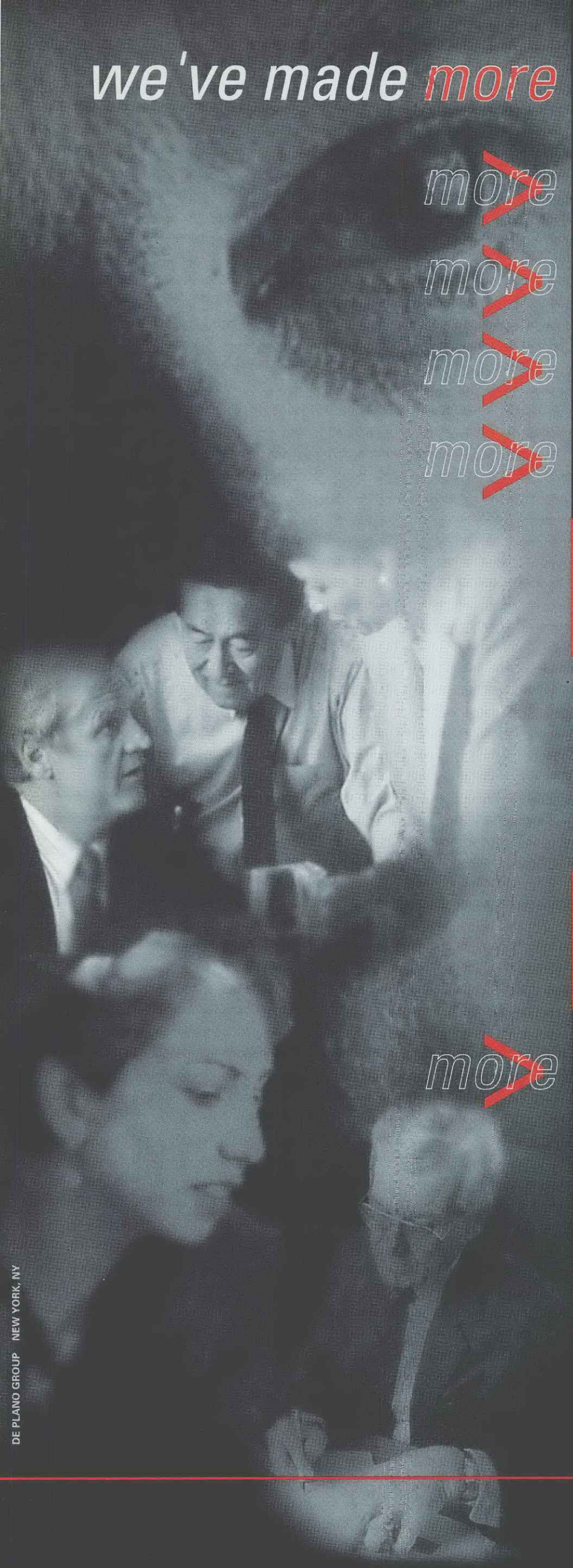

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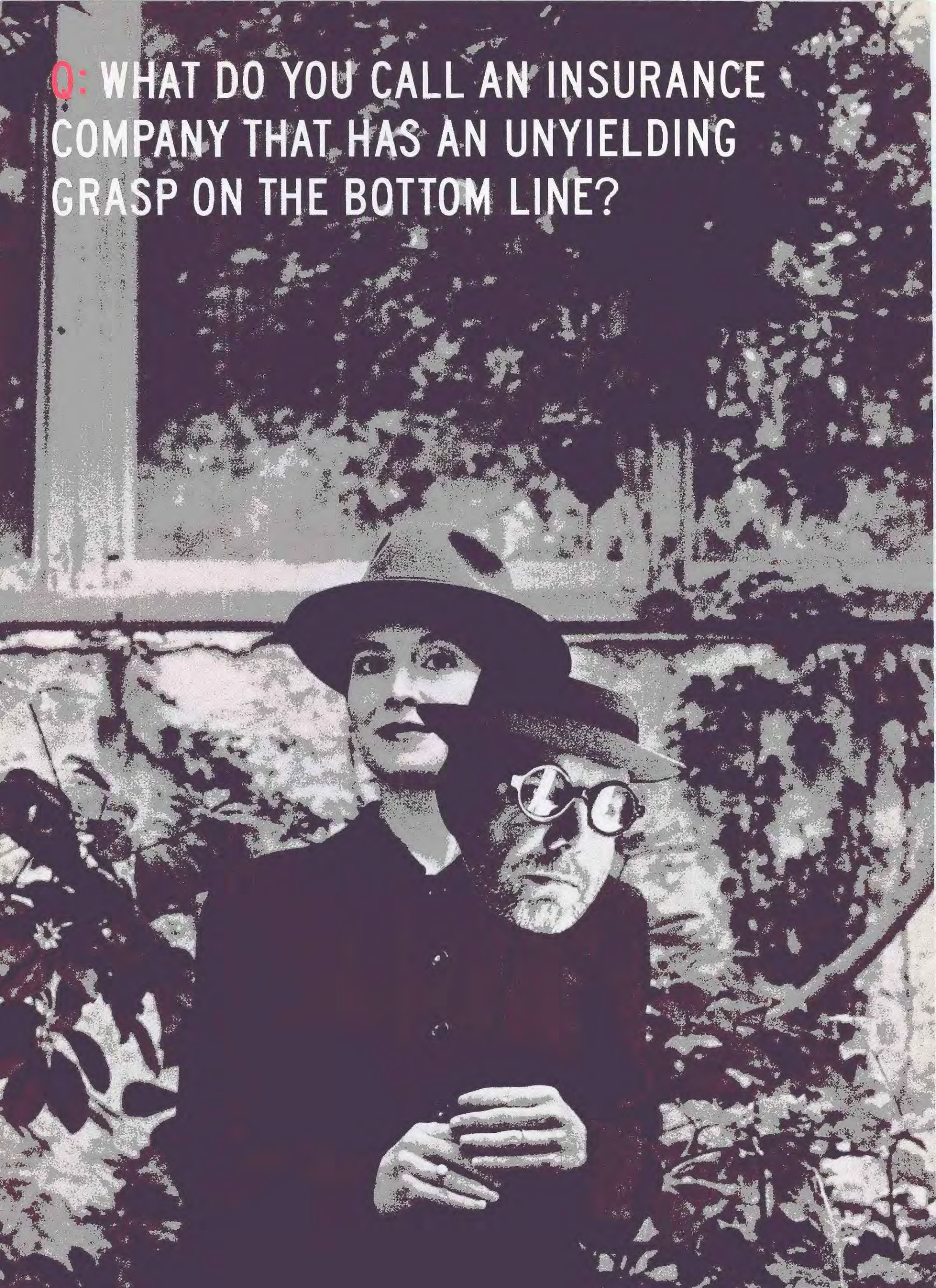

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CONSECO

BI annual directory of 401(k) plan administrators

A

AAAA Benefits Inc.

201 McCullough Drive, Suite 100,
Charlotte, N.C. 28262;
704-594-6270; fax: 704-594-6290

Staff

Total	15
Involved in 401(k) plan services	10

Clients

Total	150
Receiving unbundled services	2
Receiving bundled services	148
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	10,000

1997 revenues

Total	$1,000,000

Services began: 1984.

Parent: American Assn. of Advertising Agencies.

Software: Purchased from outside vendor, accommodates 20 investment funds and 10 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, online access. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Assets under management.

Officers: Donald S. Lewis, executive vp; Wendy E. Jones, senior vp; Lisa Kennedy, senior account executive.

ABR Benefits Services Inc.

34125 U.S. Highway 19 N.,
Palm Harbor, Fla. 34684-2141;
813-785-2819; fax: 813-785-4306
http://www.abr.com

Staff

Total	1,200
Involved in 401(k) plan services	90

Clients

Total	2,090
Receiving unbundled services	2,090
Average participants/plan	190
Minimum participants/plan	100
Maximum participants/plan	Unlimited

1997 revenues

Total	$50,100,000

Services began: 1987.

Parent: ABR Information Services Inc.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include QDRO administration, FSAs and premium only plans.

Service area: Nationwide.

Locations: Administrative/consulting offices in Phoenix; Irvine, Calif.; Palm Harbor, Fla.; Princeton, N.J.; Fairfax, Va.; LaCrosse, Madison and Milwaukee, Wis.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: James E. MacDougald, president/CEO; James P. O'Drobinak, senior vp/CFO; William R. Povilus, senior vp-operations; Robert H. Pariseau, senior vp-marketing/sales; Randolph C. Metcalfe, senior vp-strategic development.

Contact: Marketing/sales, 800-366-3130.

ACH Pension Consultants Inc.

5524 E. Fourth St.,
Tucson, Ariz. 85718;
520-748-1090; fax: 520-748-1383

Staff

Total	10
Involved in 401(k) plan services	5

Clients

Total	107
Receiving unbundled services	107
Average participants/plan	180
Minimum participants/plan	1
Maximum participants/plan	10,000

1997 revenues

Total	$750,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates unlimited investment funds and all qualified contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Bellevue, Wash.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Eric L. Hughes, Cheryl A. Hughes.

Contact: Eric L. Hughes.

AccuRecord Inc.

100 Executive Drive,
Edgewood, N.Y. 11717;
516-243-6400; fax: 516-243-6427

Staff

Total	46
Involved in 401(k) plan services	46

Clients

Total	748
Receiving unbundled services	143
Receiving bundled services	605
Average participants/plan	841

Services began: 1982.

Software: Written and maintained in-house, accommodates 99 investment funds and 32 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, frequency valuations.

Officers: George P. Chave, president; Paul Badamo, John Bradley, executive vps; Kevin P. Rooney, vp-marketing; George Pantaleo, senior vp.

Contact: Kevin P. Rooney, ext. 236.

Actuarial & Employee Benefit Services Co.

3481 Central Parkway, Suite 100,
Cincinnati, Ohio 45223;
513-872-7505; fax: 513-872-7519

Staff

Total	22
Involved in 401(k) plan services	4

Clients

Total	27
Receiving unbundled services	23
Receiving bundled services	4
Average participants/plan	39
Minimum participants/plan	1
Maximum participants/plan	1,000

1997 revenues

Total	$2,160,000
401(k) plan administration	$64,000

Parent: CAI Insurance Agency Inc.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Communication of plan fea-

Continued on page 25

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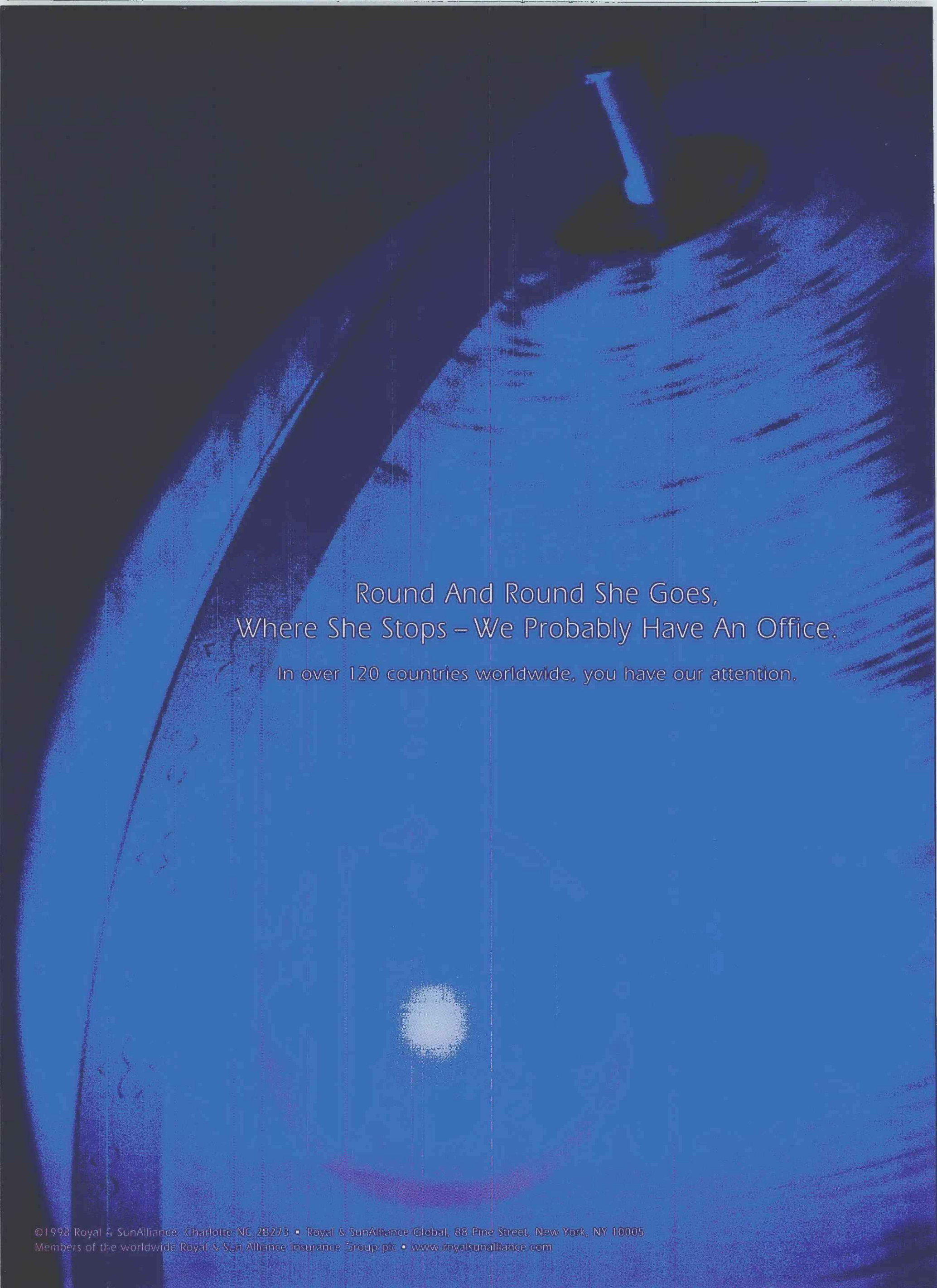

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Continued from page 20

tures to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Midwestern states.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: James T. Schlotman, Carl R. Schlotman.

Actuaries & Associates

701 S. Tyler, Amarillo, Texas 79101;
806-373-3624; fax: 806-373-2952

Staff	
Total	20
Involved in 401(k) plan services	11
Clients	
Total	260
Receiving unbundled services	260
Average participants/plan	30

Services began: 1981.

Software: Purchased from outside vendor, accommodates unlimited investment funds.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in El Paso and Lubbock, Texas.

Charges: Determined by number of participants, frequency valuations.

Officers: B.K. Houchin.

Contact: Steve Houchin.

Acuff & Associates Inc.

511 Union St., Suite 1024,
Nashville, Tenn. 37219;
615-726-2410; fax: 615-726-2009
http://www.citysearch.com/nas/acuff

Staff	
Total	22
Involved in 401(k) plan services	12
Clients	
Total	240
Receiving unbundled services	210
Receiving bundled services	30
Average participants/plan	450
Minimum participants/plan	10
Maximum participants/plan	12,000
1997 revenues	
401(k) plan administration	$950,000

Services began: 1991.

Software: Leased from outside vendor, accommodates 20 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Southeastern states.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Lucian B. Acuff, president; Trina D. Burrow, Michael G. Guyton, David F. Kays, vps.

Contact: Lucian B. Acuff.

The Administrative Management Group

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
847-577-6000; fax: 847-870-9200

Staff	
Total	100
Involved in 401(k) plan services	55
Average participants/plan	900
Minimum participants/plan	50
Maximum participants/plan	15,000

Software: Written and maintained in-house, accommodates 80 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include retirement projection letters, loan software, retirement planning software, data management and on-demand participant statements.

Service area: Nationwide.

Locations: Administrative/consulting offices in Arlington Heights, Ill.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: John Salajka, CEO; David Goldenberg, CFO.

Contact: Mark Tucker, director-new business.

Administrative Solutions Group: An ADP/Mercer Alliance

1417 Lake Cook Road,
Deerfield, Ill. 60015;
847-267-3500; fax: 847-948-5429
http://www.adp.com

Staff	
Total	1,300
Involved in 401(k) plan services	265
Clients	
Total	136
Receiving unbundled services	136
Average participants/plan	8,000
Minimum participants/plan	500
Maximum participants/plan	Unlimited
1997 revenues	
Total	$110,000,000

Services began: 1981.

Parent: Automatic Data Processing (ADP).

Software: Leased from outside vendor, accommodates 99 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include self-directed brokerage accounts, investment manager network with 65 mutual fund groups, trustee alliances, broker dealer fee reimbursement relationships.

Service area: Nationwide.

Locations: Administrative offices in Deerfield, Ill.; Louisville, Ky.; Baltimore; Seattle. Consulting offices in 42 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Bill Campbell, president; Jackie Dienstag, Brenda Jennings, senior vps; Debbie Higgins, vp.

Contact: Rick Keast, 847-317-7810 or Ken Stasiak, 847-317-7807.

American Pension Benefits Inc.

P.O. Box 505,
Warrendale, Pa. 15086;
724-935-0100; fax: 724-935-2511

Staff	
Total	19
Involved in 401(k) plan services	12
Clients	
Total	70
Receiving unbundled services	18
Receiving bundled services	52
Average participants/plan	50
Minimum participants/plan	25
Maximum participants/plan	1,000
1997 revenues	
Total	$1,150,000
401(k) plan administration	$225,000

Services began: 1987.

Software: Purchased from outside vendor, accommodates 20 investment funds and six types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include network services for daily valuation to TPAs/plan sponsors.

Service area: Nationwide.

Locations: Administrative/consulting offices in Pittsburgh, Pa.

Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.

Officers: James W. Landis, president; Stephanie Hepler, director-administration.

Ameritas Life Insurance Corp.

5900 'O' St., Lincoln, Neb. 68510;
402-467-1122; fax: 402-467-7952

Staff	
Total	869
Involved in 401(k) plan services	31
Clients	
Total	195
Receiving unbundled services	18
Receiving bundled services	177
Average participants/plan	39
Minimum participants/plan	1
1997 revenues	
Total	$899,392,000
401(k) plan administration	$261,794

Services began: 1985.

Software: Purchased from outside vendor, accommodates 400 investment funds and 32 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Lincoln, Neb.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Larry Arth, chairman/CEO; Ken Louis, president/COO; JoAnn Martin, senior vp/controller/CFO; David Moore, executive vp-group/pensions; Jon Headrick, executive vp-investments/treasurer.

Contact: Joseph Roy, 800-793-2542 or Jessie Waller, 800-745-9995.

Aspen Pension Advisors L.L.C.

30 S. Wacker Drive,
Chicago, Ill. 60606;
312-207-2800; fax: 312-207-2860
http://www.amgnet.com

Staff	
Total	12
Involved in 401(k) plan services	10
Clients	
Total	100
Receiving unbundled services	100
Average participants/plan	300

Services began: 1985.

Parent: Altschuler, Melvoin & Glasser L.L.P.

Software: Leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include 404(c) compliance materials, employee meeting materials.

Service area: Nationwide.

Locations: Administrative/consulting offices in Chicago.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Contact: Rosemarie M. Panico, president, 312-207-2882.

B

Benefit Administration Corp.

770 E. Shaw Ave., Suite 200,
Fresno, Calif. 93710;
209-225-3030; fax: 209-225-6837

Staff	
Total	40
Involved in 401(k) plan services	4
Clients	
Total	120
Receiving unbundled services	120
Average participants/plan	35
Minimum participants/plan	1
Maximum participants/plan	1,000
1997 revenues	
Total	$1,985,000
401(k) plan administration	$250,000

Services began: 1997.

Software: Leased from outside vendor, accommodates 20 investment funds and 10 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Southwestern states.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Contact: R.A. Buresh, president.

Benefit Concepts Inc.

115 Glastonbury Blvd.,
Glastonbury, Conn. 06033;
860-633-5283; fax: 860-659-6757

Staff	
Total	100
Involved in 401(k) plan services	35
Clients	
Total	185
Receiving unbundled services	175
Receiving bundled services	10
Average participants/plan	525
Minimum participants/plan	50
Maximum participants/plan	Unlimited
1997 revenues	
Total	$15,000,000
401(k) plan administration	$4,500,000

Services began: 1982.

Parent: USI Insurance Services Corp.

Software: Leased from outside vendor, accommodates 999 investment funds and 99 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues. Manages investment of 401(k) plan funds. Other services include 403(b) administration, extended outsourcing, employee stock ownership plans.

Service area: Nationwide.

Officers: Brian Whitney, president/CEO; William Tremko, executive vp; William Husic, Parker Elmore, Rob Plante, Doug Rubinstein, senior vps.

Contact: Karen Guggenheim.

Benefit Dynamics Inc.

10 Grove St.,
Cherry Hill, N.J. 08002;
609-662-7100; fax: 609-662-7228

Staff	
Total	25
Involved in 401(k) plan services	9
Clients	
Total	135
Receiving unbundled services	105
Receiving bundled services	30
Average participants/plan	125
Minimum participants/plan	20
Maximum participants/plan	25,000
1997 revenues	
Total	$1,700,000
401(k) plan administration	$370,000

Services began: 1982.

Software: Purchased from outside vendor, accommodates 25 investment funds and eight types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include individual voice response system, electronic enrollment, 401(k) with age-weighted/new comp.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Jo-Ann Massanova, president; Carmen La Verghetta, vp.

Contact: Mark Moran.

Benefit Equity Plans Inc.

1971 E. Fourth St., Suite 100,
Santa Ana, Calif. 92705;
714-480-1364; fax: 714-480-1365
http://www.benefitequity.com

Staff	
Total	20
Involved in 401(k) plan services	15
Clients	
Total	600
Receiving unbundled services	600
Average participants/plan	85
Minimum participants/plan	25
Maximum participants/plan	3,000
1997 revenues	
Total	$2,500,000
401(k) plan administration	$2,000,000

Services began: 1986.

Software: Leased from outside vendor, accommodates 25 investment funds and eight types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in San Diego.

Charges: Determined by number of participants, complexity of plan.

Officers: Robert H. Gorelick, president; Michael Gorelick, Karen Todd, Terry Embree, vps.

Benefit Systems Inc.

7701 N. Lamar, Suite 206,
Austin, Texas 78752; 800-413-4015
or 512-458-3888; fax: 512-458-4550

Staff	
Total	6
Involved in 401(k) plan services	6

Continued on next page

Directory terms explained

The ninth annual directory of 401(k) plan administrators contains information on companies that provide services such as enrollment recordkeeping, daily maintenance of participants' accounts and handling of account activity. To be listed, firms must offer these services independently from any investment services; it may or may not offer investment management services in addition to plan administration services.

Listings begin with details on **staff,** including total staff and the number involved with 401(k) plan services. Total **401(k) clients**, including those clients receiving 401(k) plan administration services on an unbundled and a bundled basis are listed next. 1997 **gross revenues** and revenues from 401(k) plan administration services are included when provided by the company. Next, the year the company began offering 401(k) plan administration services and **parent company** (if any) are listed.

Details on **software** used and **administration** services provided follows. Cash, unit value or full share accounting methods are noted. Information on whether the company has the ability to accommodate loan provisions and 401(m) nondiscrimination testing for clients is included. Next, the company's **client support** services are described.

The **service area** and **locations** of branch offices are listed next. The company's method of billing for services is noted next, and the names and titles of principal **officers** and a **contact** person come after that.

The directory is published as an editorial service; there is no charge for companies to be included. Information reported is based on each company's responses to a *Business Insurance* questionnaire. Although every effort is made to print complete and accurate listings, *BI* is unable to verify all information provided by companies.

Continued from previous page

Clients

Total	100
Receiving unbundled services	100
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	5,000

Services began: 1994.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Austin, Texas.

Charges: Determined by number of participants.

Contact: Bryan Wecker, president.

Benefits+PPA

5435 Corporate Drive, Suite 150,
Troy, Mich. 48098-2624;
248-641-7525; fax: 248-641-7530

Staff

Total	44
Involved in 401(k) plan services	44

Clients

Total	251
Receiving unbundled services	2
Receiving bundled services	249
Average participants/plan	75
Minimum participants/plan	25
Maximum participants/plan	5,000

1997 revenues

Total	$4,500,000
401(k) plan administration	$1,000,000

Services began: 1983.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Troy, Mich.

Charges: Determined by number of participants, assets under management.

Officers: Mark Wayne, CEO.

Contact: Laura Thomas.

Buck Consultants Inc.

1 Pennsylvania Plaza,
New York, N.Y. 10119;
212-330-1000; fax: 212-695-4184
http://www.buckconsultants.com

Staff

Total	2,730
Involved in 401(k) plan services	320

Clients

Total	626
Average participants/plan	850

1997 revenues

Total	$304,000,000

Services began: 1981.

Parent: Mellon Bank Corp.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include voice response systems/services, defined contribution, defined benefit and health/welfare outsourcing, participant service center, integrated data system, administration forms and manuals, investment supervisory services, plan document preparation, loan administration consulting, benefit statements, financial and retirement planning services, employee investment education materials/consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in 30 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Joseph A. LoCicero, president/CEO; Merril S. Delon, secretary; Karl W. Lohwater, general counsel; Gary S. Stephen, treasurer.

Contact: Ed Gadowski, 201-902-2565 or John McGlone, 201-902-2458.

Business Benefits Corp.

9801 Westheimer Road, Suite 1070,
Houston, Texas 77042;
713-781-9242; fax: 713-781-7330

Staff

Total	7.5
Involved in 401(k) plan services	6

Clients

Total	69
Receiving unbundled services	69
Minimum participants/plan	2
Maximum participants/plan	500

1997 revenues

Total	$538,437
401(k) plan administration*	$215,255

Services began: 1989.

Software: Leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: James W. Smith, president.

Contact: Jim Smith or Tom Townsend.

** Estimate.*

C

CNA Trust

3080 S. Bristol St.,
Costa Mesa, Calif. 92626;
800-274-8798; fax: 714-437-4084
http://www.cnatrust.com

Staff

Total	175
Involved in 401(k) plan services	92

Clients

Total	1,550
Receiving unbundled services	508
Receiving bundled services	1,042
Average participants/plan	48
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1985.

Parent: CNA Financial Corp.

Software: Purchased from outside vendor, accommodates 25 investment funds and seven types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Costa Mesa and San Francisco, Calif.; Chicago; New York.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Renate I. Renfro, president; John T. Brown, senior vp.

Contact: Fran Schoenfeld, marketing manager.

Carlson, Quinn & Associates

2000 Powell St., Suite 1660,
Emeryville, Calif. 94608;
510-420-9020; fax: 510-420-9021

Staff

Total	12
Involved in 401(k) plan services	12

Clients

Total	200
Receiving unbundled services	200
Average participants/plan	100
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1997 revenues

Total	$1,500,000
401(k) plan administration	$1,200,000

Services began: 1994.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds*. Other services include service provider evaluations, employee stock ownership plan design/administration and non-qualified plans.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Brian P. Quinn, Leif T. Carlson, principals.

Contact: Brian P. Quinn.

** Service provided by alliance partners.*

Columbia Benefits Consultants Inc.

5840 Banneker Road, Suite 200,
Columbia, Md. 21044;
410-740-7335; fax: 410-740-9204
http://www.columbiabenefits.com

Staff

Total	6
Involved in 401(k) plan services	4

Clients

Total	290
Receiving unbundled services	220
Receiving bundled services	70
Average participants/plan	110
Minimum participants/plan	1
Maximum participants/plan	5,000

1997 revenues

Total	$545,000
401(k) plan administration	$330,000

Services began: 1984.

Software: Leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: East coast.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Peter F. Hibbard, Jodie A. Dailey.

D

Delaware Charter Guarantee & Trust Co.

1013 Centre Road,
Wilmington, Del. 19805;
800-332-4015; fax: 302-995-6013

Staff

Total	537
Involved in 401(k) plan services	340

Clients

Total	3,200
Receiving unbundled services	3,200
Average participants/plan	160
Minimum participants/plan	10
Maximum participants/plan	10,000

Services began: 1981.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 49 investment funds and 20 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include trustee services.

Service area: Nationwide.

Locations: Administrative/consulting offices in Glendale and San Mateo, Calif.; Boston.

Charges: Determined by number of participants, complexity of plan, time and expense.

Officers: Ron Danilson, president; Tom Kline, vp/controller; Chris Guarino, COO; Michael Spencer, vp/national sales manager; Dan O'Neill, vp/MIS.

Deloitte & Touche L.L.P.

10 Westport Road, P.O. Box 820,
Wilton, Conn. 06897-0820;
203-761-3000; fax: 203-834-2200
http://www.dttus.com

Staff

Total	800
Involved in 401(k) plan services	100

Clients

Average participants/plan	300

Services began: 1982.

Software: Purchased from outside vendor, accommodates 20 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include investment advisory services, vendor selection, evaluation of outsourcing alternatives, actuarial services, plan design and implementation, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles, San Francisco, Chicago, Boston, Detroit, Minneapolis, New York, Dallas.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: James T. Phoenix, principal-Dallas; Patricia Jackson, principal-New York; Richard J. Berens, principal-Minneapolis; Susan H. Achenbach, principal-Chicago; Richard A. Kleinert, principal-Los Angeles.

Contact: Donna J. Prall, 214-777-7652.

Dreyfus Retirement Services

1 Boston Place, 17th Floor,
Boston, Mass. 02108;
617-722-7289; fax: 617-248-3292
http://www.dreyfus.com

Staff

Total	532
Involved in 401(k) plan services	273

Clients

Total	405
Receiving unbundled services	215
Receiving bundled services	190
Average participants/plan	2,000

Services began: 1981.

Parent: Mellon Bank Corp.

Software: Purchased from outside vendor, accommodates 99 investment funds and 35 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include self-directed brokerage, discount brokerage, financial planning/advice, benefit disbursement, performance analytics and cash management.

Service area: Nationwide.

Locations: Administrative/consulting offices in Boston; Uniondale, N.Y.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Frank Cahouet, chairman/president/CEO-Mellon; W. Keith Smith, vice chairman-Mellon Trust; Michael Devine, president-Dreyfus Retirement Services; Joseph Eck, senior vp-Dreyfus Retirement Services; William Glenn, COO-Dreyfus Retirement Services.

Contact: Joseph Eck.

E

Employee Benefit Specialists Inc.

520 S. El Camino Real, Suite 430,
San Mateo, Calif. 94402;
650-373-0800; fax: 650-373-0810

Staff

Total	15
Involved in 401(k) plan services	5

Clients

Total	80
Receiving unbundled services	60
Receiving bundled services	20
Average participants/plan	120
Minimum participants/plan	1
Maximum participants/plan	2,000

Services began: 1988.

Software: Purchased from outside vendor, accommodates 20 investment funds.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include onsite enrollment and communication.

Service area: Nationwide.

Charges: Determined by number of participants, frequency valuations.

Officers: Joan L. Rhodes, Chimane M. Rhodes, Elizabeth C. Juen.

Contact: Chimane Rhodes.

The Epler Co.

450 B St., Suite 750,
San Diego, Calif. 92101;
619-239-0831; fax: 619-239-0807

Staff

Total	15
Involved in 401(k) plan services	7

Clients

Total	10
Receiving unbundled services	10
Average participants/plan	350
Minimum participants/plan	50
Maximum participants/plan	15,000

1997 revenues

Total	$1,500,000

Services began: 1981.

Software: Leased from outside vendor. Accommodates 99 investment funds.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: California.

Locations: Administrative/consulting offices in Orange and San Diego, Calif.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Jane Barry, president/CEO; Lin Ball, vp; Lou Filliger, vp/actuary.

Contact: Jane Barry.

F

Feldman Benefit Services Inc.

871 Mountain Ave.,
Springfield, N.J. 07081;
973-376-6777; fax: 973-376-6761

Staff

Total	10
Involved in 401(k) plan services	6

Clients

Total	140
Receiving unbundled services	110
Receiving bundled services	30
Average participants/plan	40
Minimum participants/plan	1
Maximum participants/plan	2,500

1997 revenues

Total	$890,000
401(k) plan administration	$475,000

Services began: 1985.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include employee meetings/public relations campaigns, fringe benefit planning, tandem retirement plans.

Service area: Nationwide.

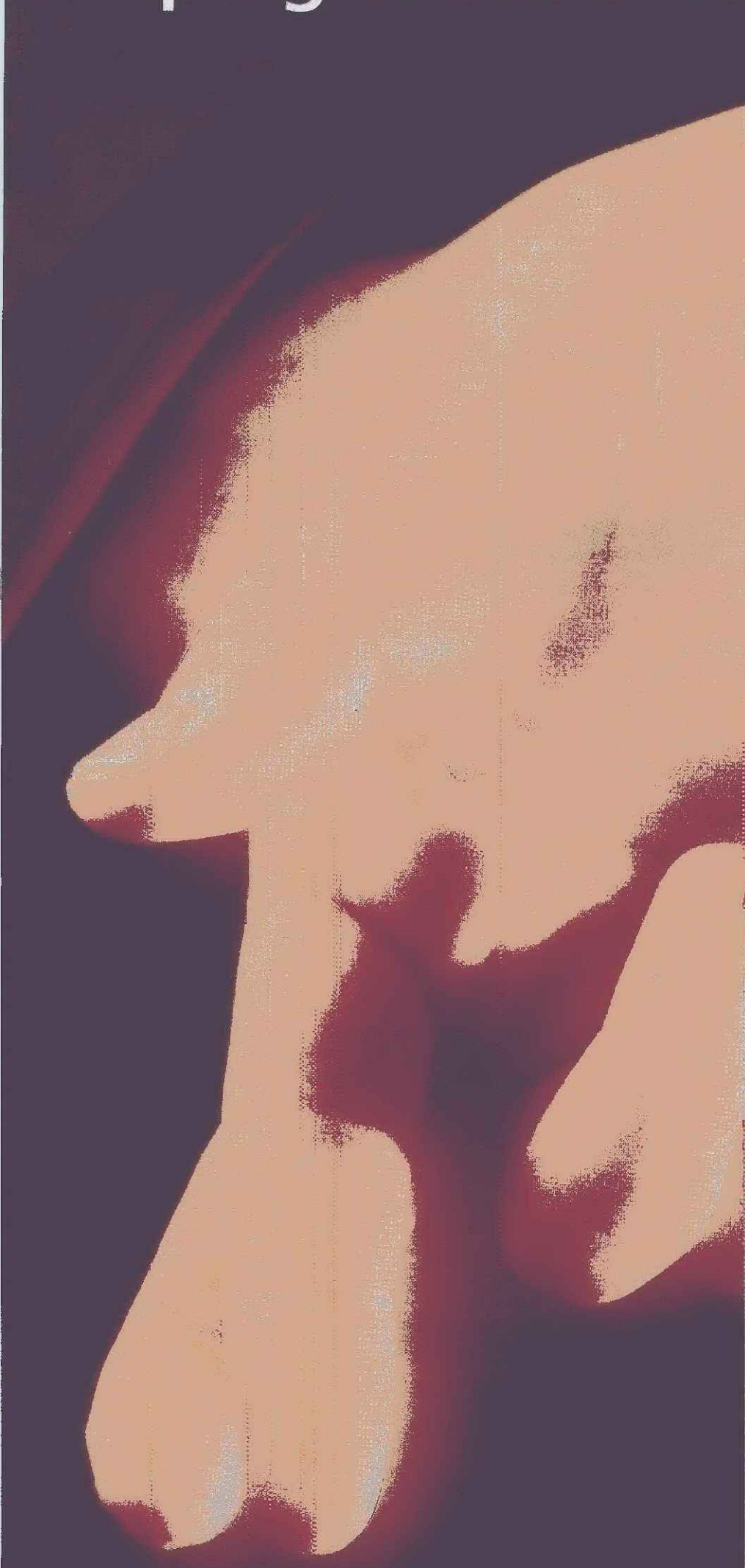
Locations: Administrative/consulting offices in Boca Raton, Fla.; Farmingdale and Springfield, N.J.

Charges: Determined by number of participants, frequency valuations.

Continued on page 28

If your company provides 401(k) administration services on an unbundled basis and you were not listed in this directory, please contact Matt Scroggins at 312-649-5483 to receive a questionnaire next year.

Hoping to reach top decision-makers?



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Continued from page 26

Contact: Elise Feldman, president or Sharon F. Bimbaum, vp.

Findley Davies Inc.

300 Madison Ave., Suite 1000,
Toledo, Ohio 43604-1596;
419-255-1360; fax: 419-259-5685
http://www.findleydavies.com

Staff

Total	79
Involved in 401(k) plan services	17

Clients

Total	180
Receiving unbundled services	180
Average participants/plan	200
Minimum participants/plan	50
Maximum participants/plan	15,000

1997 revenues

Total	$9,296,216
401(k) plan administration	$1,731,270

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include unlimited access to investment options.

Service area: Nationwide.

Locations: Administrative/consulting offices in Cleveland and Toledo, Ohio; Charlotte, N.C.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Robert Rogers, managing principal; Marc Stockwell, Brian Hubbell, Scott Hamner, Gary Thieman, principals.

Contact: John Weber, manager-administrative services group.

Fringe Benefits Management Co.

1720 Gadsden St.,
Tallahassee, Fla. 32301;
800-872-0345; fax: 850-425-6220
http://wwwsupernet.net\~FBMC

Staff

Total	158
Involved in 401(k) plan services	8

Clients

Total	6
Receiving unbundled services	6
Average participants/plan	1,100

1997 revenues

Total	$13,990,149

Software: Record keeping provided by third party, accommodates six investment funds and two types of contributions.

Administration: Cash accounting. Accommodates loan provisions.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity. Consults on employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Tallahassee, Fla.

Charges: Determined by number of participants, assets under management, time/expense.

Officers: Michael Sheridan, CEO; Lorraine Ritch, president; Agnes McMurray, senior vp; William Bishoff, vp/general counsel; Debra Tougas, vp/comptroller.

G

Gallagher ABOW Inc.

1050 Wilshire Drive, Suite 250,
Troy, Mich. 48084; 248-649-1990;
fax: 248-649-4978
http://www.gallagher-abow.com

Staff

Total	100
Involved in 401(k) plan services	36

Clients

Total	200
Receiving unbundled services	200
Average participants/plan	150

Services began: 1986.

Parent: Arthur J. Gallagher & Co.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 26 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include document preparation, coverage, top-heavy and non-discrimination testing, business/plan objectives analysis and employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: A. Peter Knoop Jr., area president; Craig C. Arnold, area vp.

H

HPL&S Inc.

125 S. Wilke Road, Suite 300,
Arlington Heights, Ill. 60005;
847-392-2999; fax: 847-392-1053

Staff

Total	34
Involved in 401(k) plan services	22

Clients

Total	280
Receiving unbundled services	200
Receiving bundled services	80
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000

1997 revenues

Total	$3,180,000
401(k) plan administration	$1,300,000

Services began: 1983.

Software: Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include assistance in selection of investment vehicles and Section 415 coordination with other plans maintained by sponsor.

Service area: Nationwide (primarily Chicago metropolitan area).

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

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Total	7,500
Involved in 401(k) plan services	1,694

Clients

Total	164
Receiving unbundled services	77
Receiving bundled services*	87
Average participants/plan	14,390
Minimum participants/plan	3,000
Maximum participants/plan	Unlimited

1997 revenues

Total	$708,900,000

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include benefits center, employee communications services, interactive communications, check writing, administrative documentation, form design, administrative audits, discrimination testing, plan/participant information via Internet/intranet.

Service area: Nationwide.

Locations: Administrative/consulting offices in 28 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under manage-

Continued on page 30

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BI #1

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Mergers & Acquisitions

Looking beyond the numbers

Inside:

Overlooking a deal's non-financial aspects can be a costly mistake page 28B

Agency perpetuation requires succession planning page 28H

Partnership with a bank yields a big payoff for formerly independent agency page 28I

Basing a deal on numbers only could be costly

By SALLY ROBERTS

In an era of consolidation and depressed pricing, many insurance agencies are lured into the merger and acquisition frenzy by the prospect of impressive growth opportunities.

However, agency consultants and veteran agency executives offer a warning to overzealous agencies with dollar signs in their eyes. If those agencies don't look beyond the numbers in the beginning, they will more than likely end up making a bad deal that will cause headaches and cost time and money in the end.

While the financial aspects of a merger or acquisition are critical, experts stress that a host of other aspects must be addressed. Such qualitative aspects include the compatibility of both companies' staff and cultures, as well as the books of business, the agency management systems, potential errors and omissions liability problems, insurer representation, collection practices, client lists, in-house service capabilities. The list goes on.

Due diligence may seem like common sense, but in far too many cases these issues are not adequately addressed, agency consultants say.

"We see it in a number of situations," said Bill Weiland, managing director at Hales Group, an Oak Park, Ill.-based consulting firm that advises agencies making mergers and acquisitions. "One thing we attempt to do is to make sure the two firms understand all the non-financial aspects of the deal so there are no surprises after the fact," he said.

"A lot of times, the buyer and seller are too far down the road with the financials before they talk about the cultural fit," Mr. Weiland said. "We are called in on situations to help unwind deals" that turn out to be a poor fit culturally he said.

According to Timothy J. Cunningham, a principal in the Chicago office of Insight Management Group, a consulting firm that also advises agencies on merger and acquisition deals: "In 90% of the cases where deals go bad, more often than not, it is because the acquirer failed to look beyond the numbers."

"It happens far too frequently than it should," and the hazard is that "if you do a mediocre or a bad deal, it will linger and can become an albatross around your neck," Mr. Cunningham said.

Agency principals are typically good salespeople, and good salespeople are eternal optimists, Mr. Cunningham said. They think they can solve any problems. "Agents tend to think that just by maneuvering the price they can make it good. The reality is, junk is junk."

One of the biggest mistakes agencies make when trying to make a deal is "not looking at all the aspects of the deal. . .not stepping back and looking at it as a business deal rather than an emotional deal," agreed Vernell Hogan, an agency management consultant in Virginia Beach, Va., for the Independent Insurance Agents of America Inc.

"Agents tend to rush into it too quickly before getting to really know each other and the agency's book of business and how that will all fit into the existing agency," she said.

Ms. Hogan travels around the United States advising independent agents on the various components used to determine the value of an agency. As part of the IIAA's Best Practices workshop series on "Maximizing Agency Value," Ms. Hogan compares two fictional agencies with the same income and year-end expenses and shows how non-financial factors can adversely affect the true value of an agency.

"Agents need to recognize that there are so many people and cultural issues that can either make or break whether a merger or acquisition works out," she said.

In Mr. Cunningham's experience, most of the non-financial issues that arise are people-related, he said. So, when he is advising an agency on a potential deal he will first get all the numbers and then look for "pockets of vulnerability" by interviewing a cross-section of both firms' employees to discern compatibility, he said.

Mr. Cunningham also recommends psychological testing of a random sample of employees at both agencies to discern the

See **Fit** *on page 28D*

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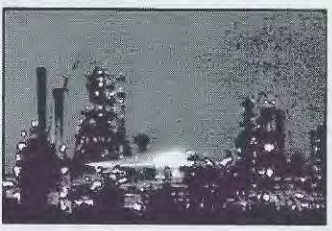

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Fit

Continued from page 28B

compatibility level of the whole firm, of various departments or of producers.

Veterans of agency acquisitions agree that while the financial aspects of a deal are very important, a host of non-financial issues should be addressed before any acquisition is made. Most of these agencies have learned about various pitfalls to avoid and offer agents some sound advice.

"The numbers don't tell any of the story at all," said Richard Price, president of Mesirow Insurance Services Inc. in Chicago. "A cultural fit is absolutely essential."

Mr. Price learned the importance of this about three years ago when Mesirow acquired an agency in Elgin, Ill., with the goal of expanding Mesirow into the city's outlying area.

After a year and a half, "we knew we could not take this organization and make it a part of Mesirow," Mr. Price said. So the agency developed an exit strategy and later sold that agency to another local agency. Mesirow has since acquired an agency in Oak Brook, Ill., for the same geographical reason, but this time "we used what we learned in the Elgin agency" and made sure ahead of time the two firms culturally fit, he said.

Since December 1984, Mesirow has made 18 acquisitions. It reported $24 million in 1997 revenues.

There are two components to a deal, the business/financial component and the cultural component, and neither one should be overlooked, advises Glenn Horton, president of the Horton Insurance Agency Inc. in Orland Park, Ill. Horton Insurance Agency had 1997 revenues of $10 million and has made six acquisitions in the past three years.

"A deal that overlooks the cultural component is going to be bad for that reason, and a deal that overlooks the financial component will be bad for that reason," he said.

Agents looking to buy another agency need to size up the cultural and financial parts of the deal and be realistic, Mr. Horton said. "Don't get caught up in deal fever."

Marc E. Zanger, chairman and chief executive officer of The BGS&G Cos., a Cumberland, Md.-based agency with $14.7 million in 1997 revenues, said: "The most successful acquisitions are acquisitions where the principal owner has recognized the same things we recognize. They fit into our system."

BGS&G, which has made 15 acquisitions in the past 10 years, offers property/casualty and benefit services to clients in second-tier cities, or markets slightly smaller than the largest cities. "We're looking for agencies that will help leverage our strength," Mr. Zanger said.

In addition to size and location, a good acquisition candidate also has a solid balance sheet, a diverse book of business and a propensity for keeping key people. It is therefore important to Mr. Zanger that the principal owner's motivation for selling the agency is not to exit the business.

"If you take the seller's reason for selling at face value, you can make a mistake," Mr. Zanger warned. Get to know the owner well enough to know why he or she is selling, he recommends.

One of the biggest pitfalls in buying another agency is poor due diligence, according to Mr. Zanger. For example, he said BGS&G discovered after one acquisition that the agency owner didn't own all of business that Mr. Zanger thought BGS&G was buying.

Mr. Zanger also advises agencies to develop good assimilation plans and communicate those plans prior to finalizing a deal. For example, issues such as what the merged agency's name will be and how the new agency's employees will fit into the existing workforce need to be addressed ahead of time, he said.

Tim Korman, executive vp-finance and administration at Hilb, Rogal & Hamilton Co. in Glen Allen, Va., which has made more than 160 acquisitions in the past decade, also stresses the importance of communication between the two parties before any deal is reached.

One issue for HRH is the fact that it is a public company and it generally buys smaller, privately owned agencies, Mr. Korman said.

"We've learned to have lots of communications" about expectations of new agency principals who have never had deadlines to report numbers before. "It's a difficult transition to make," according to Mr. Korman.

It also is important to discuss benefit plans and be very clear with employees about what is going to happen to their benefits, so there are no big surprises, Mr. Korman added.

For Dick Meador, president of E.W. Barger & Co., an agency based in Waynesboro, Va., with $4.7 million in 1997 revenues and that has made six deals in the past 15 years, it is imperative to analyze a prospective agency's book of business.

"Look more closely at the book of business," Mr. Meador advised. Look at what the actual businesses are that make up that book, how the agency conducts its business, what the loss ratio is, and the payment and collection history of the agency.

Agents will look at the financial aspects of a potential deal and see how it will help profits, but they don't always look at how it could hurt profits, Mr. Meador said. "It's not just about buying numbers." BI

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Agents can find opportunities in PEOs

By JOANNE WOJCIK

Independent agents shouldn't feel threatened by the growth of employee leasing, because the phenomenon presents significant opportunities, experts say.

In some cases, insurers, having either acquired or launched an employee leasing company of their own, are using their existing agency force to market these new products to their small and midsize employer clients.

In other cases, employee leasing companies are contracting with independent agents to sell their professional employer organization in addition to the agents' standard insurance products.

Some agents also may be able to market employee benefit and property/casualty coverages to PEOs themselves.

And entrepreneurial agents may find that rather than trying to beat PEOs, they'd be better off joining their ranks by forming PEOs of their own.

"PEOs are constantly butting heads with agents trying to talk their customers out of using PEOs," observed Judith H. Newman, a consultant with Phase II Consulting Inc. in Fort Myers, Fla. She spoke at last year's annual conference of the Independent Insurance Agents of America Inc.

Unlike agents that sell personal lines coverage, "agents that write primarily workers compensation and/or employee benefits are most likely to feel the impact of PEOs," Ms. Newman said.

"Independent agents need to understand that PEOs are not going away," she noted. "They've barely scratched the surface of their potential."

But rather than feeling threatened by them, agents should look for the income opportunities PEOs present, said Ms. Newman, who advises independent agents on expanding their businesses.

"Independent agents have a number of options," she said.

For example, "an agent can align with a PEO to control the business. This is how CNA is selling UniSource to its agency force. They're meeting with agents to persuade them to steer clients looking into employee leasing toward UniSource."

Indeed, "for a few years, agents complained about losing work comp business to the PEO industry," said Daniel A. Cacchione, senior vp-marketing for CNA UniSource in Chicago. "We also had a unit within CNA that was providing products and services to the PEO industry.

"So we thought we should take a look at the industry to see if it was a fad or a trend," he recalled.

After researching the employee leasing phenomenon, CNA's top brass determined it was a legitimate business with tremendous growth potential, according to Mr. Cacchione.

"We decided the best thing we could do for ourselves was to become a PEO," he said. "So we launched CNA UniSource" in September 1997.

CNA UniSource encourages agents with CNA appointments to host seminars for their small and midsize employer clients to introduce them to the employee leasing concept, Mr. Cacchione explained.

"Property/casualty agents with CNA licenses are our primary sales force," he said. Agents who sign a marketing agreement with CNA UniSource attend a four-day "qualification" course where they are trained to sell the product. Their compensation is based on the number of PEO services clients buy.

So far, half the agents who have been approached by CNA UniSource are contracting to sell the PEO because they realize it can be a moneymaker for them, Mr. Cacchione said.

The compensation is roughly the equivalent to that of a property/casualty sale, according to Mr. Cacchione, but the agent's take can be higher because CNA UniSource—not the agent—provides the service after the sale.

"Since a lot of agents do a lot of service on the accounts they sell, it costs them time" for which they are not compensated, he explained.

The PEO also adds to the cache of products and services agents sell, he said.

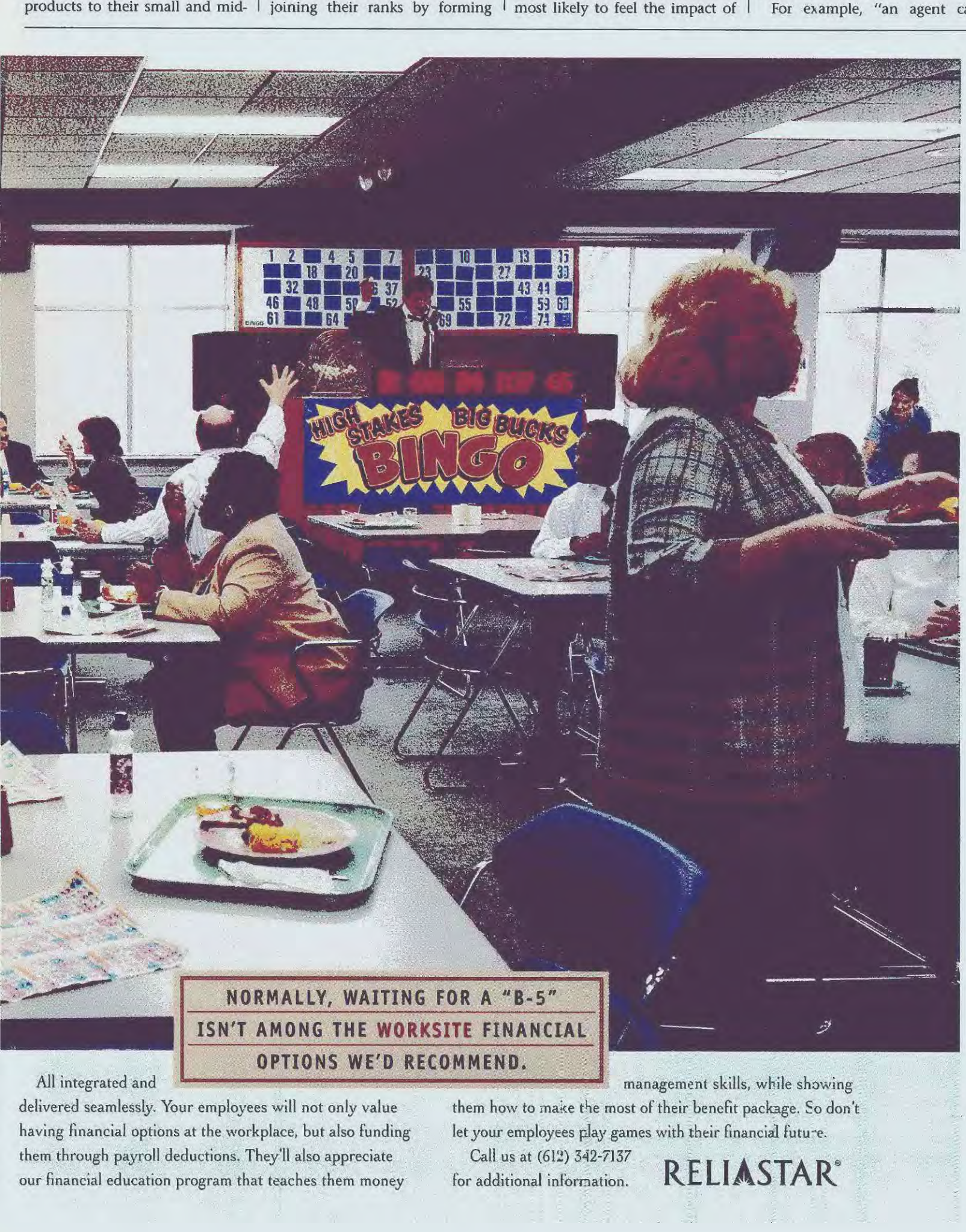
"Many agents either sell property/casualty or group," Mr. Cacchione explained. "Now they can sell both without having to get licenses to sell other lines of coverage."

Besides CNA UniSource, other PEOs not affiliated with insurers also are approaching independent agents, recognizing that they can provide an easy entry into the employer marketplace.

Extensis' only distribution is through independent agents, according to John Gerhab, president of the Woodbridge, N.J.-based PEO.

Generally, PEOs use one of three

See **PEOs** *on page 28F*



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Continued from previous page

types of distribution methods, he explained.

"They can go direct to the client, they can go direct with lead generation from independent agents, or they can use independent agents exclusively," as CNA UniSource and Extensis are doing, Mr. Gerhab explained.

Coincidentally, Extensis was formed by a group of investors led by Richard Augustyn, a former independent insurance agent from New Jersey, he said.

"He lost a lot of accounts to PEOs," Mr. Gerhab recounted. "He tried to find affiliations, but he didn't find them."

Usually the PEOs wanted only a one-time connection, using the agent's client list for leads but no continuous role, he said.

Mr. Augustyn "decided no PEOs understood the agency distribution system, so he designed a company with agents in mind," Mr. Gerhab explained.

"Many agents are struggling as a result of the soft market," observed Mr. Gerhab. "This gives them a product to sell besides insurance."

Furthermore, agents often wear two hats when dealing with employer clients. In addition to serving as brokers of insurance, they often are asked to provide advice on other business issues, such as risk management and human resources management.

'Many agents are struggling as a result of the soft market,' says John Gerhab of the PEO Extensis. 'This gives them a product to sell besides insurance.'

Unfortunately, "most agents find it difficult to make the transition to consultant from broker," observed Rich Manners, director of the strategic development group for Staffing Concepts Inc., a Tampa, Fla.-based PEO that has been marketing through insurance agents for more than five years.

"We ask them to assess their clients' needs" and determine whether it would be more cost-effective to lease their employees from Staffing Concepts, he explained.

"In some cases we offer compensation on a commission basis; other times we may just get referral business," with the agent serving as the insurance arm of the PEO by continuing to broker coverage on behalf of the employer, he said.

NovaCare Employee Services Inc. in Norristown, Pa., is considering using insurance agents to enhance its growth, said Loren Hulber, president and chief executive officer.

"We think there's a natural affinity (for PEOs) to act as a distribution channel for other insurance products to employers and employees, so we're talking about partnerships with financial services companies' and their distributors," he said.

Agents selling Extensis' PEO are compensated on a commission basis according to how many products and services are sold to the employer. For example, the agent earns more if he or she sells the employer a retirement plan and human resources services in addition to workers compensation and group health insurance, Mr. Gerhab explained.

Affiliating with Extensis also provides some cross-selling opportunities for independent agents, according to Mr. Gerhab.

"The typical property/casualty agent doesn't cross-sell effectively," he said. "PEOs offer employees other products not usually available to small employers, such as auto liability or homeowners insurance on a payroll-deduction basis."

The independent agent can sell these coverages to the PEO's employees, he pointed out.

Extensis also offers independent agents additional services, including a loan program and additional errors and omissions coverage, as PEO sales are not covered by traditional agents' E&O insurance, according to Mr. Gerhab.

Rather than selling PEOs in addition to insurance, some entrepreneurial insurance agents may want to consider starting one of their own, suggested agency consultant Ms. Newman.

While some agents may consider purchasing a PEO instead, Ms. Newman said starting a PEO from the ground up has more profit potential.

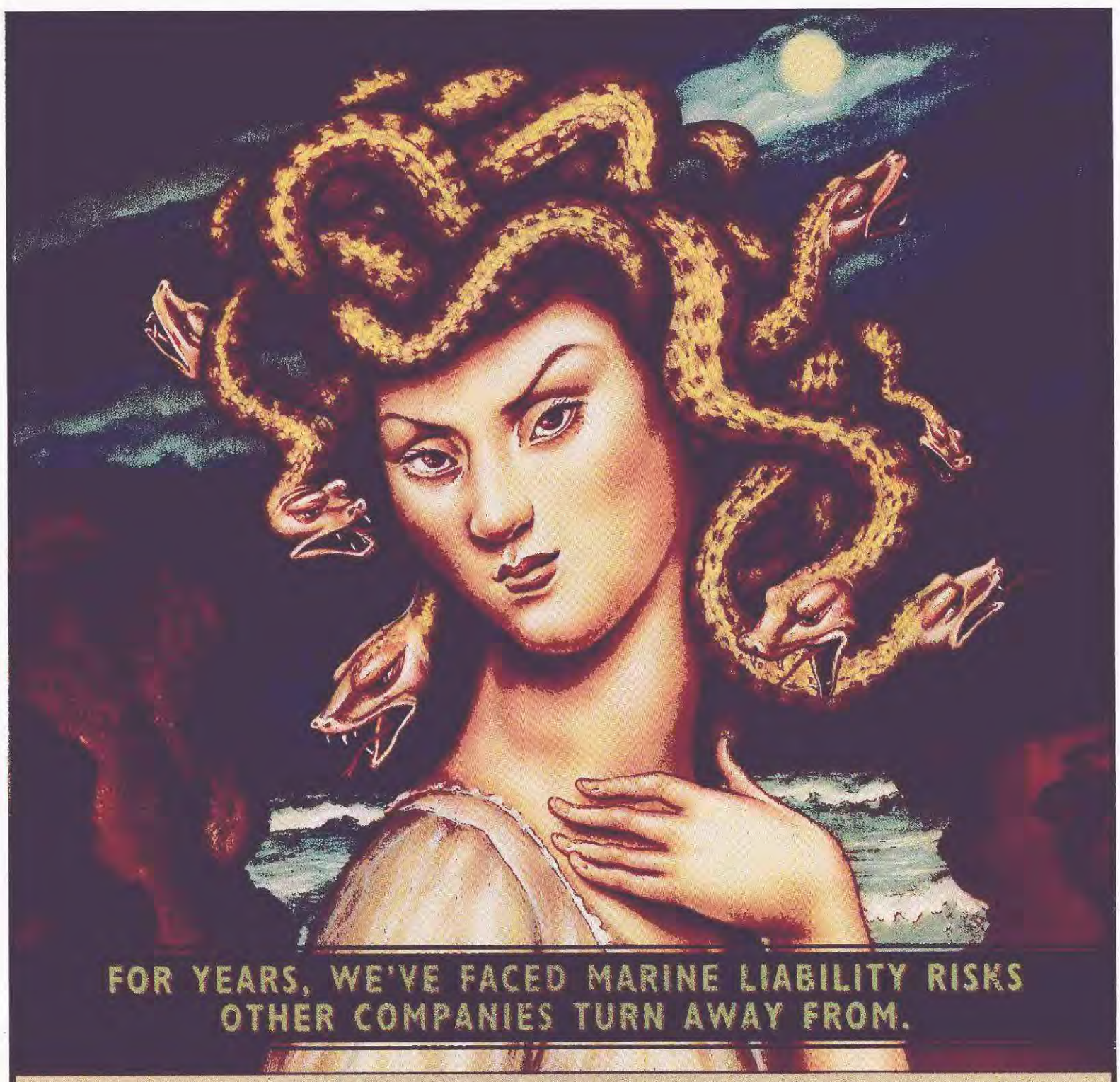
"When you buy a PEO, you usually pay by the employee," she explained. "The price can range from $500 to $5,000 per employee or more depending on the size of the PEO. But you'll never make enough money off the commissions to pay for that PEO."

"Why not invest the capital and start your own?" she queried. "For a half-million dollars, you can start a PEO and go through a half-year's operations and be money ahead."

Ms. Newman said she is working with one client whose return on investment has exceeded initially calculated projections.

"He'll make back his entire investment in 18 to 24 months," she said.

And, "in three to five years' time, the PEO will be worth twice the value of his agency." BI



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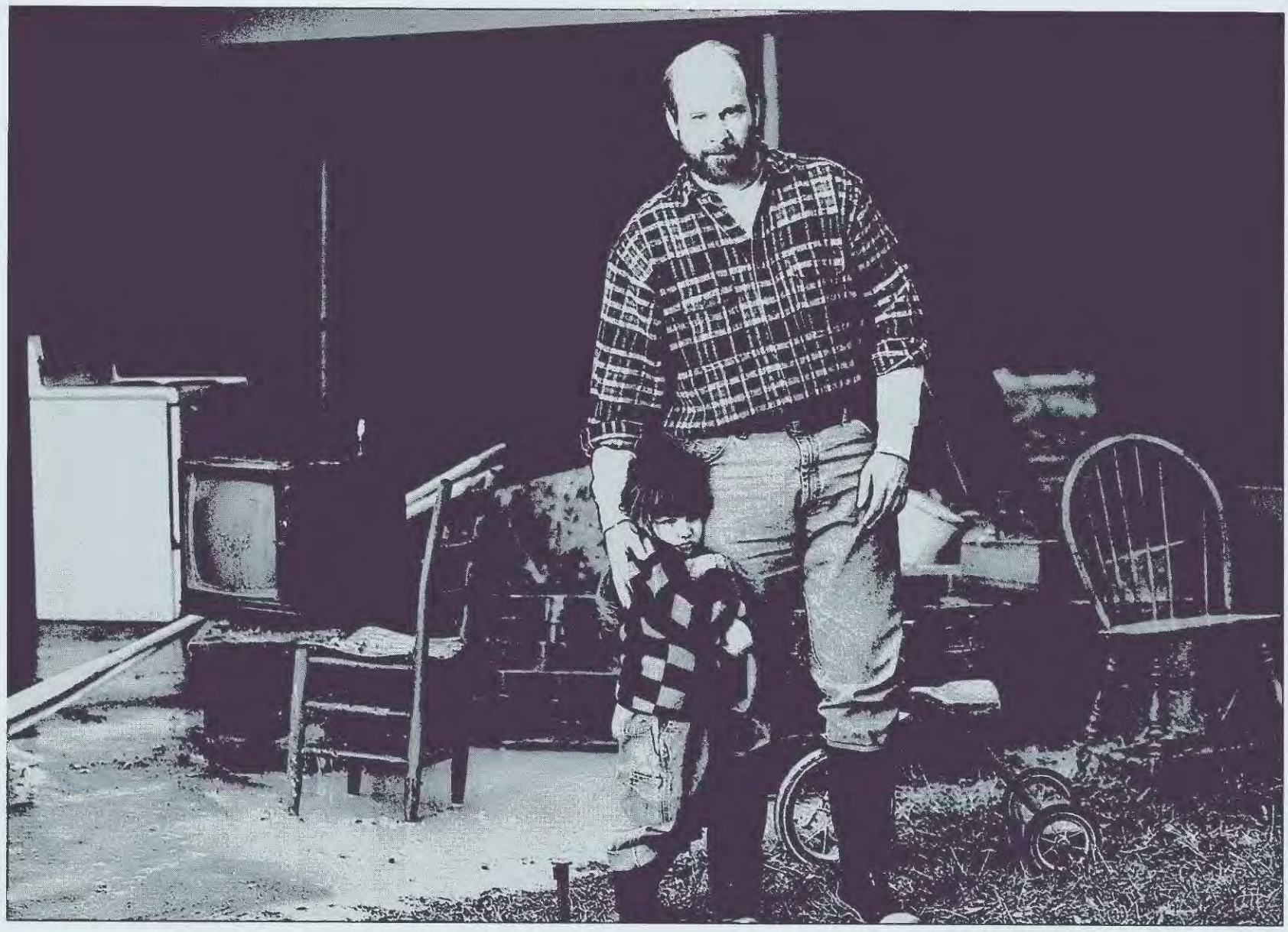

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Agent/Broker Topics

People, plan can help retain independence

By MICHAEL PRINCE

If you want to perpetuate an insurance agency, think of the two "P's": people and a plan.

By focusing on developing the next wave of leaders and implementing a transition plan, agencies can pass along ownership internally and keep an agency alive and independent, experts said.

The number of independent agencies in the United States has been dropping, as many small agencies have not made the necessary plans and either closed or sold to larger agencies, brokers or banks. An estimate conducted by Marsh, Berry & Co., an agency consulting company in Concord, Ohio, says the number of independent agencies, excluding the smallest ones, has dropped to about 20,000 from about 35,000 in 1992, and that number is expected to drop further.

"I think perpetuation is the Achilles' heel of the agency system," said Walker Sydnor, president of Scott Insurance in Lynchburg, Va.

A number of factors have caused this decline, consultants and agents said.

Agencies must become larger in order to satisfy the requirements of insurers to generate a minimum volume of business. Otherwise, insurers will drop them.

"So there's a motivation to get larger," said Bobby Reagan, president of Reagan & Associates, an Atlanta-based insurance consulting firm.

If an agency gets dropped by some insurers and conducts business with just a handful, it no longer is viable and must be sold or merged.

"This is the biggest problem with the small agency," said Sharon Cunningham, president of Business Management Group, an insurance consultant in Hartford, Conn.

"Their perpetuation plan is to sell," she added.

Numerous potential buyers now exist for small agencies. Both regional agencies and large national ones look to expand through acquisitions, and banks increasingly are purchasing agencies.

But often, small agencies sell only because no other options exist.

"Most agencies would like to perpetuate within, to keep it going," said Donald Weber, president of Shoemaker-Weber Inc., an insurance agent/broker consulting company in Pismo Beach, Calif.

Another issue confronting small agencies is the Year 2000 computer problem, Ms. Cunningham said. She estimates that 40% of the agencies' computer systems are not Year 2000-compatible, and a new system can run up to $50,000 or $100,000, an amount too high for a small agency. This will lead to more consolidation of agencies, as some will sell rather than buy new systems, she explained.

For those agencies that wish to remain on their own, thinking ahead and implementing a succession plan years before the principals want to retire will help make the agency strong and independent.

The two most important aspects of perpetuation are choosing a group of key employees for succession and developing a buyout plan.

To perpetuate, you need a team of people "who are capable of taking the agency into the future," Mr. Reagan said. "If you don't have the people, anything else you do is not going to be of much benefit."

A strong staff is the agency's major asset, he added, and whether it's sold internally or to an outsider, having a strong staff will increase the value.

Mr. Weber advised agencies to choose their next groups of leaders and put them through a leadership program. Such program would include not only hands-on experience on the operation of the agency, but formal education on management and finance.

"By going through the program, they will be prepared to take over when it's time," he said.

Because this learning process takes time, agencies have to implement it years before the transition is to take place. "If they haven't started perpetuation planning early enough, they can't pull it off," Ms. Cunningham said.

A plan also needs a funding mechanism. One way is to take out a life insurance policy on the principal owner with the successor named as beneficiary. When the owner dies, the successor has the money to buy the agency from the owner's estate.

Another way to fund the sale is through a multiyear payout plan. This can be necessary because few internal owners have the cash to buy out the owner, and banks are reluctant to lend money to buy a service business. In such a situation, the buyers pay the sellers from the cash flow of the agency.

This is risky for the seller, as the agency must maintain its level of revenue to finance the purchase. If one person owns the agency, its cash flow rarely will cover the payments for a purchase, almost forcing a sale to an outsider. To avoid having to make payments that reflect the entire value of the agency at once, early planning is necessary to gradually reduce the amount held by one owner and distribute it to others within the

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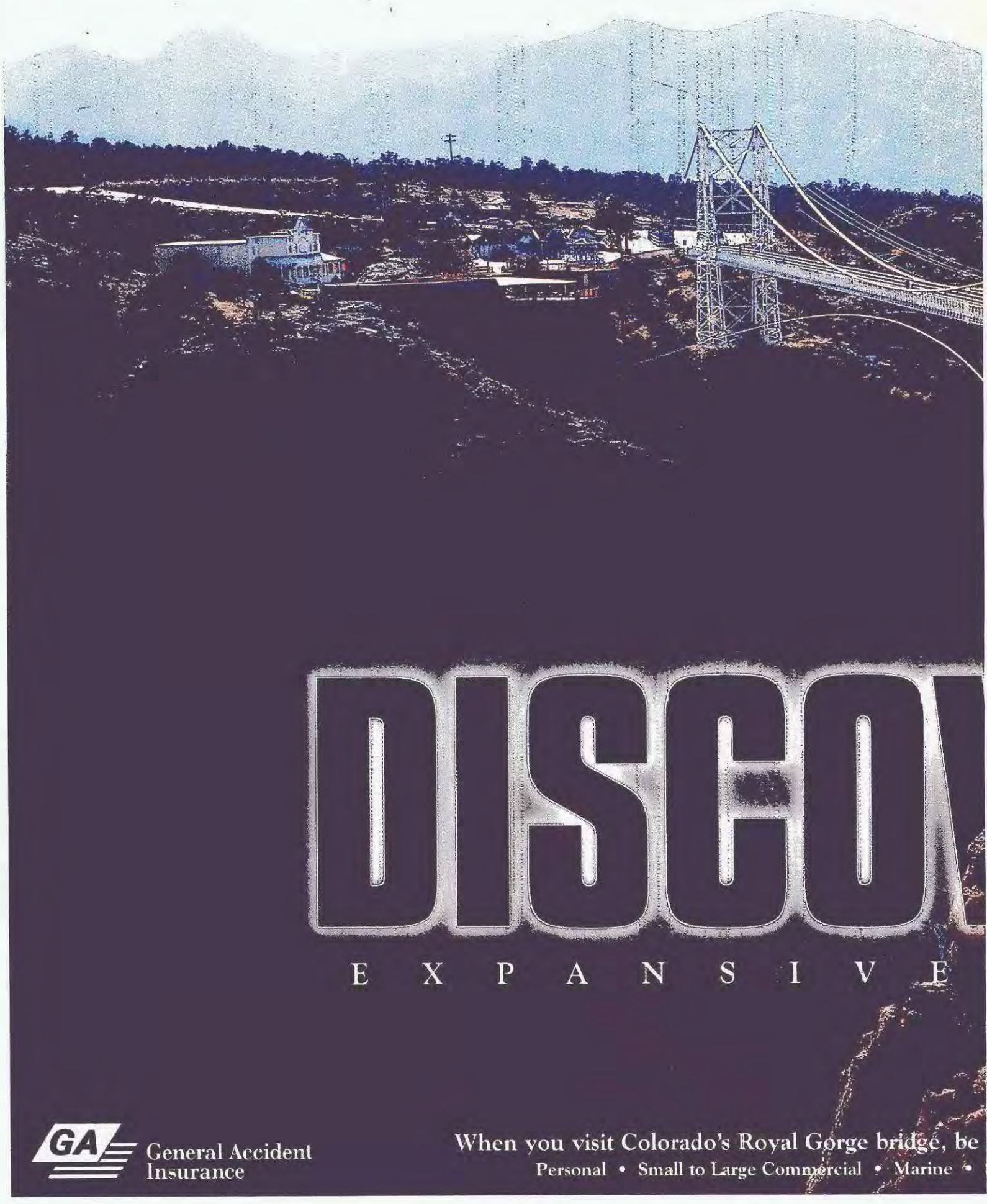

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agency so that all of the ownership interest is not being sold simultaneously.

One popular way to accomplish this is through an employee stock ownership plan. In an ESOP, the ownership is gradually passed on to all the agency's employees. The goal is to "get the fruits of ownership in the hands of many and not just a few," said Mr. Sydnor of Scott Insurance. His agency implemented an ESOP in 1975.

The ESOP works by making annual deposits into each employee's account, up to 25% of the employee's pay. This money accumulates, and when a stockholder leaves the company or retires, that person sells his or her shares back to the ESOP. As people leave, the shares get recycled from the departing employees to the remaining ones. At present, 82% of the Scott agency's stock is held by the current employees in the ESOP, Mr. Sydnor said. In addition, recently the agency has been distributing dividends to the employee shareholders, providing them an additional benefit from owning shares.

But the main benefit of ownership is sharing in the increased value of the agency. If the agency does well, the value of the stock increases, and the employee will receive more money for it when leaving the company.

"It's an appreciating asset," he said. If the agency performs poorly, however, the value of the shares might drop.

Another benefit of an ESOP is the tax advantages. The money deposited in the ESOP is tax-deductible to the agency, while not being taxable income to the employee, and the stock appreciates tax-free to the employees as well. Only when they sell the shares upon leaving the agency do stockholders pay taxes.

These tax advantages are "the real keys why an ESOP is such an effective mechanism," Mr. Sydnor said.

A different perpetuation approach is under way at Associated Agencies Inc., according to its president and principal, Robert Schrayer.

By the end of this year, the agency plans on having its perpetuation strategy in place. It calls for Mr. Schrayer's son, Max "Skip" Schrayer II, currently an executive vp at the Rolling Meadows, Ill., agency, to one day take over from the senior Mr. Schrayer and assume the majority of the ownership from his father.

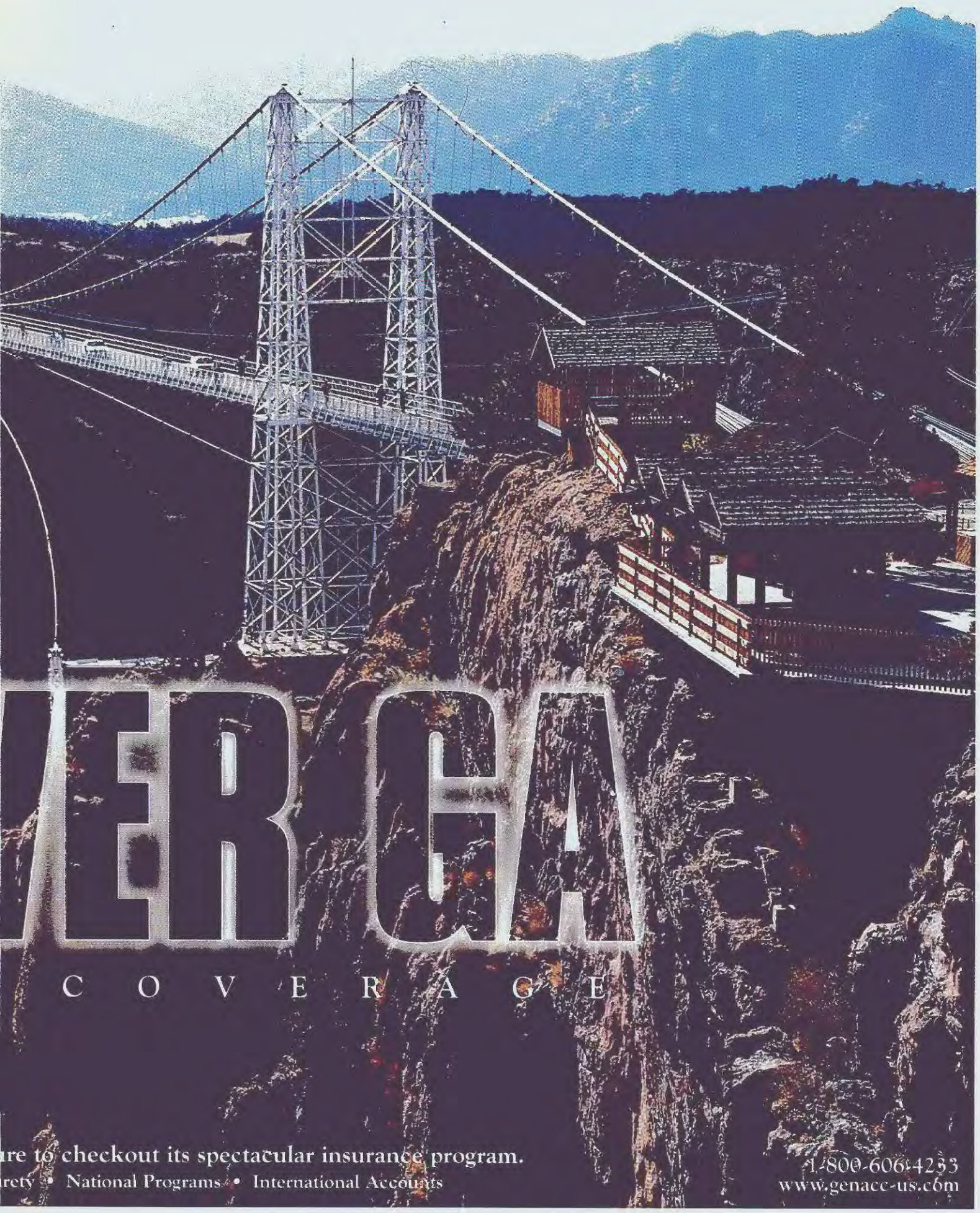
A number of key employees will receive portions of Mr. Schrayer's current 95% ownership of the agency.

Frequently underlying the ways to perpetuate an agency is the desire to see the name live on and remain an operation apart from the industry giants. Those that don't look to perpetuate sometimes just want to sell it and walk away.

"It depends on the interest of the principal, and some principals don't care about the agency as much as others," Mr. Weber said.

Mr. Schrayer said he wants to keep Associated Agencies going because he wants his son and other key employees to continue to work in the same unattached, independent environment he enjoyed.

"We want to continue because we enjoy the business, he said. "We like where we are." BI



Agency finds link with bank beneficial

By AMANDA MILLIGAN

Come on in, the water's fine.

That's the advice one previously independent agent would give to others interested in partnering with a bank.

Agents, brokers and financial institutions have found themselves in the midst of a sea change since a 1996 Supreme Court decision enabled banks to sell insurance in towns of 5,000 or fewer residents. Following the high court's ruling in *Barnett Bank of Marion County, N.A. vs. Nelson, Florida Insurance Commissioner*, financial institutions that had been barred from competing with small- to midsize agents are integrating themselves into these markets, often purchasing the independent agencies for their expertise.

One such agency was DeJarnette & Paul, a Richmond, Va.-based independent that employs more than 35 people. Four months ago, DeJarnette & Paul was bought by Branch Bank & Trust Insurance Services Inc., the 2-year-old insurance subsidiary of BB&T Corp., a bank holding company headquartered in Winston-Salem, N.C. From 1922 to 1996, BB&T Insurance Services Inc. had operated as part of the bank. BB&T Insurance Services Inc. ranked 30th last year in *Business Insurance*'s annual listing of the 100 largest brokers of U.S. business (*BI*, July 21, 1997).

"We had never really thought about selling to a bank," said Walter S. Robertson III, who was formerly president of DeJarnette & Paul and is now senior vp of BB&T Insurance Services/DeJarnette & Paul and regional agency manager for Virginia for BB&T Insurance Services.

Initially a staunch advocate that the 99-year-old agency remain independent, Mr. Robertson said the *Barnett* decision

See **Banks** *on page 28*

Banks

Continued from previous page

opened up opportunities that could only benefit his agency, and a sale to BB&T allowed the agency to remain autonomous.

"It looks like a lot of the future is in co-oping with a financial institution," he said. "We've got more excitement here, and I didn't think that was possible," Mr. Robertson said, adding that his agency "didn't want to crush the entrepreneurial spirit and spring in our step."

Because of the acquisition, DeJarnette & Paul has grown from two offices in two states to 30 offices in the tri-state area of Virginia and North and South Carolina. The agency, which generated $4 million in revenue last year, places about 80% property/casualty business. BB&T Insurance Services/DeJarnette & Paul focuses on various lines, including professional liability, aviation and construction. The acquisition allows the agency to "export some of its expertise through other (geographical) areas," Mr. Robertson said, which he anticipates will fuel its growth.

Internal growth and acquisition are two of the strategies used to grow BB&T Insurance Services/DeJarnette & Paul. Last month, the agency acquired W.C. Brown, a Roanoke, Va.-based agency that specializes in personal lines.

'It looks like a lot of the future is in co-oping with a financial institution,' says Walter S. Robertson III.

BB&T Insurance Services/DeJarnette & Paul is also using its alliance with the bank to expand its customer base. By closely working with bank lending officers, the agency is able to address the insurance needs of the bank's customers.

According to Mr. Robertson, the relationship with the parent company enables DeJarnette & Paul to ask, "Can they introduce us to their top customers and can we introduce them to our top customers?"

Another perk to the acquisition for DeJarnette & Paul was improved access to larger insurers. These insurers, Mr. Robertson said, were very receptive to the sale, seeing it as an opportunity. "We didn't have a negative comment," he said.

Beyond sharing certain functions such as payroll and human resources, BB&T Insurance Services/DeJarnette & Paul still operates as if it were the independent agent it was four months ago. Mr. Robertson said no hands-on intervention occurs from the bank on a day-to-day basis. He said he hopes other banks eager to enter the insurance market take note of the way BB&T respects the differences between the institutions and allows the agency to run itself.

Wade Reece, president of the Raleigh, N.C.-based BB&T Insurance Services Inc., is supportive of a laissez-faire approach to agency management. "We have a very decentralized approach," Mr. Reece said. "When you pick high-quality agencies that are successful, you can trust them to do their jobs."

Building trust and examining the corporate cultures were part of an eight-month due diligence process the two institutions conducted.

BB&T analyzed many aspects of DeJarnette & Paul's financial health, from asset liability and loss ratios to lines of business, growth and production, Mr. Reece said. The acquisition of DeJarnette & Paul expanded BB&T Insurance Services' reach into the Virginia market.

"The combination made a lot of sense for both of us," Mr. Reece said. "Their world is still in the insurance world, which feels like home."

Mr. Robertson also examined the financials of the purchasing agency, met the top management team, toured the facilities and called several insurers.

What clinched his decision, however, was the personal experience of a friend whose agency BB&T acquired in 1996.

David Wells Jr., senior vp at BB&T Insurance Services/Boyle-Vaughan in Columbia, S.C., was president of Boyle-Vaughan when it was sold. Mr. Wells said his agency enjoyed a level of independence after its 1996 sale, and he considers the granting of autonomy a unique attribute of BB&T Corp. "I don't know that all companies are willing to do that," he said.

Although Boyle-Vaughan had operated independently for 70 years, Mr. Wells said he is comfortable knowing his agency has the backing of a strong bank. and he is satisfied with the results of its acquisition.

In retrospect, Mr. Robertson said that he would not have been "so paranoid that selling out was a bad thing." If the goals, corporate culture and values match, then he would encourage other agencies to consider partnering with a bank.

"It's a matter of sharing some numbers and forming some synergies," said Mr. Robertson. "We really had a good feeling about these folks, and it was confirmed by the agency in South Carolina." BI

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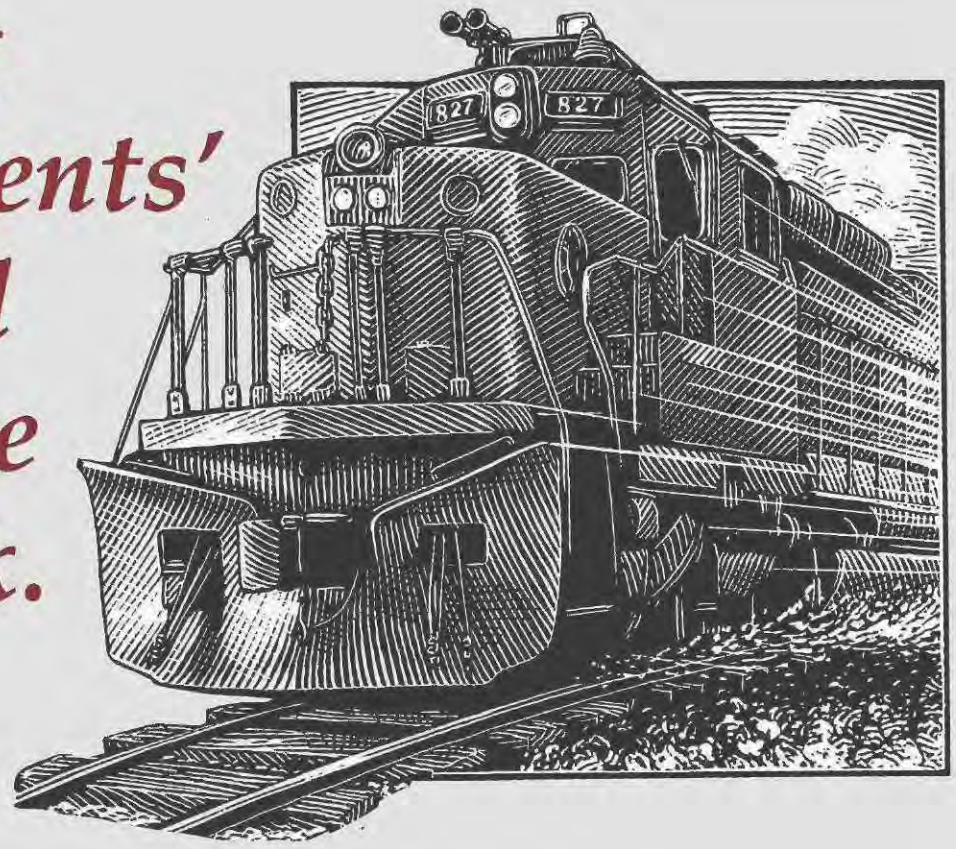

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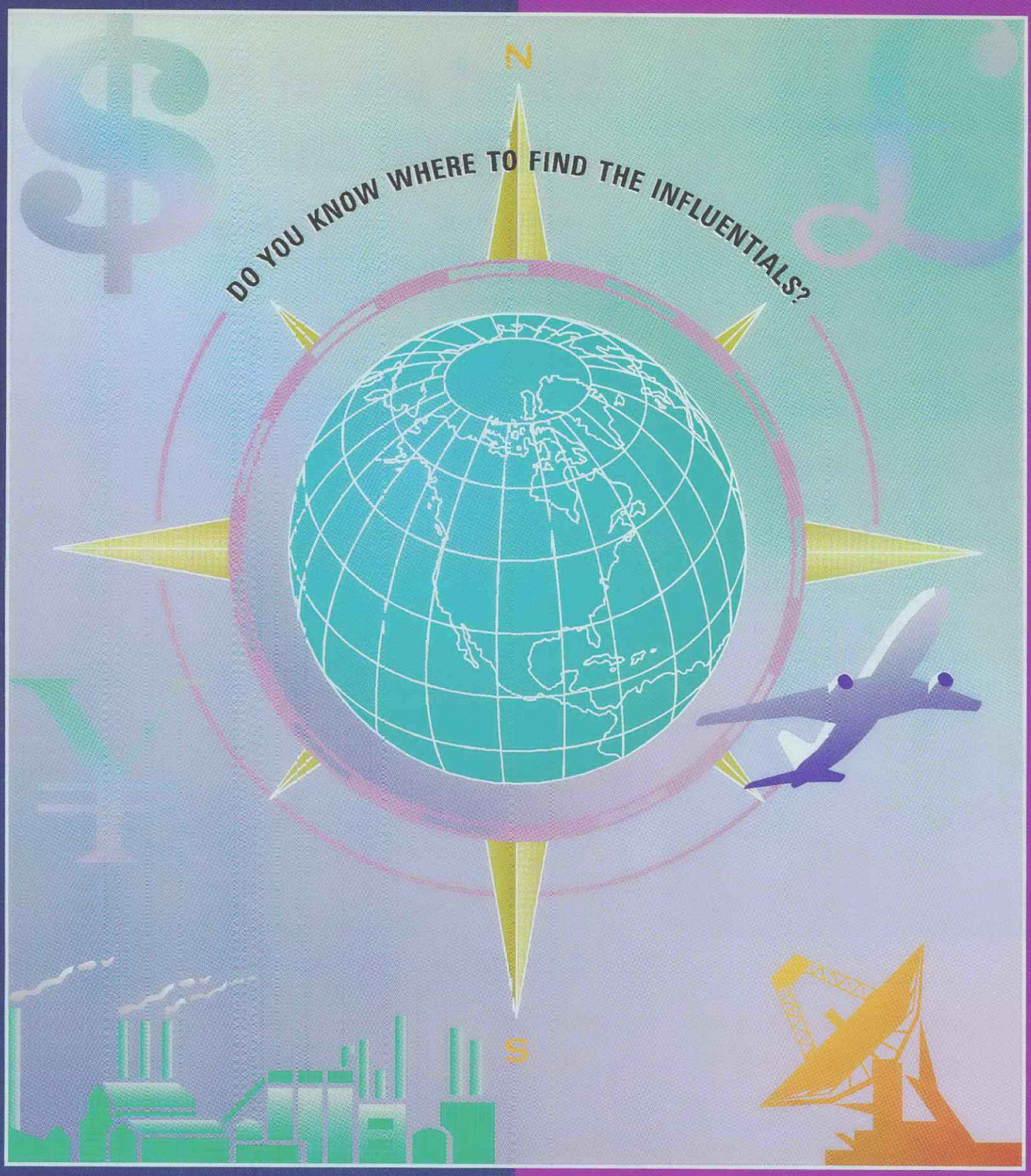

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Smart use of telemarketing a good call for industry

By Jeff Neilson

A/BT Perspective

TELEMARKETING HAS COME a long way since its first application in the insurance industry.

Twenty years ago, there was little established knowledge about telemarketing. There were virtually no technologies, training programs or scripts available to insurance agents or companies. A handful of companies were engaged in market research, through focus groups, and what we now call proactive telemarketing.

The call center itself, as we think of it today, was in its infancy. National Marketing Services, which has helped the property/casualty industry market its products for the past 10 years, initially had trouble persuading large brokerages and insurers to use proactive telemarketing. Today, those same brokers and insurers are our steady customers.

Telemarketing certainly went through many hardships in the early days. Until the right way to conduct effective, ethical and quality telemarketing was found, every mistake in the book and then some was made. However, as the old saying goes, failure is the fertilizer for success. The reverberating success of this newfound technique caught on in the insurance business like wildfire.

Today, no agency, wholesaler, managing general agent or insurer can exist without the power of the telephone. Every business in the insurance industry is truly a call center. I had no idea that call centers would grow to such proportions by today.

Both insurers and agents are hungry for new ways to conduct database marketing and loyalty marketing, service customers and expand their market share. And at the same time, they want to be sure they protect their brand name.

Why? Because it is cost-effective and far more effective than any other form of marketing.

Consequently, the new corporate profit center now is called the call center, be it outsourced or in-house. It ties together all aspects of customer contact in the marketing/sales matrix of any business. No agency or insurer can ignore it: The past 10 years have brought a revolution in telecommunications technology, with predictive dialers, automatic call distribution, call blending, computer-telephony integration and the Internet.

As a result, setting up a call center and running it properly is a complex and time-consuming proposition that needs sales, marketing, customer service and technical shrewdness.

All this technology is funneled into the call center to interact with the customer efficiently and effectively. Thus, the outward drive of your marketing program rests upon the information gleaned from the call center.

Customers do not speak with the executive vp for customer service. They speak with a front-line customer service agent whose training, knowledge and experience are the only things that keep customers coming back.

Should the customer have an unsavory experience, do you really think that customer would want to repeat it? Do you want to rest the future of your business on the hope that you will be granted a second chance? Instead, why not invest your resources in training or outsource these functions to an insurance-specific call center? Advanced technology simply provides them with the tools to perform effectively and has the side benefit of keeping customers doing business with your company, rather than with your competitor's.

The realm of technology has many buzzwords, e.g., skills-based routing, computer/telephony-enabled workstations and servers providing screen pops of information, voice and data integration, Internet callback—the list of these items is continuous.

When you get right down to it, however, all you are doing is providing up-to-the-minute information to the telemarketing representatives dealing with your prospects and customers. This information enables a telemarketing rep to ensure that the prospect or customer has a quick, fruitful and painless interaction with your agency or company.

A prospective customer does not want to be on the telephone while you take an order, handle a claim or are simply gathering policy expiration dates.

Moreover, you do not want to be on the phone with them for a half-hour, because it costs too much.

Whether you are running an agency or insurer, your job through the proper deployment of technology is to make prospects' and customers' interaction simple.

Another important part of any call center is unified messaging, a fact of computer/telephony integration. This spectacular feature lets every single fax, voice mail or e-mail be routed to a single "in" box. All are treated as data files and can be sent as attachments, forwarded to colleague's clients or saved, for example.

Call centers have "screen pop" application. Telemarketers' computer screens receive pop-up displays of information about the person with whom they are speaking. This way, telemarketers know callers' names, why they are calling and their history relative to the business or product about which they're calling.

For example, let's say you are an unhappy customer of Company X. You call in and get an automated attendant that asks you to enter in certain codes and a message with your situation. Your message goes into a queue, and by the time the telemarketer answers your call, he or she is answering the call by your name and knows your problem before you say hello back.

See **Automate** *on page 28N*

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Automate

Continued from page 28L

In fact, this application is just as strong for inbound sales. Every agency, brokerage and insurer can implement this call center application. The essential questions to ask before the implementation are: Is it cost-effective, and what is gained?

Add the growing predominance of the Internet, and agents, brokers and insurers have a whole new way for their markets to reach them. You can safely assume that if people take the time to surf your World Wide Web page to check out your agency's or company's offerings, they're interested. It is in your best interest to provide a direct and immediate channel to your company for those potential customers.

People buy when they're ready, not when you're ready to sell to them. If the urge to buy hits them while on your Web page, but they still have some doubts, they can click an icon and speak with a live person who can subdue those doubts and perhaps even set an appointment, landing a sale.

If you do not have this technology in the near future and instead provide a slower means of access to your company, your potential customer might become your competitor's customer. According to the Independent Insurance Agents of America's Best Practices study, the most successful independent agents use direct mail and telemarketing. How will you get the end user to your Web page?

Key questions to ask before implementing a call center application are what is gained and is it cost-effective.

Another sensible use of Internet technology is in the help desk arena. Right now, you employ people, which are your most expensive resource, to handle your tech support. Imagine customers having Web access to a database of solutions through which they could browse on their own.

From a purely mercenary perspective, it costs a lot less to let your customers fix their own problems than calling you and having you fix it for them. Obviously, any Web solution deployed in this fashion must be intuitive and easy to use, or you will create more problems than you solve.

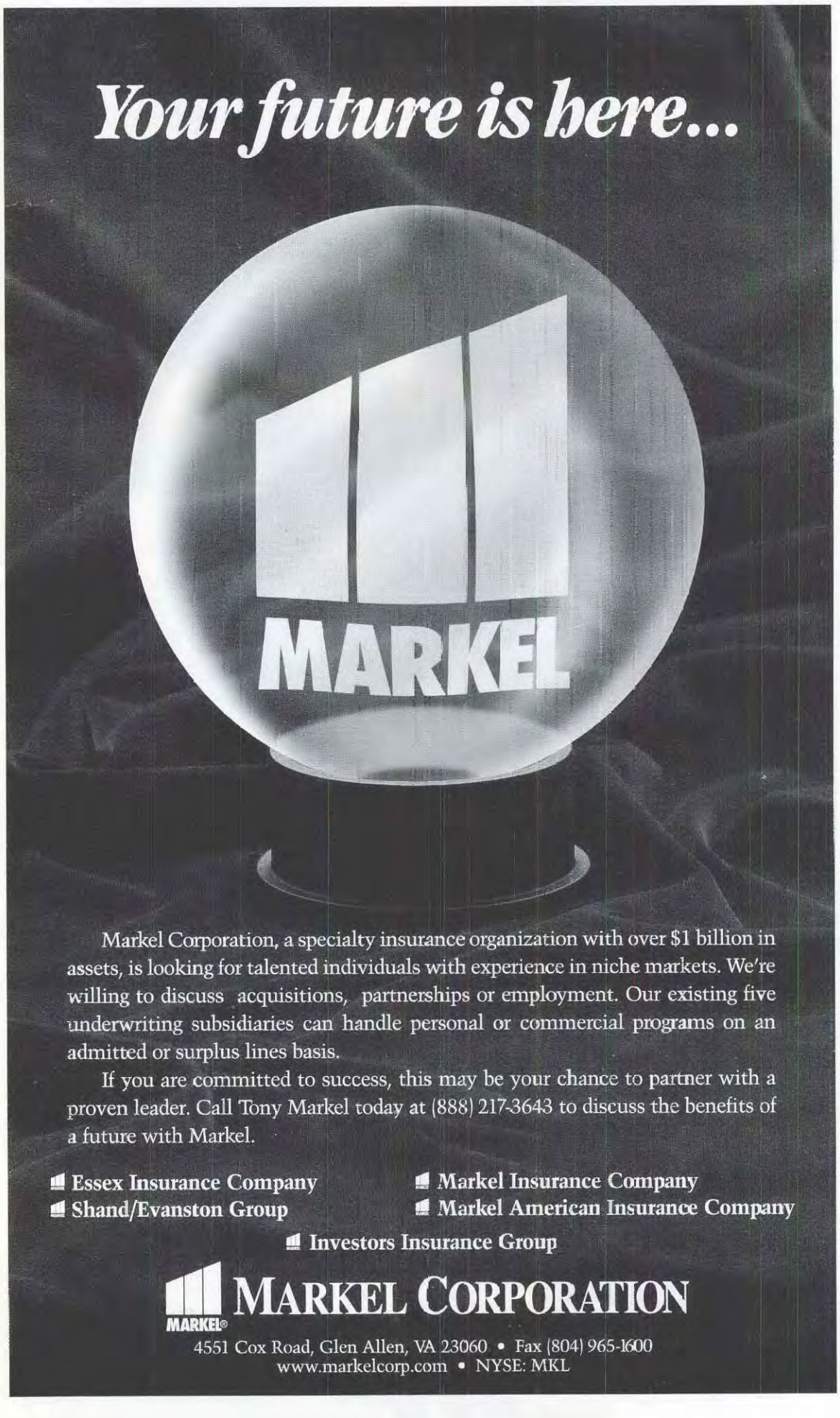
Similar solutions can and are being implemented in such arenas as product inquiry, package tracking and banking inquiries. Don't get me wrong; I'm not saying that sales or customer service is best left to a technology solution.

Because human resources are your most expensive resource, deploy them only in situations where it is warranted. Many sales and customer inquiries can be automated, but there is a limit to self-help functions, and many people are still uneasy about ordering products over the Internet or do not like pushing number after number in an interactive voice-response system. Positive feelings come from human contact.

I firmly believe that to maintain a competitive edge into the next millennium, the insurance industry will need to focus on computer/telephony integration, the Internet, direct mail, video and the call center. The Internet soon will provide abundance to your agency's or company's offerings.

If your firm doesn't have the technology to handle or create a well thought-out marketing campaign or customer service, outsource it. The call center is constantly in touch with the ebbs and flows of the marketplace. The call center will become the acknowledged focal point of your business. BI

Jeff Neilson is co-author of the Commercial Lines Insurance Telemarkeing Guide and executive vp of National Marketing Services, a Laguna Hills, Calif., company whose clients include agents, insurers, professional insurance associations, managing general agents and wholesalers.



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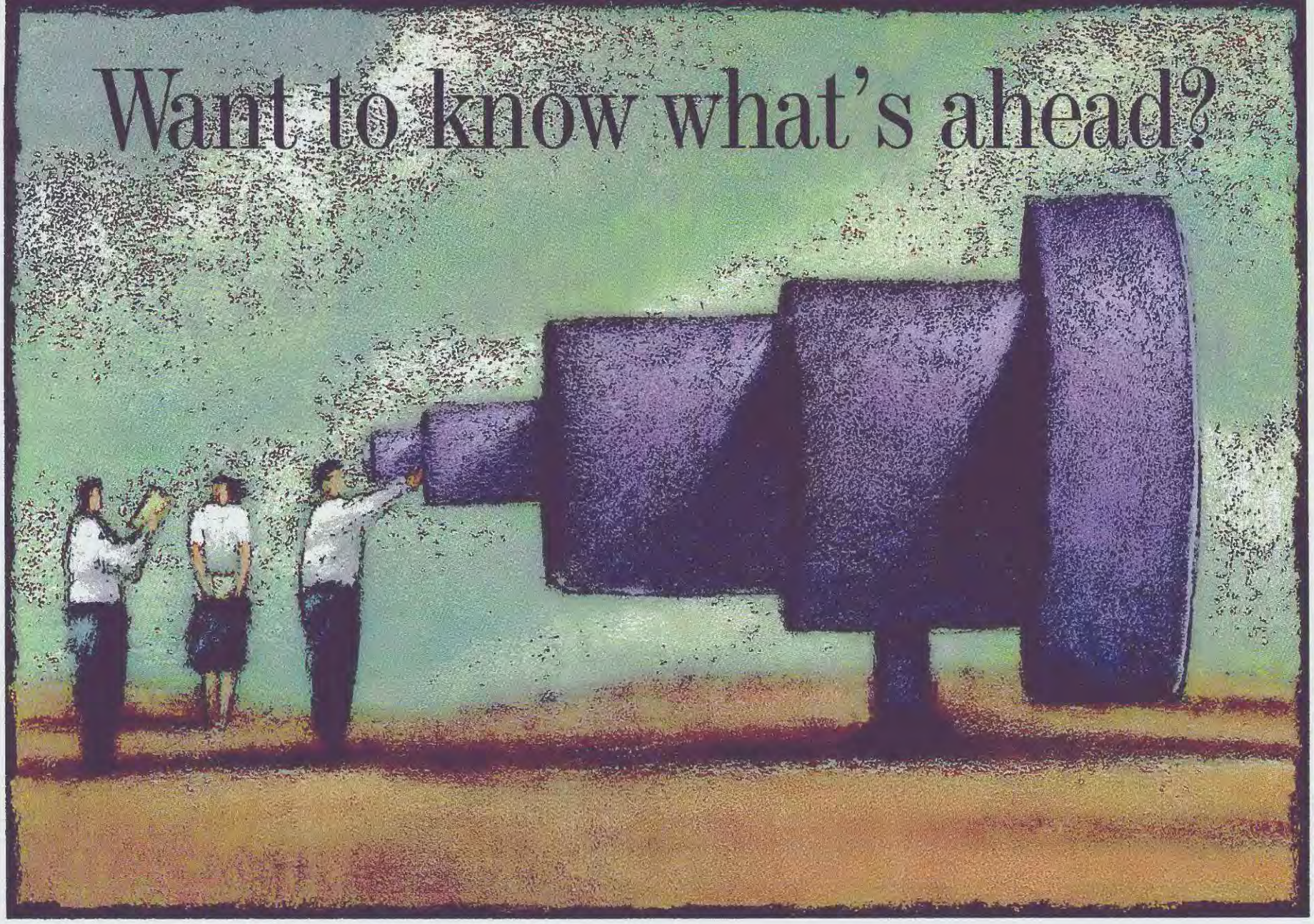

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The Hartford opens school for agents

By AMANDA MILLIGAN

The Hartford Financial Services Group has opened The Hartford School of Insurance for commercial lines agents.

A spokeswoman for The Hartford said the company opened the school in response to a survey of 500 agencies with annual revenues of at least $1 million. Results showed a great need for producer training and recruitment, she said.

Open to all commercial lines agents, the new school has two parts. The New Producer Development curriculum is a seven-week course aimed at new agency professionals and recent college graduates.

The first three weeks is self-study, with the remainder spent at the Hartford, Conn., headquarters of The Hartford, the spokeswoman said.

Topics covered include property/ casualty insurance principles, risk management techniques and the basics of underwriting.

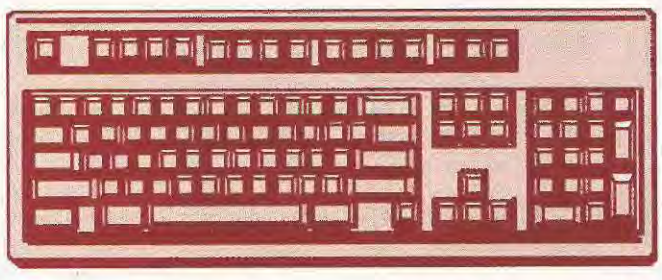
Mentoring from both a Hartford School professional and someone at the student's home agency is continued after the course is concluded. Tuition is $3,000 plus travel and accommodation costs.

"(This course) is teaching them the ins and outs," the spokeswoman said. "Insurance is a very competitive area. It shortens the learning curve." For more advanced insurance professionals, the Hartford School also offers a three-day seminar on workers compensation. The seminar is scheduled for several major U.S. cities throughout 1998.

Mark Dembeck, an account executive for Riggs, Counselman, Michaels & Downes in Towson, Md., recently completed the course for new producers.

Coming into the insurance industry with a sales and marketing background, Dembeck said he took the seven-week course as preparation for getting licensed this month.

"I came away with a lot more than I went up there with," said Mr. Dembeck, who has been in his current position since December. "I feel like I'm ahead of the game." BI



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- number of employees
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- an IBM-PC or 100% compatible computer
- 3.5" high-density floppy
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To order the 1997/98 **BID Software** for the ***Business Insurance Directory of U.S.-Based Corporate Buyers*** at $595, or for the ***Directory of Corporate Buyers Based Outside the U.S.*** at $595, or to buy both editions at only $995, simply complete the form below and mail to: Dorothy Wood, BID Software
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Business Insurance®

A/BT Briefs

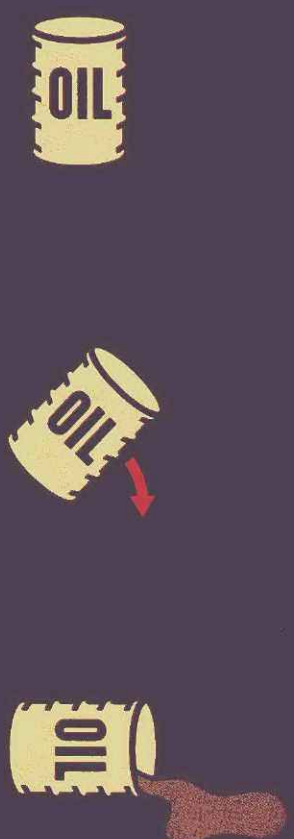
Information in brief

The Oklahoma Assn. of Insurance Agents selected **C. Courtney Wood** as its new executive vp and chief executive officer. He succeeds CEO Bruce Coates, who resigned from the association to take a position with Employers Reinsurance Corp. Mr. Wood, the retired president of Courtney Wood & Associates in Edmond, Okla., was president of the Independent Insurance Agents of America Inc. in 1993-1994. . . .**Eric G. Rizzo** joined the Independent Insurance Agents of America Inc. earlier this year as the new manager of its grassroots programs. He succeeds Matthew Niemeyer, who left to join the American Israel Public Affairs Committee in Washington. . . **John Burnham & Co. Insurance Services**, a San Diego-based insurance agency, was named Employer of the Year by the Professional Women in Insurance organization. The PWI award is given annually to recognize companies that provide an exceptional professional environment as well as encourage growth in all employees, provide exceptional training and promotion opportunities and give women equal opportunity for employment and professional advancement. . . .Six independent insurance agencies were named the **top best practices firms** at the first Best Practices Symposium, sponsored by the Independent Insurance Agents of America Inc. and consulting firm Reagan & Associates earlier this year. The agencies were honored for having the best overall performance out of the top 180 agencies whose operating results are contained within the 1997 Best Practices Study. Winners, from six revenue categories, are: Pitcher Insurance Agency in Palatine, Ill.; Obrey Insurance Agency in Derry, N.H.; McCarthy & Trinka in Oak Brook, Ill.; Joseph A. Rigg in Reading, Pa.; Insurors Agency of Texas in Waco, Texas; and Davis Baldwin Inc. in Tampa, Fla. BI

ADVERTISER INDEX

Issue of April 6

ADVERTISER	PAGE #
American Safety Ins. Group	28N
Business Insurance	28K, 28O, 28P
CNA-Railroads	28J
ECS Underwriting Inc	28C, M
FEMA	28G
General Accident Ins	28H-I
Greater NY Insurance Co	28L
Markel Insurance Company	28N
Mile High Markets, Inc.	28L
Mutual Marine Office	28F
Reliastar	28D-E
Standard Insurance Co.	289B



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2) MAKE SURE
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Continued from page 28

ment**, time and expense, frequency valuations.

Officers: Dale L. Gifford, CEO; Gerald I. Wilson, chairman-executive committee; E. Scott Peterson, director-defined contribution services; James R. Rushin, director-business development; Christine A. Seltz, director-public relations.

Contact: Tim Murphy.

** Reflects clients in defined contribution alliance. **Hewitt does not directly manage assets for those in the defined contribution alliance.*

J

Howard Johnson & Co.

101 E. 52nd St.,
New York, N.Y. 10022;
212-758-5900; fax: 212-758-3625

Staff

Total	400
Involved in 401(k) plan services	300

Clients

Total	200
Receiving unbundled services	200
Average participants/plan	3,500
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

1997 revenues

Total	$34 000,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 20 investment funds and 10 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 40 (m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include intranet access, fulfillment and forms processing.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; San Francisco; Chicago; Jersey City, N.J.; New York; Seattle and Spokane, Wash.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Howard J. Johnson, president/CEO; Nancy B. Greer, CFO; Kent P. Euckles, John Claus, executive vps; Brendan O'Farrell, director.

W.J. Jones Administrative Services Inc.

1979 Marcus Ave., Suite C101,
Lake Success, N.Y. 11042;
516-775-5420; fax: 516-775-4581
http://www.wjjones.com

Staff

Total	240
Involved in 401(k) plan services	10

Clients

Total	20
Receiving unbundled services	16
Receiving bundled services	4
Average participants/plan	3,000
Minimum participants/plan	100
Maximum participants/plan	Unlimited

1997 revenues

Total	$10,000,000
401(k) plan administration	$1,000,000

Services began: 1987.

Software: Written and maintained in-house, accommodates 10 investment funds and unlimited types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include maintaining employee enrollment/beneficiary forms and all loan documentation.

Service area: Nationwide.

Locations: Administrative/consulting offices in Lake Success, N.Y.

Charges: Determined by number of participants.

Officers: John P. Sherlock, president; Robert F. Sherlock, Kevin J. Sherlock, George F. Bingham, vps.

Contact: Robert F. Sherlock.

K

KPMG Peat Marwick L.L.P.- Business Process Solutions

8200 Brookriver Drive, Suite 200,
Dallas, Texas 75247;
214-200-7000; fax: 214-200-7001
http://www.us.kpmg.com/bps

Staff

Total	500
Involved in 401(k) plan services	70

Clients

Total	210
Receiving unbundled services	48
Receiving bundled services	162
Average participants/plan	1,750

Services began: 1982.

Software: Purchased from outside vendor accommodates 200 investment funds and 200 types of contributions.

Administration: Unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Dallas.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Richard Dole, national partner-in-charge, Business Process Solutions; Jim Switser, partner, Business Process Solutions; Patti Hagan, director-outsourcing operations; Sal Zambito, director-operations, Defined Contribution Services; Patrick Consicine, director-product development, Defined Contribution Services.

** Investment services provided through alliance.*

The Kwasha Lipton Group of Coopers & Lybrand L.L.P.

2100 N. Central Road,
Fort Lee, N.J. 07024;
201-592-1300; fax: 201-592-9075
http://www.us.coopers.com

Staff

Total	2,000
Involved in 401(k) plan services	650

Clients

Total	278
Receiving unbundled services	278
Average participants/plan	5,500

Services began: 1981.

Software: Written and maintained in-house, accommodates 99 investment funds and 32 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include complete plan administration through voice response system, Internet/intranet and customer service center.

Service area: Nationwide.

Locations: Administrative/consulting offices in 25 locations nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Reed A. Keller, vice chairman; Robert S. Byrne, Frank Raitt, managing principals.

Contact: Sid Mendelson.

M

Meeker Sharkey Benefit Consultants Inc.

14 Commerce Drive,
Cranford, N.J. 07016;
908-272-8100; fax: 908-709-0414
http://www.meekersharkey.com

Staff

Total	250
Involved in 401(k) plan services	11

Clients

Total	90
Receiving unbundled services	10
Receiving bundled services	80
Average participants/plan	100
Minimum participants/plan	20
Maximum participants/plan	1,500

1997 revenues

Total	$1,100,000
401(k) plan administration	$300,000

Services began: 1990.

Parent: Meeker Sharkey Financial Group Inc.

Software: Leased from outside vendor, record keeping provided by third party, accommodates 60 investment funds and 10 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, assets under management, time and expense, frequency valuations.

Officers: Ken Spencer, chairman; Gerry Gebauer, president/COO; Gerry Desmon, director-marketing; Ted Munice, assistant vp.

Contact: Gerry Gebauer.

MetLife Defined Contribution Group

1 Madison Ave.,
New York, N.Y. 10010;
212-578-2211; fax: 212-578-4176
http://www.metlife.com

Staff

Total*	46,000
Involved in 401(k) plan services	1,000

Clients**

Total	3,495
Receiving unbundled services	2,825
Receiving bundled services	670
Average participants/plan	1,450

1997 revenues

Total*	$24,300,000

Services began: 1981.

Software: Written and maintained in-house, accommodates investment funds and contributions, software may be used by clients in-house.

Administration: Unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include trustee services, investment management, custom education/communication services and non-qualified deferred compensation.

Service area: Nationwide.

Locations: Administrative/consulting offices in Denver; Atlanta; East Hanover and Jersey City, N.J.; Warwick, R.I.; Nashville, Tenn.

Charges: Determined by number of participants, complexity of plan, assets under management.

Contact: Gary Lineberry, senior vp, 212-578-3181.

** Represents totals for Metropolitan Life Insurance Co.*

*** Represents total plans for which 401(k) administration is provided.*

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800,
Seattle, Wash. 98101-2605;
206-624-7940; fax: 206-623-3485
http://www.milliman.com

Staff

Total	1,200
Involved in 401(k) plan services	150

Clients

Total	1,600
Receiving unbundled services	433
Receiving bundled services	1,167
Average participants/plan	500
Minimum participants/plan	50
Maximum participants/plan	50,000

Software: Written and maintained in-house, purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include RFP searches, interactive retirement planning software, individual financing, video and full outsourcing.

Service area: Nationwide.

Locations: Administrative/consulting offices in Denver; Washington; Indianapolis; Minneapolis; Omaha, Neb.; West Patterson, N.J.; Albany, N.Y.; Portland, Ore.; Dallas; Houston; Seattle; Milwaukee.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Robert L. Collett, Daniel J. McCarthy, Brian S. Pollack.

Contact: Janet M. Rubenstein, senior benefits coordinator.

Minnesota Mutual

400 Robert St. N.,
St. Paul, Minn. 55101;
612-665-4701; fax: 612-665-7739
http://www.minnesotamutual.com

Clients

Total	1,280
Receiving unbundled services	458
Receiving bundled services	822
Average participants/plan	84
Minimum participants/plan	20
Maximum participants/plan	Unlimited

1997 revenues

Total	$293,289,351

Services began: 1984.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include participant transactional capabilities via the Internet and customer service representatives.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; San Francisco; Atlanta; Chicago; Detroit; Minneapolis; St. Louis; Charlotte, N.C.; Cleveland; Philadelphia; Houston; Seattle.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Randy Wallake, senior vp-pension division; Richard Manke, second vp-retirement plan services; Jenean Cordon, second vp/actuary.

Contact: Terri McNamara, pension sales/marketing representative.

N

Northern Trust Retirement Consulting L.L.C.

400 Perimeter Center Terrace,
Suite 850, Atlanta, Ga. 30346;
770-395-9880; fax: 770-512-6230
http://www.ntrs.com

Staff

Total	335
Involved in 401(k) plan services	197

Clients

Total	159
Receiving unbundled services	141
Receiving bundled services	18
Average participants/plan	4,860
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: The Northern Trust Co.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include strategic consulting, process engineering, actuarial services, pension calculation systems, defined benefit administration, benefit statements, retirement modeling, trust services and investment consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Atlanta, Chicago, Seattle.

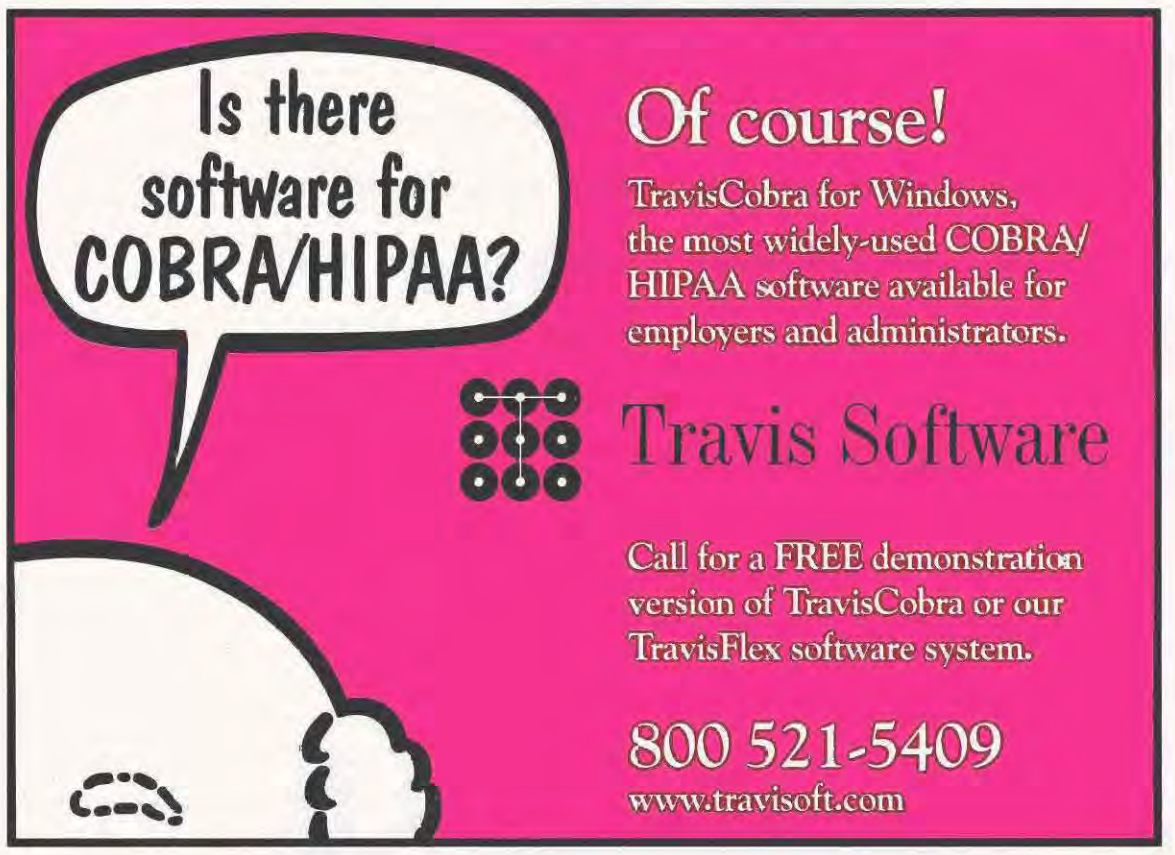
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: James G. Pope, president; Dennis F. Sain, executive vp/COO; Eric Kiesshauer, executive vp; Sue Karch, director-participant servicing; Kelle Vicknair, director-recordkeeping services; Barry Young, consulting services.

Contact: Eric Kiesshauer.

Continued on next page

The directory of 401(k) plan administrators begins on page 20; terms and methodology are listed on page 21.



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The Nyhart Co. Inc.

3515 N. Washington Blvd.,
Indianapolis, Ind. 46205;
317-923-2391; fax: 317-926-3303

Staff

Total 120
Involved in 401(k) plan services 18

Clients

Total 75
Average participants/plan 500

Services began: 1981.

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Evansville, Ind.

Officers: Daryl J. Dean, president/CEO; Nancy Cooper Pitt, Gary C. Chattin, senior vps.

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300,
Westlake, Ohio, 44145;
440-871-8611; fax: 440-871-7485
http://www.pmsco.com

Staff

Total 46
Involved in 401(k) plan services 32

Clients

Total 310
Receiving unbundled services 310
Average participants/plan 325
Minimum participants/plan 20
Maximum participants/plan 30,000

1997 revenues

Total $3,100,000
401(k) plan administration $1,700,000

Services began: 1985.

Software: Leased from outside vendor, accommodates 99 investment funds and 99 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues. Other services include customized participant interactive retirement planning software.

Service area: Nationwide.

Locations: Administrative/consulting offices in Charlotte, N.C.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, senior vp/managing actuary; Donald N. Dalessandro, vp-defined contribution services; Steven G. Parsons, vp/actuary; Jeffrey T. Graves, vp-information systems.

Contact: Mark S. Sommers or John R. Parsons, 440-871-8611; Paul W. Catton, 704-556-0094.

T.R. Paul Inc.

14 Commerce Road,
Newtown, Conn. 06470;
203-426-8161; fax: 203-270-0927

Staff

Total 18
Involved in 401(k) plan services 6

Clients

Total 200
Receiving unbundled services 150
Receiving bundled services 50
Average participants/plan 100
Minimum participants/plan 1
Maximum participants/plan 5,000

Services began: 1981.

Software: Leased from outside vendor, accommodates 99 investment funds and seven types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Robert Levy, president; George Romer, vp/CFO; Mary Ingham, executive vp.

Pension Resources

401 N. Michigan Ave.,
Chicago, Ill. 60611;
312-245-1740; fax: 312-644-4423

Staff

Total 25
Involved in 401(k) plan services 18

Clients

Total 375
Receiving unbundled services 375
Average participants/plan 60

1997 revenues

Total $3,000,000
401(k) plan administration $1,800,000

Services began: 1980.

Parent: Friedman Eisenstein Raemer and Schwartz L.L.P.

Software: Leased from outside vendor, accommodates 25 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Chicago.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Michael Schwartz, president/partner; Irwin Friedman, managing partner; Kevin Simpson, CFO.

Contact: Michael Schwartz, president/partner.

Pension Review Services

45 Executive Drive,
Plainview, N.Y. 11803;
516-349-5500; fax: 516-349-0015

Staff

Total 10.5
Involved in 401(k) plan services 3

Clients

Total 62
Receiving unbundled services 62
Average participants/plan 50
Minimum participants/plan 1
Maximum participants/plan 500

Services began: 1990.

Software: Purchased from outside vendor, accommodates eight investment funds.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Benjamin E. Feller, president.

Contact: Sue Feller, office manager.

The PENTAD Corp.

950 Winter St., Suite 1400,
Waltham, Mass. 02154-1232;
781-684-8400; fax: 781-684-8440
http://www.pentadcorp.com

Staff

Total 25
Involved in 401(k) plan services 10

Clients

Total 225
Receiving unbundled services 225
Average participants/plan 100
Minimum participants/plan 1
Maximum participants/plan 10,000

Services began: 1982.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication

Continued on next page

Continued from previous page

of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include retirement modeling.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Paul L. Chern, president; John Buttrick, vp/treasurer; Gary A. Miller, vp/chief actuary; Richard S. Fitts, vp/client coordinator.

Contact: Richard S. Fitts.

R

Retirement Plan Administrative Service Ltd.

1503 Santa Rosa Road, Suite 120,
Richmond, Va. 23229;
804-288-8782; fax: 804-288-8786

Staff

Total	13
Involved in 401(k) plan services	6

Clients

Total	120
Average participants/plan	30
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1997 revenues

Total	$930,000
401(k) plan administration	$350,000

Services began: 1981.

Software: Leased from outside vendor, accommodates 999 investment funds and 14 types of contributions.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: District of Columbia, Maryland, North Carolina, Virginia.

Locations: Administrative/consulting offices in Fairfax and Norfolk, Va.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Burl V. Bachman, president; Barbara H. Smith, vp.

Companies must provide 401(k) recordkeeping or administration services on an unbundled basis to be included in the directory of 401(k) plan administrators.

Retirement Resources Inc.

1983 Marcus Ave., Suite 260,
Lake Success, N.Y. 11042;
516-358-3969; fax: 516-488-1081

Staff

Total	17
Involved in 401(k) plan services	10

Clients

Total	60
Receiving unbundled services	55
Receiving bundled services	5
Average participants/plan	71
Minimum participants/plan	10

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Connecticut, New Jersey, New York, Pennsylvania.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Steven L. Roemer, president.

S

San Diego Associates

3550 Camino del Rio N., Suite 206,
San Diego, Calif. 92108;
619-283-7800; fax: 619-283-8686

Staff

Total	7
Involved in 401(k) plan services	4

Clients

Total	100
Receiving unbundled services	50
Average participants/plan	250
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1997 revenues

Total	$1,000,000
401(k) plan administration	$400,000

Services began: 1984.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Laguna Hills and San Diego, Calif.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: David N. Peterson, president; Bruce N. Kesler, director.

Contact: Bruce N. Kesler.

Sansima Consulting Group Inc.

404 Towne Centre Drive,
Somerville, N.J. 08876;
908-904-0412; fax: 908-904-0812
http://www.sansima.com

Staff

Total	6
Involved in 401(k) plan services	6

Clients

Total	15
Receiving unbundled services	15
Average participants/plan	1,500
Minimum participants/plan	100
Maximum participants/plan	20,000

Services began: 1997.

Software: Purchased from outside vendor, accommodates 20 investment funds and 12 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include weekly, monthly, quarterly, semi-annual and annual valuations.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Gus J. Sanchez, president; Susan J. Schutzman, vp.

Schloss & Co.

1400 Old Country Road,
Westbury, N.Y. 11950;
516-333-2800; fax: 516-333-2889

Staff

Total	65
Involved in 401(k) plan services	50

Clients

Total	300
Receiving unbundled services	300
Average participants/plan	125
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1997 revenues

Total	$5,000,000
401(k) plan administration	$1,000,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Eugene Schloss, president; William Buckheit, David Dorfman, Elaine Enis, Andrew Zimny, vps.

Scudder Kemper Retirement Services

2 International Place,
Boston, Mass. 02110-4015;
617-295-1000; fax: 617-295-4015
http://www.scudder.com or
http://www.kemper.com

Staff

Total	600
Involved in 401(k) plan services	500

Clients

Total	36,884
Receiving unbundled services	25,450
Receiving bundled services	11,434

Services began: 1984.

Parent: Zurich Group.

Software: Purchased from outside vendor, accommodates 200 investment funds and 200 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include fully unbundled investment, trustee, compliance, education and record keeping services.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; San Francisco; San Diego; Atlanta; Boston; Salem, N.H.; New York; Cincinnati; Dallas.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense.

Officers: Robert Rudell, director.

Sedgwick Noble Lowndes

1000 Ridgeway Loop Road,
Memphis, Tenn. 38120;
901-761-1550; fax: 901-684-4075
http://www.sedgwick.com

Staff

Total	750
Involved in 401(k) plan services	100

Clients

Total	500
Receiving unbundled services	400
Receiving bundled services	100
Average participants/plan	375
Minimum participants/plan	100
Maximum participants/plan	5,000

1997 revenues

Total	$85,000,000

Services began: 1981.

Parent: Sedgwick Group P.L.C.

Software: Leased from outside vendor, accommodates unlimited investment funds, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include asset consulting and supplemental retirement benefits (non-qualified).

Service area: Nationwide.

Locations: Administrative/consulting offices in Irvine and San Francisco, Calif.; Atlanta; Chicago; Boston; Roseland, N.J.; Melville and Rochester, N.Y.; Portland, Ore.; Philadelphia.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Kenneth G. Martin, chairman/CEO; James B. Wiertelak, CEO; John Moreno, client development director; Susan T. Gilbert, client/technical services director.

Contact: Mary E. Simcox, national practice leader-defined contribution services; 3 Becker Farm Road, Roseland, N.J. 07068; 973-533-4500.

SIEBA Ltd.

111 Grant Ave., P.O. Box 5000,
Endicott, N.Y. 13761-5000;
800-252-4624 or 607-786-3003;
fax: 607-786-3437

Staff

Total	45
Involved in 401(k) plan services	9

Clients

Total	25
Receiving unbundled services	7
Receiving bundled services	18
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	500

Services began: 1989.

Software: Purchased from outside vendor, accommodates unlimited investment funds and five types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include pre- and post-retirement investment/educational workshops.

Service area: Upstate New York.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Richard G. DoBell, president; Marc Marion, vp; Diana C. DoBell, treasurer.

Contact: George M. Bush.

SilverStone Group Inc./ Mammel & Associates Inc.

11516 Miracle Hills Drive,
Suite 102, Omaha, Neb. 68154;
402-964-5678; fax: 402-964-5454
http://www.silverstonegroup.com

Staff

Total	31
Involved in 401(k) plan services	16

Clients

Total	318
Receiving unbundled services	318
Average participants/plan	89.7

1997 revenues

Total	$16,000,000
401(k) plan administration	$2,500,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include employer stock programs, cross-testing, IRS compliance resolution, individual brokerage accounts, plan customization, custom videos, supports multiple mutual fund families, QDRO review, broker education/support, employer alerts, information (1099-R) and excise tax (5330) return preparation, calculation of employer contributions, employee education and non-qualified companion plans.

Continued on next page

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Continued from previous page

Service area: Nationwide.

Locations: Administrative/consulting offices in Omaha, Neb.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Lewis E. Trowbridge, president; Daniel J. Wintz, Donn B. Jones, executive vps; Carol Gonzalez, Kathy McCoy, vps.

Contact: Daniel J. Wintz.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 1100,
Houston, Texas 77056;
713-622-8930; fax: 713-622-6705

Staff

Total	60
Involved in 401(k) plan services	10

Clients

Total	40
Receiving unbundled services	30
Receiving bundled services	10
Average participants/plan	2,500
Minimum participants/plan	200
Maximum participants/plan	Unlimited

Services began: 1987.

Software: Purchased from outside vendor, accommodates 99 investment funds and 99 types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include operator access.

Service area: Nationwide.

Locations: Administrative/consulting offices in Austin, Dallas and Houston, Texas.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: James E. Stone, Thomas F. McCord, Kenneth L. Haynes, C. Phil Peters, Peggy J. Pfister.

Swerdlin & Co.

5901 Peachtree Dunwoody Road,
Building B, Suite 170,
Atlanta, Ga. 30328;
770-396-6601; fax: 770-698-9335

Staff

Total	28
Involved in 401(k) plan services	18

Clients

Total	525
Receiving unbundled services	525
Average participants/plan	175
Minimum participants/plan	100
Maximum participants/plan	10,000

1997 revenues

Total	$2,250,000
401(k) plan administration	$1,500,000

Services began: 1983.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 14 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Atlanta.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Dorn H. Swerdlin, president/CEO; Joanne H. Swerdlin, executive vp; Anthony J. Brizzolara, executive vp/COO; Laura L. Matlock, vp-client services.

Towers Perrin

1500 Market St.,
Philadelphia, Pa. 19102;
215-246-6000; fax: 215-246-4189
http://www.towers.com

Staff

Total	7,539

Clients

Total	70
Receiving unbundled services	70
Average participants/plan	8,400
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited

1997 revenues

Total	$1,055,000,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 15 investment funds and 15 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; Voorhees, N.J.; Philadelphia.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: John Lynch, CEO; Alan Dugan, Robert Hogan, John Kneen, Marvin Greene, managing directors.

United States Pension Services Inc.

3507 Frontage Road, Suite 200,
Tampa, Fla. 33607;
800-325-6860; fax: 800-344-1258
http://www.uspension.com

Staff

Total	195
Involved in 401(k) plan services	95

Clients

Total	1,950
Receiving unbundled services	1,950
Average participants/plan	84
Minimum participants/plan	25
Maximum participants/plan	3,000

Services began: 1981.

Software: Purchased from outside vendor (administration) and leased from outside vendor (recordkeeping), accommodates 20 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity*. Consults on plan design issues, compliance issues, employee communications. Other services include top-heavy, compliance and discrimination testing, all levels of documents/preparation of IRS submissions and IRS/DOL reporting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles, San Diego and San Mateo, Calif.; Tampa, Fla.; Charlotte, N.C.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Neil Bicknell, president/CEO; Greg Clark, COO; John Sciarra, senior vp/director-marketing; James Houpt, senior vp-administration; Paul Kelly, senior vp-research/compliance.

Contact: Marketing.

** Loans only at present.*

WTR Consulting Group

630 Third Ave.,
New York, N.Y. 10017;
212-949-1344; fax: 212-370-4197

Staff

Total	55
Involved in 401(k) plan services	25

Clients

Total	140
Receiving unbundled services	110
Receiving bundled services	30
Average participants/plan	300
Minimum participants/plan	10
Maximum participants/plan	25,000

Services began: 1985.

Software: Written and maintained in-house, accommodates 50 investment funds and 50 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in New York.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Watson Wyatt Worldwide

6707 Democracy Blvd., Suite 800,
Bethesda, Md. 20817-1129;
301-581-4600; fax: 301-581-4688

Staff

Total	5,000
Involved in 401(k) plan services	150

Clients

Total	500
Receiving unbundled services	500
Average participants/plan	1,000
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and 15 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds*. Other services include plan diagnostic, retirement philosophy development, employee/participant surveys, retirement gap analysis, communication, investment performance review, investment policy, service provider evaluation, discrimination testing, reporting/disclosure, global benefits strategies, DB/DC integration, mergers and acquisitions support, outsourcing solutions, service provider searches, non-qualified plans, 403(b) plans.

Service area: Nationwide.

Locations: Administrative/consulting offices in 35 cities nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: A.W. "Pete" Smith Jr., president/CEO; Paul Daoust, executive vp/COO.

Contact: Louis Valentino, 212-251-5535.

** Investment management services provided through alliances.*

BI

ERISA

Continued from page 2

had terminated her with the specific intent of denying her the use of her benefits.

"There is no doubt that employers, under Section 510, are not permitted to take advantage of sick-leave plans to wrongfully terminate sick employees," the court wrote in its decision. "We also recognize that employees should not be allowed to take advantage of benefit plans similar to Mobil's and interfere with an employer's ability to operate his business in an efficient manner. Thus, although ERISA requires that Mobil ignore Lindemann's exercise of short-term disability benefits, it in no way requires the company to ignore her absences."

ERISA 'in no way requires' the company to ignore a worker's absences, according to the court.

Gerald L. Maatman Jr., an attorney for Baker & McKenzie in Chicago who represented Mobil, said the pro-employer ruling signifies that "courts are now willing to back up employers that utilize no-fault attendance policies against challenges under not only the Americans with Disabilities Act but, as the *Lindemann* case illustrates, also under ERISA."

This is good news for employers that use no-fault attendance policies, which Mr. Maatman described as becoming more popular, especially among large employers, due to the ease of administering the programs.

As a 17-year veteran of Mobil, Ms. Lindemann was entitled to 12 weeks of absence due to disability or sickness with full pay and, thereafter, up to 40 weeks of absence at half pay, the maximum allowed under Mobil's short-term disability benefit plan.

According to court papers, Ms. Lindemann took 26 excused-absence days over a 15-month period and was chronically tardy in showing up for production meetings in the morning. Mobil supervisors counseled Ms. Lindemann on four occasions to discuss her absences and tardiness, court papers said. And seven months after being issued a "final letter of warning," Ms. Lindemann received a termination letter.

Ms. Lindemann argued that she was entitled to use the sick days with impunity and that Mobil had excused and approved her absences as "absences due to disability."

"We do not think that businesses have an obligation to carry employees on their payrolls who display this utter contempt for clearly enunciated rules and policies," the court continued in its written opinion. "Unscheduled absences cost U.S. businesses more than $1,000 per employee annually. . . .Firms such as Mobil must have the ability to terminate unreliable workers such as Lindemann who are excessively absent and/or tardy and harm business productivity."

Frank Tighe, an attorney with his own firm in Oak Brook, Ill., represented Ms. Lindemann. He was unavailable for comment on the case.

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Lindemann vs. Mobil Oil Corp., 7th U.S. Circuit Court of Appeals, No. 96-3930.

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APRIL

APRIL 13. Rethinking Insurance Regulation 1998: Restoring Private Markets in Public Policy conference in Washington, D.C., sponsored by the Competitive Enterprise Institute; $75. Margaret Ard, CEI, Suite 1250, 1001 Connecticut Ave., NW, Washington, D.C. 20036; 202-331-1010.

APRIL 14. Employment Practices Liability: Risk Management and Coverage Aspects workshop in Fort Wayne, Ind., sponsored by the CPCU Society. $85 for members, $95 for non-members. Bonnie Kinsley, CPCU Society, 720 Providence Road., P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728.

APRIL 14-15. Purchasing Health Care to Fit Expectations conference in Rosemont, Ill., sponsored by Midwest Business Group on Health; $475 for members and $635 for non-members before March 25; $575 for members and $735 for non-members after March 25. T.M. Enterprises, P.O. Box 9064, Rockford, Ill. 61126-9064; 815-332-7084.

APRIL 14-16. Fundamentals of Purchasing Reinsurance seminar in Irving, Texas, sponsored by The Reinsurance Management Institute; $675. Bruce Evans, University of Dallas, Reinsurance Management Institute, Irving, Texas 75062-4736; 972-721-5360 or 800-721-5235.

APRIL 15. An Interpretation of Brokers Fees and When to Charge Them and Managing Trust Accounts seminars in Burbank, Calif., sponsored by the Professional Insurance Agents of California and Nevada and the California Department of Insurance; $30 for members and $40 for non-members. PIA of CA/NV, Attn: Meetings Dept., 1315 I St., Ste. 200, Sacramento, Calif. 95814; 800-553-4221.

APRIL 16. The Chicago Assn. of Insurance Women and The Insurance School of Chicago Annual Breakfast seminar in Chicago, sponsored by the Insurance Society of Chicago; $35. Rosemary Scott, Insurance School of Chicago, 175 W. Jackson Blvd., Ste. 2200, Chicago, Ill. 60604; 312-427-2520, ext. 16.

APRIL 16-17. Excess and Reinsurance seminar in Washington, D.C., sponsored by the Defense Research Institute; $525 for members, $575 for non-members. Defense Research Institute, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

APRIL 19-22. 13th Annual Insurance Fraud Management Conference in San Diego, sponsored by the Committee on Insurance Fraud Management; $495 if before Feb. 20, $595 after Feb. 20. Dorothy Knap, IFM, 85 John St., New York, N.Y. 10038; 732-388-5700.

APRIL 20-21. European Captives Convention in Paris, sponsored by IBC UK Conferences Ltd.; £895 ($1,496). IBC UK Conferences Ltd., Gilmorra House, 57-61 Mortimer St., London, WIN 9JX, U.K.; 44-171-453-2706.

APRIL 20-22. Catastrophe Risk Financing and Reinsurance forum, in New York City, sponsored by the Institute for International Research; $1,395 for main conference, workshops are extra. Customer Service, Institute for International Research, P.O. Box 109214, Atlanta, Ga. 30368-2914; 888-670-8200 or 941-951-7885.

APRIL 20-22. Financial Management for Non-Financial Insurance Executives seminar, in Madison, Wis., sponsored by the University of Wisconsin-Madison School of Business Management Institute; $1,195. **Also Aug. 17-19.** Charles A. Krueger, University of Wisconsin Management Institute, Grainger Hall, 975 University Ave., Madison, Wis. 53706-1323; 800-292-8964.

APRIL 20-23. The National Managed Health Care Congress in Atlanta, sponsored by NMHCC; Before Dec. 31: $1,295 for full passport, $1,195 for three-day conference, $995 for one-day conference; after Dec. 31: $1,595 for full passport, $1,495 for three-day conference, $1,295 for one-day conference. NMHCC, P.O. Box 102713, Atlanta, Ga. 30368-2713; 888-882-2500.

APRIL 20-24. Certified Safety Professional (CSP) Review course in Boston, sponsored by the Harvard School of Public Health Center for Continuing Professional Education; $1,095. Harvard School of Public Health Center for Continuing Professional Education, 677 Huntington Ave. LL-23, Boston, Mass. 02115-6096; 617-432-1171.

APRIL 21. "Cargo Security: Trends & Developments in Cargo Protection" seminar in Chicago, sponsored by the Inland Marine Underwriters Assn.; $90. Mary Frances Resheske, American Re, 10 S. Wacker Drive, Suite 1200, Chicago, Ill. 60606; 312-993-8766.

APRIL 21-22. Risk Management Today seminar in London, sponsored by Risk and Insurance Research Group, Ltd. £690 ($1,153). Angela Millard, RIRG, 44 Maiden Lane, Covent Garden, London, WC2E 7LJ; 44-171-836-0614

APRIL 22. Managing Financial Risks and Opportunities in Asian Markets conference in Philadelphia, sponsored by the Institute of Global Management Studies at Temple University; $75. Temple University, School of Business and Management, Institute of Global Management Studies, 111 Speakman Hall, 1810 N. 13th St., Philadelphia, Pa. 19122-6083; 215-204-8132.

APRIL 22. Commercial Property Coverages seminar in Schaumburg, Ill., sponsored by the Insurance School of Chicago; $110. Rosemary Scott, Insurance School of Chicago, 175 W. Jackson Blvd., Ste. 2200, Chicago, Ill., 60604. 312-427-2520, ext. 16.

APRIL 23. Management of Catastrophic Injury Claims symposium in West Orange, N.J., sponsored by the CPCU Society's claims and reinsurance sections; $75 for CPCU Society section members, $100 for CPCU Society members and $125 for non-members. John Kelly, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728.

APRIL 23-24. Absence Management and Early Intervention in Workers' Compensation Managed Care conference in Washington, D.C., sponsored by the National Managed Workers' Compensation Institute; $1295. Conference Administrator, Global Business Research, Ltd., 775 Sunrise Ave., Ste. 260, Roseville, Calif. 95661. 916-773-3236.

APRIL 23-24. Safety and Insurance forum in Washington, D.C., sponsored by the Construction Management Assn. of America; $375 for members, $400 for non-members. CMAA, 7918 Jones Branch Drive, Suite 540, McLean, Va. 22102; 703-356-2622.

APRIL 24. Insurance Practice Institute in King of Prussia, Pa., sponsored by the Pennsylvania Bar Institute. $189 for members, $209 for non-members. PBI, 5080 Ritter Road, Mechanicsburg, Pa. 17055-6903; 800-247-4PBI.

APRIL 24. 401(k) Update seminar in Indianapolis, sponsored by Corbel; $305. Corbel Client Services, 1660 Prudential Drive, Ste. 400, Jacksonville, Fla. 32207; 800-326-7235, ext. 1139.

APRIL 26-29. American Compensation Assn. international conference in Chicago, sponsored by the ACA, Canadian Compensation Assn. and the Global Remuneration Organization; $775 for members and $905 for non-members. ACA, P.O. Box 29312, Phoenix, Ariz. 85038-9312; 602-922-2020.

APRIL 26-29. Alliance of American Insurers annual meeting in San Antonio, Texas, sponsored by AAI; $700 for first member, $1200 for non-member. Other rates apply. Sue Christensen, AAI, 1501 Woodfield Rd., Suite 400 West, Schaumburg, Ill.; 847-330-8595

APRIL 26-MAY 1. 36th RIMS Annual Conference and Exhibition in San Diego, sponsored by the Risk & Insurance Management Society Inc.; $895 for RIMS members, $1,095 for non-members. RIMS Customer Service, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

APRIL 27-28. "The Future of Financial Services Regulation" forum in Baltimore, sponsored by the National Assn. of Insurance Commissioners; $350 for government employees and $550 for all others. NAIC, 120 W. 12th St., Suite 1100, Kansas City, Mo. 64105-1925; 816-842-3600.

APRIL 27-28. "Change as the Motivator of Strategy" seminar in New York, sponsored by the Insurance Data Management Assn.; $400 for members and $550 for non-members. IDMA, 85 John St., New York, N.Y. 10038; 212-669-0496.

APRIL 27-MAY 1. The Fundamentals of Global Risk Management in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $1,375 for members; $1,625 for non-members. Registrations Dept., IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069, 414-786-6710.

APRIL 27-MAY 1. Fundamentals of Global Benefits Management in Brookfield, Wis., sponsored by the International Foundation of Benefit Plans; $1,375 for members, $1,625 for non-members. Registrations Dept., IFEBP, P.O. Box 69, Brookfield, Wis. 53008, 414-786-6710, ext. 8257.

APRIL 28-29. National Employee Benefits Institute Spring Legislative Conference in Washington, D.C., sponsored by NEBI; For members, one representative is free, each additional representative is $100. For non-members, $395. NEBI, 1101 Connecticut Ave., N.W., Ste. 1000, Washington, D.C. 20036-4374; 800-558-7258, ext. 2275.

APRIL 30. 1998 Reinsurance Conference in Chicago, sponsored by The Illinois CPA Society; $135 for members, $175 for non-members. The Illinois CPA Society, 222 S. Riverside Plaza, Ste. 1600, Chicago, Ill. 60606; 312-993-0393.

APRIL 30-MAY 1. Toxic Torts and Environmental Law seminar in Baltimore, Md., sponsored by the Defense Research Institute; $545 for members, $595 for non-members. Defense Research Institute, 750 N. Lake Shore Drive, ste. 500, Chicago, Ill. 60611; 312-944-0575.

MAY

MAY 1. Litigation Management seminar in Durham, N.C., sponsored by the American Bar Assn; $50. David B. Zoffer, ICALM Group, 6320 Quadrangle Drive, Suite 230, Chapel Hill, N.C. 27514; 919-419-7370.

MAY 3-5. Professional Insurance Agents 1998 convention in Las Vegas, sponsored by PIA; $200 for members and $275 for non-members before April 20 and $225 for members and $300 for non-members after. PIA of California & Nevada, 1315 I St., Suite 200, Sacramento, Calif. 95814; 916-443-4221.

MAY 4. Environmental Insurance Information Exchange seminar in Phoenix, sponsored by ECS Underwriting; No charge to attend. Also **May 5** in Denver. ECS Underwriting, 520 Eagleview Blvd., P.O. Box 636, Exton, Pa. 19341-0636. 800-ECS-1414.

MAY 4-6. The Washington Legislative Update seminar in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; $675 for members, $825 for non-members. Registrations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069. 414-786-6710, ext. 8257.

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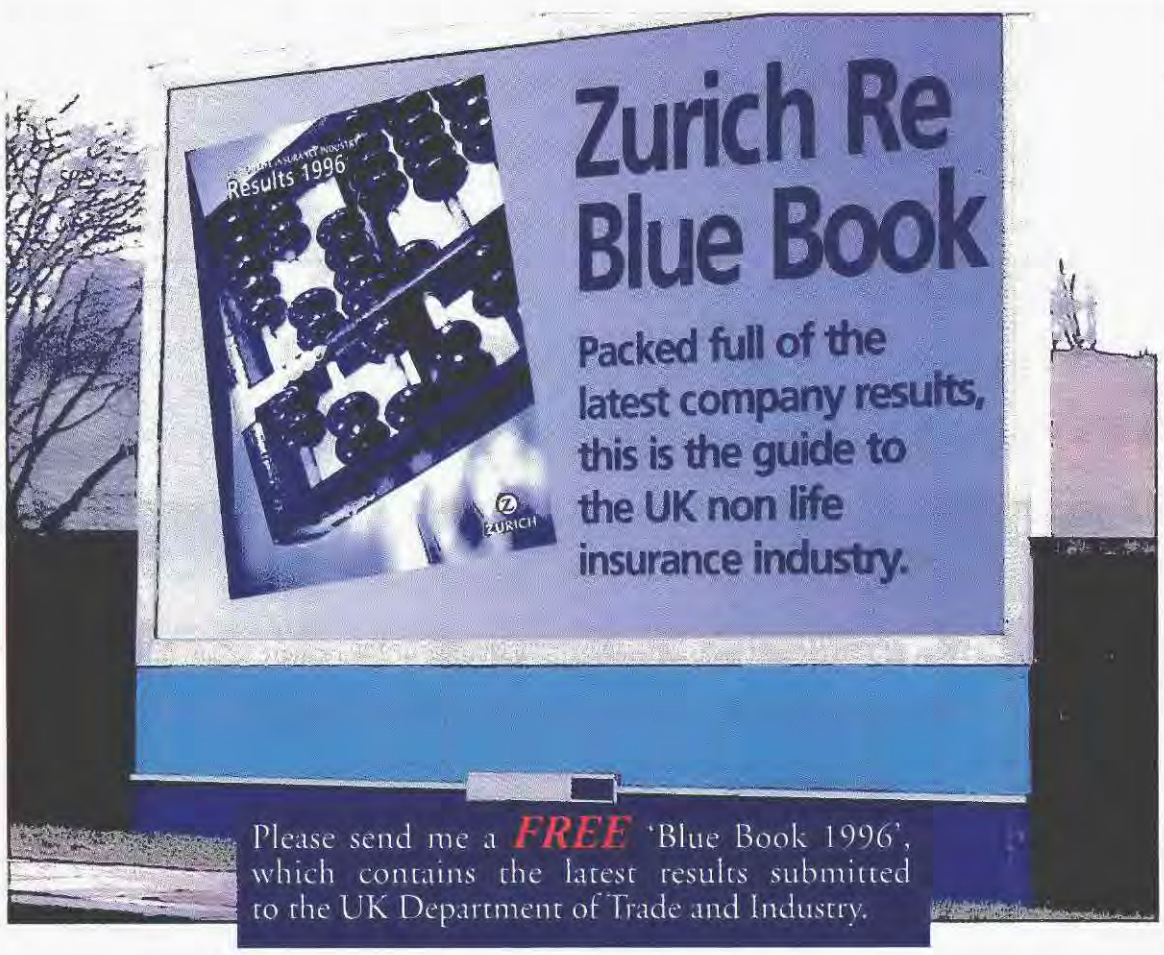

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Global Briefs

Marie-Louise Rossi, chief executive of the London International Insurance & Reinsurance Market Assn., has been named as the future chief executive of the new London market trade association to be formed later this year by the merger of LIRMA and the Institute of London Underwriters. . . .Creditors of failed Singaporean reinsurers **ICS Reinsurance Private Ltd.** and **RMCA Reinsurance Ltd.** are to receive a fourth payment under a scheme of arrangement administered by Philip Singer and Chris Hughes of Coopers & Lybrand in London. This payment of 5 cents on the U.S. dollar, to be distributed in the next few weeks, means creditors now have received $106 million, 75% of the outstanding liabilities for both companies. Mr. Singer anticipates another payment before the scheme is closed early next year. . . .**Willis Corroon Group P.L.C.** is restructuring its global reinsurance operations. The London-based broker plans to bring its varied units under the newly named subsidiary, Willis Faber Re, as its main reinsurance brokering operation worldwide. John Pelly, chairman and chief executive officer of Willis Faber Re, said it will be announcing new ventures and services in the next few months. . . .Reliance National Insurance Co. (Europe) Ltd., a London-based subsidiary of U.S. insurer Reliance Group Holdings Inc., has started a South African operation. **RENASA Insurance Co. Ltd.** is based in Sandton, outside Johannesburg, South Africa, and is headed by David Morris, formerly with Willis Corroon. . . .U.S. liability underwriting specialist Executive Risk Inc. has set up a European subsidiary, **Executive Risk N.V.** Based in the Netherlands, ERNV also has offices in London and Paris and has $35 million in capacity available for directors and officers liability coverage across Europe. It will write other classes of liability business, including professional liability and fiduciary liability. Arthur Marchet, previously the president-directeur general of Aon France, has been named president of ERNV, and Stephen McGill is chief underwriting officer, who previously held that same post at UAP Executive Partners in Paris. . . .Rating agency Standard & Poor's has assigned an AA- claims-paying ability rating to French insurer **Navigation et Transports,** based on the guarantee from parent Caisse Centrale des Assurances Mutuelles Agricoles, which is in turn part of Paris-based Groupama. . . .Dutch insurer **AEGON Insurance Group** has reached a final agreement to sell FGH BANK N.V. to German bank Bayerische Vereinsbank. Terms were not disclosed. . . .The cost of **fraud and arson** to Australian insurers has halved over the last five years to $500 million Australian ($328.9 million), according to a survey by the Insurance Council of Australia. The survey revealed that fraudulent workers compensation claims cost the industry $71 million Australian ($46.7 million), second only to domestic automobile claims, and commercial auto claims cost $26 million Australian ($17.1 million). Fraudulent arson was responsible for $46 million Australian ($30.3 million) in claims, while non-fraudulent arson cost $119 million Australian ($78.3 million). . . .German insurer **R+V Versicherungsgruppe A.G.** says it will increase its stake in Italian insurer Compagnia di Assicurazioni e Riassicurazioni Movimento Cooperativo S.p.A. to more than 40% from 34% as part of R+V's plans to increase its international activity. . . .Standard & Poor's has lowered the claims-paying ability ratings for 13 **Japanese non-life insurers** in the light of the deregulation of the domestic insurance industry in Japan, as well as "sluggish" economic conditions. But the insurance industry will remain the strongest segment of the Japanese financial sector, S&P said. . . .U.S. broker J&H Marsh & McLennan Inc. plans to expand its Brazilian business, worth $500 million in premiums for 1997. During this year, the broker plans to invest $700,000 in its Brazilian operations, mainly in automation.

Part-timers eligible for benefits

U.K. ruling to prompt closer look at employment contracts, lawyer says

By MATTHEW MacDERMOTT

LONDON—British employers are being urged to examine the wording in their employment documents with casual workers after a ruling that two such workers had binding contracts of employment and are entitled to various benefits.

Casual workers are those who work only part-time and have an ongoing relationship with a company. They are not independent contractors.

The ruling should heighten awareness among U.K. employers of the need to carefully word documents—such as job advertisements and offers—relating to the employment of casual workers, according to Robert McCreath, an employment law specialist with the London-based national law firm of Eversheds.

"The lesson for employers is they must spell out very clearly if they do not want a continuing commitment with casual employees," he said.

The March 27 ruling by the U.K. Court of Appeal in London strengthens the employee status of many of Britain's casual workers, particularly those that receive written employment documents.

By ruling that the two casual workers have binding contracts of employment, the Court of Appeal found the workers are eligible for holidays, sick pay and maternity leave and are entitled to pursue unfair dismissal claims if fired without reason.

The Court of Appeal ruling is binding on British industrial tribunals, but future tribunal hearings will be decided case by case.

The action was bought by the London-based GMB Union on behalf of two of its members against their employer, electricity generator and retailer National Power P.L.C., of Swindon, west of London.

The union hailed the ruling as a landmark in U.K. employment law and said it will have a significant impact on the relationship between U.K. employers and casual staff.

"The effect of this case is that all casual workers can now reconsider their own employment relationship with their employer," the GMB Union said in a statement issued after the ruling.

No National Power spokesperson was available for comment.

See **Workers** *on next page*

Euro would benefit insurers, buyers: association exec

By MARIA KIELMAS

The European Monetary Union and the introduction of the single European currency will provide a variety of benefits for risk managers, insurers and brokers.

Risk managers will have the ability to compare insurance products between companies and countries. Insurers and brokers will benefit from a lowering of currency transaction costs and the removal of currency conversion risk, said Patrick Lefas, director for European and international affairs at the Paris-based Federation Francaise des Societes d'Assurances, the French insurers' association.

Speaking at a recent meeting in London organized by SCOR (UK), a subsidiary of Paris-based reinsurer SCOR S.A., Mr. Lefas noted that all players in the insurance market also face other risks and challenges.

EMU, which is scheduled to start on Jan. 1, 1999, coincides with the information technology challenge of the year 2000 problem. Other issues facing the market are: a greater supply of nontraditional insurance products such as cat bonds, the impact of the Asian financial crisis, continuing consolidation of the insurance industry through cross-border mergers and pressure from shareholders for a greater return on equity.

The European Commission in Brussels recommended on Feb. 25 that 11 member states adopt the single currency. All

See **EMU** *on next page*

Plan would help smaller brokers

BIPAR studying tool to aid competition

BRUSSELS, Belgium—Small and medium-size insurance brokers may get help in competing with global brokers through a proposed international information facility.

The proposed facility is expected to become a central information source on insurance markets and regulations for broker association members. It was introduced at the World Insurance Agents & Brokers Assns. Summit in Brussels last month by a task force of brokers from around the world.

The task force's proposals are being considered by a group of directors of the Bureau International des Producteurs d'Assurances et de Reassurances.

This group of directors will develop plans for a regional structure of the information facility at the next BIPAR directors' meeting to be held in Rome in a few weeks. The five regions are North America, Central and South America, the Pacific Rim, South Africa and the Middle East, and Europe.

BIPAR is hoping to produce a detailed report in the fall.

Behind the proposed strategy is the need for smaller brokerages in specific regions to compete with global organizations with offices around the world, explained Charlie Adams, vp of BIPAR and, as an American, the first non-European to sit on BIPAR's board.

Initially, BIPAR will provide administration support services for the project, but ultimately it most likely will be used on a subscription basis, he said.

—By Sarah Goddard

Light at end of Tunnel fire inquiry

By EDWIN UNSWORTH

LONDON—Eurotunnel P.L.C. says it has implemented nearly all the safety measures recommended after investigations into a November 1996 fire aboard a freight train.

Last week the Channel Tunnel Safety Authority issued its report for the year to March 31, 1997, which covered the period of the fire. The CTSA, made up of safety officials from Britain and France, advises an Anglo-French intergovernmental commission on all matters relating to Channel Tunnel safety.

The report also says the CTSA has now implemented its own operational safety program, carried out by 22 inspectors appointed from both countries.

The CTSA said this replaces the previous arrangement—whereby inspectors from a variety of disciplines were called up on an ad hoc basis—with one whereby a team of inspectors is permanently in place to carry out any inspections when deemed necessary by the CTSA.

An earlier CTSA inquiry last May concluded that Eurotunnel needed to simplify its complex safety procedures and improve its staff training for emergencies (*BI*, May 19, 1997).

A CTSA spokesman said Eurotunnel has now implemented all those safety recommendations made by the CTSA last May that did not require long-term action. The recommendations include improved staff training to cope with emergencies, tests of all rolling stock

See **Safety** *on next page*

PHOTO: AP

Conditions leading to a host of Channel Tunnel safety problems, which included a 1996 fire in the rail tunnel linking England and France, have been corrected, according to a recently issued report.

Safety

Continued from previous page

that carry truck drivers and train crews to ensure they are smokeproof, and abandonment of Eurotunnel's policy of driving burning trains out of the tunnel in favor of devising procedures to deal with fires inside the tunnel.

Eurotunnel also has taken steps to protect truck drivers traveling on freight trains by placing empty cars between them and the cars carrying their trucks and other freight. The company is also considering installing a spray system in the freight shuttle to put out fires.

Eurotunnel, however, has not stopped using the controversial open-sided freight cars, which some safety experts claim could contribute to fanning fires on board trains. The CTSA study said there were insufficient grounds to require Eurotunnel to stop using them.

The French judicial inquiry report released late last month largely exonerated Eurotunnel of blame by concluding that arson probably caused the fire.

Neither study affects the £60 million ($100.7 million) Eurotunnel's accounts for 1997 show it received from insurers toward the £56 million ($94 million) cost of repairs and the £135 million ($226.5 million) in lost revenues. The lead insurer was Union des Assurances de Paris.

Eurotunnel expressed relief that the French judicial inquiry concluded that the fire, which trapped 31 truck drivers and three of its own crew members on board a freight train, probably was arson and could not be linked to its equipment or installations. Those trapped were led to safety.

That inquiry supports the suggestions made at the time of the incident that a fire a security guard said he saw beneath a truck on one of the cars before the train entered the tunnel at Calais could have been caused by a flare fired at the train. At the time, there were two demonstrations taking place in Calais; Eurotunnel staff members were protesting job losses, and French truckers were protesting over pay.

While passenger services resumed shortly after the fire, freight services were not restarted for six months.

Eurotunnel's chief executive, Patrick Ponsolle, said after the French judicial inquiry, "I wish to see those responsible brought to justice and the origins of the fire fully exposed."

Mr. Ponsolle has also promoted changes over the past 10 months to comply with the CTSA's recommendations. BI

Workers

Continued from previous page

Heather Carmichael and Janet Leese, the two casual workers in the Court of Appeal case, have been employed as tour guides at National Power's Blyth power station in Northumberland, north England, since 1989. Initially, they worked one or two days weekly, about seven hours a week. From mid-1992, the two women worked Monday through Friday, up to 25 hours a week.

Eventually, they sought employment contracts, which would have entitled them to benefits and the right to bring unfair-dismissal claims. National Power resisted, arguing they were not employees.

National Power argued that Ms. Carmichael and Ms. Leese did not have employee status because there was "no mutuality of obligation." The company claimed the working arrangement, as worded in their job offers, was one of "casual as and when required"—that is, National Power need not offer work, and the women need not accept any work offered.

The industrial tribunal agreed there was a lack of mutual obligation and ruled the two women did not work under a contract of service.

The women appealed to the U.K. Employment Appeal Tribunal, which upheld the original decision of the industrial tribunal. Ms. Carmichael and Ms. Leese then appealed to the Court of Appeal, which heard their case this January.

The Court of Appeal ruled that Ms. Carmichael and Ms. Leese were working under a contract of employment. The Court considered that the industrial tribunal erred by failing to make a finding on the implied terms of the contract and that the Employment Appeal Tribunal's judgment was incorrect.

The Court of Appeal said the two women entered into an agreement with National Power that was clearly intended to be binding.

The court held that, when looking at the employment agreement between National Power and the two women, there was an obligation on Ms. Carmichael and Ms. Leese to accept and perform some reasonable amount of work for the power station. Conversely, National Power was obliged to make a reasonable allocation of work.

The court ruled both National Power and the women had to infer these terms in the contract to make it a valid business contract. It found that National Power did not make the required inference.

Finally, the Court of Appeal ruled that when industrial tribunals are determining employment status in future cases of this kind, they must consider whether there is an agreement between the parties; what the terms are, both express and implied, of that agreement; and whether that contractually binding relationship is a contract of employment.

Mr. McCreath of Eversheds said there will be "no automatic opening of the floodgates" for similar rulings involving casual workers in light of the Court of Appeal ruling.

But he said industrial tribunals will be looking very closely at the wording of employment documents to determine whether there is an ongoing commitment, either express or implied, to casual staff. "(Rulings) will depend on each case and the letters used in each case."

Mr. McCreath said the Court of Appeal ruling shows the wording used by National Power was "too loose." "(Wording) is something employers will have to look at and be more clear about." He said oral working arrangements will always be more difficult to use as evidence.

Mr. McCreath said casual staffing is a difficult area for employers because they have to draw a line between employees and people taken on when needed. "There are people genuinely taken on, on an on-off basis," he said. "But there is no point in employers not treating workers as employees if they are."

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Carmichael & Leese vs. National Power P.L.C.; U.K. Court of Appeal (Civil Division), Royal Courts of Justice; No. EATRF 970156-CMS3; March 27, 1998.

EMU

Continued from previous page

European Union member states except for the United Kingdom, Sweden, Denmark and Greece are expected to join the EMU on Jan. 1. The final designation of the founding members of the EMU will be made by the European Council of Ministers, the top decision-making body of the European Union, on May 2 and 3.

Beginning Jan. 1, 1999, the conversion rates between the euro and participating currencies will be locked irrevocably. On that day, stock-market prices will be quoted in euros, and government debt and the Interbank market will be conducted in euros. The final changeover to the euro, including the introduction of notes and coins, is to take place Jan. 1, 2002, according to European Commission plans.

"Risk managers and intermediaries will look for new opportunities, but it will be difficult to anticipate demand (for insurance products) in the transition period" between 1999 and 2002, Mr. Lefas said.

Even with the single currency, disparities between countries and commercial difficulties will remain after 2002. The individual participating countries have different national laws, taxation systems and traditions in claims settlement.

Mr. Lefas believes, however, that among the first beneficiaries of the monetary union will be insurance buyers for large risks and large companies with multinational customer bases.

Commercial insurers must be able to anticipate the demand for both euro- and non-euro-denominated products.

Reinsurers will have to change all treaties involving cessions of several EMU-linked currencies to cessions in euros. It is possible that treaties up for renewal between 1999 and 2002 will need to be changed wholly to euro cessions at the end of 1999, 2000 and 2001.

The costs of the changeover are unknown, said Mr. Lefas, but the FFSA estimates that it could amount to about 0.5% of each company's gross premium volume. By comparison, currency transaction costs caused French insurance companies to lose 6.089 billion francs ($1.22 billion) in 1995 and gain 7.413 billion francs ($1.45 billion) in 1996. This is 4.3% and 5.8%, respectively, of the average gross premium volume of the French companies.

The FFSA has recommended that each French insurer be able to meet customer demand for euro-denominated contracts and have at least one version of a contract per principal line of insurance.

French insurers also should be ready to accept demands, at least for property insurance, that contracts denominated in francs should be changed to or managed in euros.

The FFSA has published a "Euro Handbook," known as the "Vade Mecum," to help insurance companies prepare for the euro. In addition, the organization is lobbying the National Assembly to approve a draft bill this spring that will adapt insurance regulation to the EMU. The bill's main points include:

- Methods for the redenomination of public and private debts.
- The modifications of accountancy rules.
- The conversion of shareholders' equity.
- The continuity of indexes.
- The security of clearing and settlement procedures.

The FFSA hopes that the bill will be approved in April, Mr. Lefas said. BI

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Insurers in 'risk denial'

Australian cat risk management poor, professor says

By KATE TILLEY

GOLD COAST, Australia—Insurers', reinsurers' and risk managers' catastrophe risk management plans are in poor shape, a professor says.

Professor Russell Blong, who heads Sydney, Australia-based Macquarie University's Natural Hazards Research Center, said the insurance industry has failed to identify adequately natural perils' impacts on portfolios.

"Catastrophe risk management is not in good shape," he told the Australian Reinsurance Forum at the Gold Coast's Sheraton Hotel in Queensland, Australia, last month.

Mr. Blong said insurers practice "risk denial" about natural hazards. He doubts many insurers perform proper risk identification, though that is essential before risk can be reduced or transferred effectively.

Natural disasters are not random occurrences, and better studies of these perils would give more data and allow more accurate predictions, Mr. Blong said.

Also, insurers' definitions of probable maximum loss differ, he said. "Can we be confident we are talking about the same thing?" he asked.

Mr. Blong suggested that Catastrophic Risk Evaluating and Standardizing Target Accumulations zones, used by insurers for nearly 30 years, may no longer be a valid way of assessing potential exposures. CRESTA zone boundaries are not always logical and frequently have no connection with perils, he noted, citing an example of a CRESTA zone that cuts across three different risk rating zones.

Insurers need to know how the distribution of a portfolio of, for example, office buildings is spread within a CRESTA zone to better isolate the real risk. "I'd use latitude and longitude and forget about CRESTA," he said.

Satellite imagery and other sophisticated techniques are available to give more detailed data on exposures, Mr. Blong said. If policyholders had more accurate information about the loss potential in specific areas, they could reduce that potential through land-use planning to diminish exposures, or through improved building and infrastructure resilience, Mr. Blong said.

Finally, human-created records on some types of natural catastrophes simply do not go back far enough, he said. Accurate catastrophe risk identification requires long-term accurate records. For example, for volcanoes that erupt only once every 200 to 300 years, a record of 1,000 years or more would be required to get a "barely adequate idea of eruption styles and magnitudes."

Reinsurance welcome Down Under

By KATE TILLEY

GOLD COAST, Australia—Another company in Australia's burgeoning reinsurance market would be welcome, but that is unlikely to happen in the current soft market.

That's the view of Roger Burn, a director of Sydney, Australia-based Reinsurance Australia Corp. Ltd. and head of the organizing committee for the second Australian Reinsurance Forum (*BI*, April 7, 1997).

Mr. Burn said the forum, which this year attracted 282 participants, shows that Sydney is continuing to develop as a strong reinsurance center, writing $1.66 billion Australian ($1.10 billion) in reinsurance business per year.

He said there had been talk of another professional reinsurer joining the ranks with the three that write international business in Australia: ReAC; New Cap Reinsurance Corp. Ltd.; and GIO Insurances Ltd., which trades as GIO Re.

That would help the market advance through increased overall capacity and the consequent ability to take on larger risks, Mr. Burn noted, but he said launching a new reinsurer when rates are low is "a tough call." He expects it will not happen before the market turns.

Competition is good for any market, and competition means Australian reinsurers will not get complacent; they are aggressive about seeking business and happy to "stir the pot occasionally," he said.

Even if a new professional reinsurer does not enter the Australian market, Mr. Burn said there is a chance that an insurer will separate out its inwards reinsurance business—wherein a direct underwriter writes other insurers' reinsurance—and establish it in Sydney as a separate company. However, he knows of no company now planning to do that.

Mr. Burn said a 200% to 300% increase in Australian reinsurance business is "not unrealistic" but was a five-year goal among reinsurers.

He said the forum was designed to increase business coming into Australia, and the large numbers of delegates from England and the United States has shown the formula was a success.

But he noted there are "individuals in London who won't place business in Australia, just as there are people here who won't place business with certain Lloyd's syndicates." While Mr. Burn was not explicit on this point, many in Australian reinsurance believe some Lloyd's syndicates don't want to pursue business in a market that is considered too small and too far away.

The 1999 Australian Reinsurance Forum is scheduled for March 5-9 at the same venue. For information, contact Roger Burn, Reinsurance Australia Corp. Ltd., L41, Australia Square, 264-278 George St., Sydney, NSW, 2000; 61-2-9247-6565; fax: 61-2-9252-1614.

Pension reform outline sketchy

By EDWIN UNSWORTH

LONDON—U.K. pension plan sponsors welcome government proposals to improve retirement benefits of lower-paid workers, but they want more details.

The proposals, which result from a review of welfare overseen by Social Security Minister Frank Field, center on previously promised, second-tier "stakeholder" pensions to augment the basic state pension.

Stakeholder pensions would be low-cost, collective pension plans aimed mainly at helping lower-paid workers. They would be provided by mutual organizations, such as trade unions and building societies, which are similar to U.S. savings and loan institutions. The government is considering making them compulsory for those deemed not adequately covered by other pension arrangements.

However, the government has said little more about them, maintaining that more details will come out in a separate consultation paper on pensions expected later in the year (*BI*, March 30).

Peter Murray, chairman of the National Assn. of Pension Funds, said the proposals do not provide enough details of how the stakeholder system would actually work, including whether it would be compulsory. The NAPF represents 1,400 employers that sponsor pension plans.

He maintained the review "is setting the scene rather than laying out specifics in the pensions area."

However, in a press statement the NAPF said it was pleased that the government had recognized the success of occupational pensions. The organization added that while it shares the government's concern that large numbers of people are not joining such pension plans, this problem could be better addressed by allowing employers to make membership in company plans a condition of employment and by measures to encourage more employers to offer pensions.

The Assn. of British Insurers has said it welcomes the pension review and hopes to participate in whatever form of new pensions emerge. Most members believe traditional insurers will be willing to operate stakeholder pensions if the type of products and the numbers that can be sold make it worthwhile.

The pension proposals were unveiled in a paper outlining the government's main welfare reform proposals, "New Ambitions for Our Country: A New Contract for Welfare."

Plans for stakeholder pensions are one of eight key principles around which welfare reforms up to the year 2020 will be based. Among other key principles are plans to remove people from welfare through jobs programs and training programs and to reduce welfare fraud.

Last July, the government first announced plans to reform pensions, centered on the stakeholder pension principle (*BI*, July 28, 1997). At that time, Social Security Secretary Harriet Harman said stakeholder pensions would offer "secure, flexible and value-for-money second pensions (after the state pension) for those who cannot join an employer's occupational scheme, whose pay is low or intermittent, and for whom personal pensions are usually unsuitable." BI

Scandinavian utilities turning to captives

By GERARD O'DWYER

Captives are catching on among Scandinavian power companies, with the formation of three captive insurers since January.

The utilities are turning to captives as a flexible way to reduce their insurance costs, among other reasons, say executives of the captives, which are domiciled in the region.

Oslo, Norway-based power company Statnett launched the most recent captive, Statnett Forsikring A/S, which began operating last month.

A wholly owned state company, the utility said it expects to reduce its annual insurance costs by up to 20% using the captive. Statnett spent $21 million on insurance in 1997, a 6% increase from the previous year. The utility also said the captive will provide direct access to reinsurance.

The captive, domiciled in Norway, will write property and liability insurance for the parent company's domestic and international risks. For 1998, Statnett expects the captive will write about $24 million in total coverage.

Norway's financial markets regulatory authority, Kredittilsynet, approved the operation March 1.

Statnett Forsikring is the third captive formed in the region and is the second launched by a Norwegian power company. Company executives say captives will help the utilities to lower their premiums and secure difficult-to-obtain coverage for shutdowns, for example.

Another power company, Statkraft, in February became the first Norwegian utility to enter the captive insurance arena, establishing captive subsidiary Statkraft Forsikring.

Previously, the utility bought $78.2 million in property/casualty coverage from Oslo-based Gjensidige Forsikring A/S and Stockholm, Sweden-based Skandia Forsakring A.B.

"SFK will handle Statkraft's reinsurance needs, while Gjensidige and Skandia will continue to supply front-line insurance," said Statkraft Forsikring's managing director, Stein Christiansen. SFK will write $28.4 million in reinsurance this year and later may take on more risk, he said.

In January, Swedish power group Sydkraft got approval from regulatory authorities to establish its captive insurer, Sydkraft Forsakrings A.B., which began operating Feb. 1.

"Having a captive insurance company to serve the group's day-to-day needs will prove a more reliable and comprehensive means of securing our business interests," said Sydkraft Forsakrings' managing director, Torsten Andersson.

All three captives will focus on insuring against costs arising from unplanned power interruptions, a common problem among Nordic utilities.

Mr. Andersson said the captives in two to three years will write coverage for risks unrelated to their parent companies, possibly for non-utilities.

Sydkraft previously insured most of its power business operations with a number of organizations, including the Swedish nuclear-energy insurance pool Atomforsakringspoolen and Skandia. The pool provided about 30% of Sydkraft's coverage, while about 20% was arranged through the Brussels, Belgium-based European Mutual Assn. for Nuclear Insurance.

"We have no plans to sever our association with the European Mutual Assn. for Nuclear Insurance. We will retain our interest in this company, while growing our own insurance business," said Mr. Andersson. BI

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John R. Woodard

have joined the Firm as

Managing Director

January 1998

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New York Denver

INTERNATIONAL

Russian communications satellite loss to cost insurers

$89.5 million insured loss unlikely to harden rates, underwriter says

By MARIA KIELMAS

The loss of a satellite belonging to the Central Bank of Russia is expected to cost insurers $89.5 million, London insurance market sources say.

The satellite, named Coupon-1, lost computer contact with Earth at 7:27 a.m. Moscow time March 20, a Russian Central Bank statement said. A bank spokesman in Moscow said the satellite was insured by Russia's second-largest insurer, Moscow-based Ingosstrakh Insurance Co. Ltd. on behalf of the Lavochkin NPO aerospace company that manufactured it.

Ingosstrakh's head of space and aviation risks, Alexei Afaganov, was unavailable for comment, but a statement the insurance company issued indicated that the satellite was covered for 523.3 million rubles ($89.9 million).

The term of the insurance policy was for six months and provided coverage for transportation to and preparations for the launch as well as the launch itself.

An Ingosstrakh spokesman was unable to give details of his company's exposure to the loss.

The risk was reinsured in the European and London markets via London-based brokers Crawley Warren & Co. Ltd., confirmed Clive Smith, a director at Crawley Warren.

Giovanni Gobbo, the deputy head of the space department at Assicurazioni Generali S.p.A., confirmed that Generali has a small share of the satellite's reinsurance. He said the satellite insurance market as a whole will probably not harden due to the loss. However, the type of satellite loss has been changing, he said.

The satellite was part of a communications system intended to link banks across all of Russia's 11 time zones.

"Initially there were always problems with the launch. Now as the satellites are becoming bigger and more sophisticated, these are the losses," he said.

According to a spokesman for Lavochkin in Moscow, the Coupon satellite was part of a multisatellite interbank communications system known as Bankir, which the company was building for the Central Bank.

The $390 million satellite project was aimed at providing a real-time clearing and settlements system for financial transactions between banks. The system was to cover all of Russia's 11 time zones by the year 2000.

According to information from Lavochkin, the first satellite was planned to be launched in late 1993. This was delayed until late 1996, and finally Coupon-1 was launched last November.

Lavochkin is a state-owned company that reports to the Russian Space Agency. The company has developed surface-to-air and intercontinental missiles, and lunar and interplanetary probes, though its principal activity is the manufacture, testing and control of automated spacecraft.

A commission has been assembled to investigate the accident. This will be headed by army Lt. Gen. V.A. Grinya, who has worked with the Coupon project since 1997.

Other members of the commission will include Yuri N. Filatov, the head of the Russian Central Bank's telecommunications department, and representatives from the Russian Space Agency and Lavochkin, according to the Central Bank statement. BI

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REQUEST FOR PROPOSALS

The City of New York Management Benefit Fund is soliciting competitive proposals from qualified vendors to insure and/or administer Group Basic Life and Accidental Death & Dismemberment, Group Long Term Disability, and Superimposed Major Medical Insurance Programs. In addition to submitting a separate proposal for each program, carriers may submit a proposal on a combined basis. The Request for Proposals (RFP) is available beginning April 10, 1998. Proposals are due by May 29, 1998. To receive a copy of the RFP or if you have any questions, please contact Lou Porpora at (212) 306 - 7306.

REQUEST FOR PROPOSALS

The State of Nevada is soliciting proposals from qualified vendors to provide Pharmacy Benefit Management Services for the State of Nevada self-funded medical plan from January 1, 1999 through December 21, 2001. The successful vendor shall provide services of a pharmacy benefits management vendor to provide and manage an integrated retail and mail service drug program.

Sealed proposals may be submitted in accordance with request for proposal No. 1015, until 2:00 PM May 7, 1998. To obtain a copy of the RFP, Contact Kathy Pruitt at (702) 684 - 8676.

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Required qualifications: ACAS or near-ACAS and 5 years property/casualty actuarial experience.

Contact: Director Marianne K. Burke, Alaska Division of Insurance, P.O. Box 110805, Juneau, AK 99811. Phone: (907) 465 - 2515; Fax: (907) 465 - 3422.

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LEGAL NOTICE

In the matter of
National Employers' Mutual General Insurance Association Limited
(in liquidation) ("NEMGIA")

NOTICE IS HEREBY GIVEN that the liquidators of NEMGIA intend to declare a third interim dividend to the creditors of the company within four months of 30 April 1998. Creditors who have not submitted claims to the liquidators of NEMGIA, PO Box 730, 20 Farringdon Street, London EC4A 4PP, England, by 30 April 1998 will be excluded from this dividend. Forms of proof of debt may be obtained from the liquidators or from policyholders' brokers.

As regards NEMGIA's former branches in Cyprus and Malta, creditors should contact the local liquidator (or similar appointed person) to establish their claims. Only to the extent that UK dividends exceed local percentage distributions will creditors be entitled to participate in distributions from UK funds.

A J McMahon, Joint Liquidator
27 March 1998

LEGAL NOTICE

ICS REINSURANCE PRIVATE LIMITED
RMCA REINSURANCE LIMITED
SCHEMES OF ARRANGEMENT
("the Schemes")

Notice of Declaration of Interim Dividends

NOTICE IS HEREBY GIVEN that fourth interim dividends of 5 cents in the dollar (US) have been declared in the above Schemes.

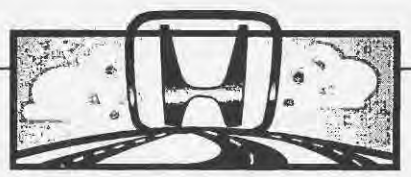
Dividend cheques in respect of those claims which have been agreed will be dispatched to Scheme Creditors shortly.

Total dividends declared to Scheme Creditors now total 75%.

P J Singer & C J Hughes
Joint Scheme Administrators
ICS Reinsurance Private Limited
RMCA Reinsurance Limited
Plumtree Court
London EC4A 4HT
United Kingdom

Dated this 30th day of March 1998

HELP WANTED



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HONDA

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The Metropolitan Transportation Authority's Risk and Insurance Management Department is soliciting competitive conceptual proposals from qualified brokers/agents and/or direct writers to market and provide insurance and administrative services for a New York City Transit Owner Controlled Insurance Program (OCIP) for the renovation of Line Structures & Shops, Yards and Depots. This project has been assigned MBE/WBE goals as follows:

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Woman-owned business sub-contracting goal: 5%

There will be no charge for RFCP bid documents. Solicitation documents may be requested by mail, or fax at (212) 878-1203. Mail and fax requests should be made on company letterhead and addressed to **Phyllis Rachmuth, Assistant Director, Risk Assessment and Coverage, MTA Risk and Insurance Management Department, 347 Madison Avenue, (341/18), New York, NY 10017.**

Metropolitan Transportation Authority

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Shockey, a well-established 102 year-old general contractor, ready-mix supplier & precast/prestressed manufacturer, located in the Shenandoah Valley of Virginia, is looking for an individual with five or more years' experience in construction safety or related field to manage safety & environmental control at their multiple locations. The selected individual will enjoy a company vehicle, competitive salary/benefit package, and report to the EVP/COO.

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Shockey
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Winchester, VA 22604

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Candidate will manage all underwriting activities and results, with a primary focus on workers' compensation. Candidate must have successful background servicing and underwriting commercial accounts, with expertise in New York workers' compensation regulations.

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USA Risk Group
Attn: Rob Bartholomew
3285 Veterans Memorial Highway
Ronkonkoma, NY 11779

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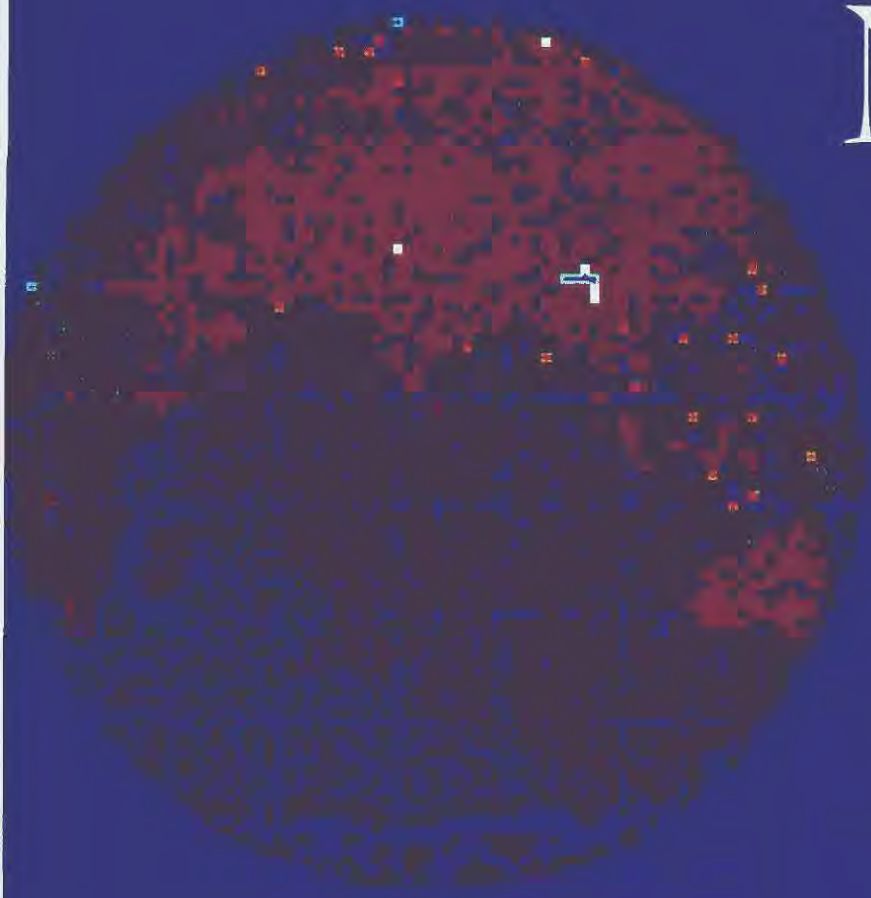

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Issue Date	Directory
Feb 3	Utilization Review Providers & Case Managers
Feb 17	Third-Party Administrators
Mar 3	Benefit Information & Claims Systems
Mar 17	Risk Management Consultants
Apr 14	Captive Managers
May 5	401(k) Plan Administrators
May 19	Alternative Risk Financing Facilities
Jun 9	Environmental Risk Management Consultants
Jun 23	EAPs & Dependent Care Resources and Referral Services
Jul 21	Agents & Brokers
Aug 4	Prescription Benefit Managers
Aug 18	Property Loss Control Consultants
Sep 1	Leading Reinsurers Worldwide
Sep 15	Surplus Lines Insurers & Wholesalers
Oct 6	International Insurers & Benefit Networks
Oct 27	Safety Consultants & Rehabilitation Services
Nov 10	Reinsurance Brokers
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Dec 1	Risk Management Information Systems
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Apr 6	401(k) Plan Administrators
Apr 27	Captive Managers
May 25	Environmental Risk Management Consultants
Jun 8	Alternative Risk Financing Facilities
Jun 15	EAPs & Dependent Care Resources and Referral Services
Jul 20	Agents & Brokers
Aug 3	Prescription Benefit Managers
Aug 17	Property Loss Control Consultants
Aug 31	Leading Reinsurers Worldwide
Sep 7	Surplus Lines Insurers & Wholesalers
Oct 5	International Insurers & Benefit Networks
Oct 26	Safety Consultants & Rehabilitation Services
Nov 9	Reinsurance Brokers
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Dec 7	Risk Management Information Systems
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Tobacco

Continued from page 1

civil liability awards the tobacco industry can be required to pay in any given year to $6.5 billion, with any unused amount being rolled over. The bill would place no other limits on class-action suits or punitive damage awards. Moreover, tobacco companies would pay additional money to total at least $506 billion over 25 years for that break.

The Breaux amendment has insurers worried that they could be asked to pick up part of that tab for damages, and they say that would undercut the legislation's purpose.

"It's a troubling amendment, troubling because it tends to undercut the primary public purpose of the bill's liability provisions, which are to clearly place responsibility on tobacco manufacturers and to focus all health-related tobacco litigation fully on those manufacturers. It's especially troubling since insurance policies have never been found to provide any coverage to tobacco manufacturers and tobacco manufacturers have never claimed that they do provide coverage," said Craig Berrington, senior vp and general counsel for the American Insurance Assn. in Washington.

"Sen. Breaux may have meant in introducing the amendment to be aiming it solely at the Louisiana direct action statute. Even if that was his purpose, it is directly at odds with specific language in the bill, which says only tobacco manufacturers can be defendants," said Mr. Berrington. He added that "less than a handful" of other states have a direct action statute such as Louisiana's.

'While we haven't had a chance to look at the entire bill, clearly the Breaux amendment should be eliminated in the final proposal,' says David M. Farmer.

David M. Farmer, senior vp-federal affairs for the Alliance of American Insurers in Washington, said: "It appears to us that the Breaux amendment is an attempt to carve out a state-specific area in this national tobacco settlement, and it seems to us that it's inappropriate public policy to start to carve out state-specific areas. While we haven't had a chance to look at the entire bill, clearly the Breaux amendment should be eliminated in the final proposal."

Other insurance industry observers, however, thought the underwriters might be getting unnecessarily worked up over the amendment's practical impact.

"The record has been fairly clear up to now that the insurance industry has very little exposure in this area, because since 1966 most insurance policies have had an absolute exclusion for tobacco liability," said Alan Levin, senior vp at Standard & Poor's Corp. in New York. "The simple hole in that defense is that there are clearly people who were exposed before the exclusion was added, and also there are other parties involved in the manufacture and sale of tobacco products that may or may not have had that exclusion, including distributors, retailers and so on. So there are still some exposures for the insurance industry, but, in simple terms, it's not so much from the manufacturers. To our knowledge, very few claims have been submitted up to now.

"We wouldn't be too concerned. If approved and signed, it would simply just preserve that potential exposure. The insurance industry either has this exposure now or doesn't, depending on state law and the terms and conditions of the policies in question."

Dolson Smith, senior financial analyst for A.M. Best Co. in Oldwick, N.J., said: "It doesn't sound like an increased threat. It sounds like it preserves—and the key word is preserves—any claims against insurers. The amendment doesn't seem to put the insurers at any greater risk."

Although the measure would add to the tobacco companies' financial burden, it did not specify where the money would go. The committee did approve a nonbinding amendment offered by Sen. Olympia Snowe, R-Maine, that offered a list of possible uses for the money. In addition to reimbursing the states for smoking-related health care expenses, the money could be used, among other things, to establish and pay for a trust fund for former asbestos workers' smoking-related health care costs.

The Snowe amendment, however, was one of relatively few the committee adopted. For example, the panel rejected a trio of amendments providing liability relief for other endeavors. The amendments, offered by Sen. John Ashcroft, R-Mo., would have curbed the legal liability of charitable organizations and biomaterial manufacturers and would have cut back the product liability exposures of product sellers while setting a 15-year statute of repose for all products.

"It is remarkable that Congress would bow to the tobacco industry while refusing to allow reasonable limitations on liability for hard-working Americans who are making safe products—products that by their nature do not kill people such as those sold by tobacco companies," Sen. Ashcroft—who, like Sen. McCain, may seek his party's presidential nomination in 2000—said in a statement accompanying his amendments.

Sen. Ashcroft was the sole committee member to vote against the bill. BI

Trial

Continued from page 1

The wholesalers to be tried are: McKesson Corp., Bergen Brunswig Corp., Cardinal Health Inc., Amerisource Corp. and Bindley Western Industries Inc.

The druggists will again be seeking compensatory damages, but because observers expect it to be a jury trial, the amount could be much higher than that of the 1996 settlement, said John Rector, general counsel of the Alexandria, Va.-based National Community Pharmacists Assn. Compensatory damages in antitrust cases can be tripled.

The possibility of high restitution for the druggists is especially great because the leading drug wholesalers, previously excluded from the case by Judge Kocoras, were reinstated as defendants by an appellate panel, and all their past sales practices—as well as those of the drug makers—will be subject to scrutiny. Eighty percent of drug purchases by independent drugstores go through wholesalers, Mr. Rector said.

No one is guessing how much the pharmacies might receive, and druggists are keeping their eye on retaining the jewel of the settlement: the right of the independent pharmacy to compete on an even playing field in a world of managed care.

"In the long run, our people are more concerned with receiving injunctive relief," said Mr. Rector.

Pharmacists have been waiting for the trial to proceed so that buying groups consisting of hundreds or even thousands of pharmacies could be organized as a counterforce to managed care and to qualify for high-volume discounts from manufacturers. The emergence of new competition will be invigorating for both managed care and pharmacies, the druggists say.

"I can't see why it (a druggist victory) would be bad," said David Melnick, a Milwaukee-based lawyer for the Pharmacy Freedom Fund, a grassroots druggist movement that has helped spearhead the legal campaign. "Now, prices are basically fixed. From a benefit manager standpoint, I don't see any downside to this lawsuit. If they are self-funding and not able to get low (drug) prices in the past, this will greatly impress benefit managers."

The president of the Pharmacy Freedom Fund, Bob Gude, has been able to enroll more than 4,400 stores into a national buying group but stopped short of activating it because, he said, "We were just waiting around to see how the manufacturers are going to respond." Since the partial settlement with the drug makers in 1996, certain drug companies have begun offering retailers product discounts—but Mr. Gude, a Fort Worth, Texas, pharmacist, said they are nothing to write home about.

"The rebates they're offering us aren't anything like managed care got in the past," he said. "If there was true competition in the marketplace, then prices would be as low as the market would drive them."

But some consultants speculate that bigger discounts for retail pharmacies could spell higher prices for managed care drug programs and buyers. They say the end result of the trial may be a de-emphasis on discounts for all segments of the marketplace, leaving employers with higher prices than ever.

"If I had to make a wager, it very well might lead to an increase in cost for the consumer," said Arthur Shinn, a consultant with William M. Mercer Inc. in New York. "It's hard to say. It could very well have no impact."

Barry Barnett, a principal at The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J., said it is possible that if the trial fortifies the buying power of druggists, prescription benefit management firms may be weakened and have less to offer buyers. Still, Mr. Barnett said he does not think pharmacy buying groups could compete effectively against managed care organizations.

"They could believe that all they want," he said. "They're in the business of selling drugs, not managing care."

According to Harvard University economist Frederic M. Scherer, a pharmaceutical industry specialist who served as a consultant to the drug companies during pretrial proceedings, the plaintiff pharmacists do not believe in free-market forces and resort to the courts to suppress the threat of managed care, which Mr. Scherer considers a more efficient mode of drug distribution.

"The retail pharmacists have a long history of resisting price innovation," he said, adding this is natural, however, because of the "enormous competitive pressure" pharmacies face.

If the court grants the injunction against pricing discrimination in favor of pharmacists, there is little question the burden will filter down to the employer, he said.

"If you give up price discrimination in this industry, you'll raise health care costs, and one way or another that will be passed on to the consumer," he said.

Calls seeking comment from several of the defendants were not returned last week. A spokeswoman for G.D. Searle said the company is "certainly confident in our position" that it has broken no laws. BI

Pharmacists fight drug-pricing system

1994: Pharmacists begin court filings. Suits eventually are consolidated under authority of U.S. District Judge Charles P. Kocoras in Chicago.

January 1996: Lawyers for 30,000 pharmacists and more than a dozen large drug manufacturers submit proposed $409 million cash settlement to court.

February 1996: Judge Kocoras gives preliminary approval of settlement.

March 1996: Pharmacists argue fervently against proposed settlement at fairness hearing.

April 1996: Judge Kocoras rejects proposal, arguing it doesn't offer independent pharmacists relief from drug-pricing practices.

June 1996: Revised settlement, granting independent pharmacists an opportunity for drug discounts, receives judge's approval.

August 1997: Federal appeals court in Chicago reinstates five big drug wholesalers as defendants along with remaining eight manufacturers.

March 1998: U.S. Supreme Court allows appellate decisions to stand, clearing way for trial in district court Sept. 14.

GRAPHIC BY JOHN HALL

ADVERTISER INDEX

Issue of April 6

ADVERTISER	PAGE #	ADVERTISER	PAGE #
Bene Com Associates	36	HSB/Industrial Risk Insurer	17
Burnham Systems	36	Int'l Foundation of Empl. Ben.	20
Business Insurance	27, 28,39	Kemper Insurance Companies	14-15
Carvill America, Inc.	32	Liberty Mutual	21, 44
Chubb Group of Insurance Co's	31	Metropolitan Life Ins. Co.	7
Claim Technologies, Inc.	36	Qualcare	27R
Conseco, Inc.	18-19	Royal Insurance	22-23
Deloitte & Touche	24	State Comp. Ins. Fund	27R
Delta Dental Plan Assoc	16	Travis Software	30
Fortis Inc	10-11	D.W. Van Dyke & Company	6
Frontier Insurance Co	4	Vestar Capital Partners	37
GAB Robins	29	Wausau Insurance Company	5
General Accident Ins.	12-13	Westport Insurance	9
Glenrand Marsh	40	WLT Software of FL., Inc.	36
Health Alliance Plan	27R	Zurich Reinsurance Intl	34

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Mr. Barker is assisted by
MISS BARBARA DICK, Analyst.

Commentary

It's time to clarify U.K. workers' rights

Get sick and lose your job.

Sounds reasonable, right? I mean, if you *really* wanted to keep your job, you would have dragged yourself into the office and demonstrated your will to work. What's a little hepatitis, chronic back pain or flu to the person who truly loves his or her job and wants to keep it?

Clearly, workers who fail to come into the office while under the weather are slackers who have no real interest in remaining employed.

Although that scenario may sound absurd, it essentially is the stance being taken by two British employers in a legal battle over maternity and disability leaves (*BI*, March 9).

Janet Greaves was dismissed by U.K. retailer Kwik Save Stores Ltd. in 1994 after she was unable to return to work after her maternity leave due to disabling back pain. She, in fact, did return briefly to deliver to her employer a note from her doctor explaining her continued absence beyond the scheduled end of her maternity leave.

In spite of that notification, when she failed to return to work on the appointed day, she was terminated by Kwik Save. The store argued in court that it didn't fire Ms. Greaves; rather, she effectively quit by not physically returning to work.

Heather Crees met the same fate in 1995, when she failed to return to work immediately after her maternity leave. Her employer, Royal London Mutual Insurance Society Ltd., dismissed her when she sent a note explaining that due to postnatal depression she would be unable to return at the end of her leave.

Paul D. Winston

Royal London made the same argument as Kwik Save—Ms. Crees terminated herself by not physically returning to the job.

In late February, the U.K. Court of Appeal ruled that the two women were unfairly dismissed because temporary illnesses prevented them from returning to work when their maternity leaves ended.

The court also noted that, contrary to the employers' assertions, the women had indicated their desire to keep their jobs by giving notice of their illnesses. It's not as if the employers had heard nothing from these women and, after waiting for weeks, decided they weren't coming back and replaced them.

Kwik Save and Royal London have appealed the Court of Appeal ruling, which now will be heard by the House of Lords.

I find it hard to believe the employers' argument that they were merely following the letter of the law, as well as following their past practices, when they dismissed the two women. If that were the case, they must routinely fire employees who fail to turn up for work as scheduled, regardless of the reason.

Putting aside my disbelief, however, it is clear that U.K. employment laws must be extremely hazy on the rights of employees and employers when it comes to leaves for maternity or illness. The situation is not helped by the United Kingdom's case law system. The lawsuits brought by Ms. Crees and Ms. Greaves, in fact, have gone through numerous hearings with varying rulings prior to the Court of Appeal decision.

Hopefully, the House of Lords will provide some much-needed clarity and guidance, while upholding the common-sense ruling by the Court of Appeal.

In addition, Parliament should amend the relevant laws to clarify for employers that there may be valid circumstances in which an employee desires to keep his or her job but is physically unable to be in the workplace.

More broadly, it appears Parliament needs to clarify U.K. law to spell out employees' and employers' rights and responsibilities under leaves of absence, be they for maternity, disability or family needs.

British lawmakers, employers and labor groups ultimately may determine their leave benefits are overly generous in some areas, such as maternity, while stingy in others, such as mental or physical illness. Perhaps it is too much to ask of an employer to keep a workers' job protected for an extended period of illness after more than 30 weeks of maternity leave, as was the case with both Ms. Crees and Ms. Greaves. U.S. law allows for only up to 12 weeks of job-protected unpaid leave for the birth or adoption of a child, for a worker's own illness or for the care of an ailing family member.

The House of Lords decision will set the stage for this discussion. What follows from there is up to employers.

Editor Paul D. Winston and Publisher and Editorial Director Kathryn J. McIntyre alternate columns.

CalPERS

Continued from page 1

to rate increases, Mr. Bos said. Large purchasers committed to managed care are discussing direct contracting as a way to stabilize prices.

"A lot of it is being driven implicitly by the expectations of what is going to happen with rate increases in 1999 and 2000," he said.

Wall Street and shareholder influences on mergers and acquisitions also are factors. Another reason CalPERS is interested in examining direct contracting with medical groups and hospitals is because they "are rooted in the community," according to a copy of Ms. Stanley's presentation to the managed care symposium sponsored by the Palo Alto Medical Foundation.

"They are there for the long haul," she said. "HMOs, on the other hand, keep merging and moving around, often with their eyes focused on Wall Street. Purchasers would like to see greater stability in their health plans."

Disruption of provider networks due to mergers has been a main concern for CalPERS, a spokesman said. A year ago CalPERS offered its members a choice among 14 HMOs. With mergers and acquisitions, that number is now 10.

Three mergers last year "caused us to go to extra lengths to make sure that there was the least possible disruption in provider networks," the spokesman said.

Employer nervousness over health plan consolidation and its whittling away of competition was one of the main reasons the Minneapolis-based Buyers Health Care Action Group turned to direct contracting, said Steve Wetzell, executive director of public policy and public affairs for the purchasing coalition.

BHCAG directly contracts for $165 million a year in health care for 130,000 enrolled participants in that plan. In total, BHCAG negotiates for $600 million a year in health care for 400,000 participants.

Health plan instability also influenced Schaumburg, Ill.-based Motorola to move most of its 75,000 employees into its own plan, based on direct contracts with doctors and hospitals (*BI*, Nov. 17, 1997). In one case, employee confidence was undermined when an HMO and a large clinic parted ways just before coverage was set to begin.

The issue has not even been presented to a CalPERS policy board, whose approval would be required before moving forward, the CalPERS spokesman said. A date has not been set for doing so.

Using providers rooted in the community is one reason CalPERS is considering direct contracting.

However, CalPERS staff attorneys have been asked to determine whether measures such as enabling legislation would be necessary, the spokesman said.

CalPERS possibly could reduce health costs through direct contracting. But the savings might be minimal because of the good deals CalPERS already has negotiated with health plans, several observers said.

"They have done a good job of negotiating some very tough deals by laying down specific criteria over the years as to how you will conduct business if you are going to do business with CalPERS," said Tim Beck, a principal and health and welfare consultant for Buck Consultants Inc. in Los Angeles.

Direct contracting in areas where competitive HMOs already operate would require an employer group to obtain rates from medical providers at least as favorable as those being given to HMOs, Mercer's Mr. Bos said. That can require employers or purchasing groups to have enough employee concentration in one area to rival what a much-larger purchaser, such as an HMO, can obtain.

While CalPERS would have that clout in Sacramento, with its concentration of public employees, it is not certain whether CalPERS would have to team up with other employer groups to achieve that status in other cities, such as Los Angeles or San Francisco, sources said. It is also not known whether CalPERS would move to direct contracting only in certain California markets or throughout the state. Ms. Stanley could not be reached for comment.

An employer or purchasing group going the direct contracting route ultimately could shoulder much more of the risk. There would be the expenses of contracting for or implementing administrative systems, such as data reporting to employers and customer services, Mr. Bos said.

BHCAG administrative costs have hovered around 10% of the total plan cost, Mr. Wetzell said. Enough business must be at stake to make direct contracting with medical providers worth the effort for the providers and the group, he said. BHCAG members in its direct purchasing plan represent about 5% of the market for health care in the Twin Cities area.

A coalition or an individual employer could direct contract a smaller market share by negotiating with a subset of the available provider community and promising them a certain amount of volume, Mr. Wetzell said.

In some market areas, it's a potential trend, said Peter Robinson, president and chief executive officer for Aon Managed Care Risk and Insurance Services Inc. in San Francisco.

"Unless a health plan delivers value to the employer—value that they can't get otherwise—employers are going to squeeze any inefficiency out of the system," he said. BI

Lost time

Continued from page 2

force patients to return to work.

Other common causes for delays in an injured employee's return to work include the treating doctor's inability to determine proper work restrictions and limitations, disparities between the employer's and the employee's accounts of the injury, the employer providing too little information about the demands of the job to the treating physician, and conflicts among treating physicians' opinions, the survey showed.

According to ManagedComp, the findings support the notion that a large percentage of time lost due to workplace injuries is preventable. The company said the results of the survey show that employers can reduce workers compensation costs by forming partnerships and communicating clearly with physicians in their communities.

ManagedComp, which provides workers comp managed care and insurance programs, suggested that its own experience confirms the survey's findings. A primary occupational physician network that the company developed two years ago and that is in place in seven states has produced a percentage of lost-time claims below the national average for workplace injuries, the company said.

Just 16% of patients treated by ManagedComp POPs, who have specific expertise in occupational medicine, produce lost-time claims, compared to the 24% national average for workplace injuries, according to the company.

The survey's suggestion—that modified-duty programs can reduce the amount of lost-time claims—makes sense to Terry L. Varner, director of risk management for Perkins Family Restaurants L.P. in Memphis, Tenn.

While noting that the nature of his company's business doesn't produce many catastrophic injuries, Mr. Varner said the company still makes an effort to find modified-duty solutions to return employees to work as quickly as possible from the injuries that do occur.

'Employers have to take control themselves of the return-to-work process,' says William C. Bruce.

"We're able to return most of our people to work in a modified capacity," he said. "If you can't stand, you can sit at a cash register. I can accommodate a lot of people by buying a stool."

Companies approaching the workers comp issue most aggressively typically have found creative ways to create modified-duty jobs, Mr. Varner noted. "Even in a heavy-lifting situation, there's probably something you can do," he said.

Another risk manager, Craig S. Macdonald, director of risk management for the St. Louis-based Bi-State Development agency, called the conclusions "absolutely true," and noted that since his agency—which among other responsibilities operates public transit systems in the St. Louis area—adopted its light duty program in 1990, the number of lost days has declined, even though the actual number of worker injuries has remained fairly constant.

William C. Bruce, a partner and head of the employment practice group at the Mayo, Gilligan & Zito law firm in Hartford, Conn., said the survey's results concur with his experience as well. "I think what they emphasize is that many employers still adopt a 'can't do,' attitude about return to work," Mr. Bruce said.

Often the problem stems from the employer's failure to communicate to both employees and physicians expectations that injured workers return to work as soon as possible, Mr. Bruce said, highlighting the need for employers to assign staff to closely follow injury cases.

"Employers have to take control themselves of the return-to-work process," Mr. Bruce said. They can't let others dictate it."

The ManagedComp survey was distributed to 250 physicians, with 97 responding. Of the survey participants, 90 indicated they practice occupational medicine, and 57 said they were board-certified in the specialty. Physicians responding to the survey practice in 43 states and the District of Columbia.

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Copies of the ManagedComp Physician Survey's findings are available free by calling Julie Ferguson at ManagedComp, 800-832-1600, ext. 3056.

NCCI

Continued from page 1
costs and the drafting of common policy forms for the industry.

While questions abound, the first important answers may come this week. The NCCI board will consider ISO's offer at a meeting today during the organization's 75th anniversary celebration in Orlando, Fla.

A special committee will report on the outcome of talks with a broad cross-section of NCCI's 700 insurer members, which were asked about their reaction to ISO's proposal, made in mid-February. If the members accept it, each company would receive an unspecified cash "incentive" to give up membership rights. The incentive would be allocated proportionally among insurers, according to the NCCI's bylaws.

However, even if the board accepts the offer, the NCCI still requires a two-thirds majority vote by its members, insurers say.

Meanwhile, state insurance regulators are asking the National Assn. of Insurance Commissioners for a legal opinion on whether their authority to appoint statistical agents in their individual states extends to approving the proposed ISO deal, said South Dakota Insurance Director Darla Lyon. ISO says state regulators do not have authority to approve the acquisition, she said.

Ms. Lyon also chairs the NAIC's Commercial Lines Property/Casualty Committee, which monitors the operation of statistical database services. The status of a proposed combination has been discussed in closed meetings and conference calls during the past several months (*BI*, Jan. 5). However, she has pledged to open the next meeting, which will be held at the NAIC's summer meeting in June.

The Boca Raton, Fla.-based NCCI took in $142.4 million in 1997 from the sale of its products and services. The organization collects and analyzes workers comp data and uses it for filing prospective loss costs in many states, which are the main component of workers comp rates. The NCCI also calculates employers' experience rating modifiers and operates many states' residual markets for employers that have trouble finding workers comp coverage, which is required by nearly every state to protect employees injured on the job.

If the NCCI approves the deal, "ISO will continue to make available NCCI's core products and services. . .and, on average, will limit annual price increases for the next five years on these products to the greater of 5% or the inflation rate, as measured by the Consumer Price Index," according to a confidential letter NCCI Board Chairman Thomas A. Hayes sent to NCCI's members last month.

That proposed cap on price increases is of special interest to users of NCCI services, whether directly or indirectly.

"If NCCI is giving away its assets which could otherwise inure to support rates and fees, then the five-year cap may not be such a good deal for purchasers. Otherwise, those assets may have allowed for either no increase or a decrease," said Linda Lamel, executive director of the Risk & Insurance Management Society in New York.

ISO's proposed acquisition of NCCI will "improve efficiencies and responsiveness to stakeholders and leverage ISO's economies of scale and expertise" in data management, said David Ostwald, vp-corporate communications for ISO. In addition, some of the NCCI's data-handling functions may be relocated from Boca Raton to ISO's Pearl River, N.Y., processing facilities, he said.

Also, the proposed acquisition would eliminate the possibility of competition growing between ISO and NCCI. Such competition currently exists only in Florida, where both companies are licensed as statistical agents, along with Insurance Data Resources Inc. of Boca Raton, Fla.

While most observers think the combination would make it more difficult for other companies to compete, IDR President Michael Camilleri disagrees.

"We think it has virtually no effect" on IDR's business plan, he said. IDR, which is licensed as a workers comp statistical agent in 20 states and expects to expand into 10 additional states by year end, targets regional insurers and state funds that operate in limited geographic areas. IDR previously established a non-profit subsidiary to perform statistical agent duties.

If the NCCI approves ISO's acquisition plan, "what we have is further industry control over the rate-making mechanism. Whether that will help the buyer remains to be seen," said RIMS' Ms. Lamel.

"In general, buyers would like to have more than one place to go for a product," she added.

However, "it makes a certain amount of sense to eliminate duplication," said Jim Ellenberger, assistant director for the AFL-CIO's Department of Occupational Safety and Health in Washington.

State insurance regulators have been busy gathering facts but have not taken a position yet on the proposal. "We have not gotten to the point that we have determined if this is a good or bad idea," Ms. Lyon said.

However, they have identified several areas of concern, which are similar to those areas raised when NCCI was considering converting to a for-profit organization (*BI*, April 14, 1997; Oct. 7, 1996). They include regulators' own concerns about availability of special reports and NCCI expertise as well as more general concerns about data ownership, access and cost for outsiders.

In the past few years, NCCI's ownership of data and ability to charge for its reports and worksheets has been a subject of debate and litigation, including a recent Kansas court ruling that struck down a commissioner-imposed copying charge and ordered that a new one be developed with more NCCI input (*BI*, March 30).

If the deal is approved, ISO's more liberal approach to releasing data may cause the NCCI to soften its stance on access, said Bob Hunter, director of insurance for the Consumer Federation of America in Washington.

In addition, the combination of the two major property/casualty rating and statistical operations "could raise a flag" in terms of antitrust considerations, Mr. Hunter said.

At the least, ISO's acquisition of NCCI would create transitional problems that probably would slow their responsiveness to any special request from regulators, he said.

One of the key elements of ISO's proposal is that the NCCI be operated as a separate non-profit subsidiary.

The subsidiary would have ISO as its sole member and be headed by a senior executive and supported by staff under the direction of a revised board of directors consisting of nine members, instead of the current 11. The proposed board would consist of three senior executives of representative workers comp insurers; the senior executive heading the NCCI; four representatives designated by ISO; and ISO's board chairman.

"It makes it simpler if the NCCI continues as presently constituted," said ISO's Mr. Ostwald.

"We know regulators have expressed an interest in the possibility of NCCI going to a for-profit status, and maintaining a non-profit status requires no change," he added.

However, Ms. Lyon said she is not sure that keeping the NCCI non-profit would relieve regulators' concerns.

Having ISO as the NCCI's sole member is "not a sham," by any means, but rather a way to resolve the legal and tax challenges of combining a for-profit parent with a non-profit subsidiary, which regulators previously said they preferred, said IDR's Mr. Camilleri.

"Labor historically has believed that workers compensation should be operated on a not-for-profit basis," Mr. Ellenberger said.

From labor's perspective, one advantage that might stem from the deal is a muting of NCCI's political activity in state legislatures in support of workers comp law changes. "They were supposed to crunch the numbers, not get involved in public policy debates," he said. BI

'Balanced billing' ban proposed

SPRINGFIELD, Ill.—Representatives of employers, insurers, labor unions and doctors met last week to discuss legislative proposals to ban "balanced billing" in Illinois.

Several pending bills outlaw the practice of a medical care provider directly billing injured workers for payments in excess of the amount a company's workers compensation insurer or a self-insured employer consider reasonable.

The practice is banned in nearly every other state (*BI*, Feb. 3, 1997).

Last May, a bill passed the Illinois House of Representatives but was subsequently stalled, primarily due to opposition from the Illinois State Medical Society (*BI*, May 26, 1997). The legislation is still pending in the Senate Rules Committee as S.B. 73.

This year, doctors are supporting a new bill, H.B. 3768, that they say would eliminate the extra billing if doctors are guaranteed payment at 90% of usual and customary charges.

The American Insurance Assn. does not support that proposal because its statistics show that Illinois doctors are already generously compensated for their services.

A related bill, H.B. 3489, would prevent balanced billing on health insurance claims.

—By Meg Fletcher

Updates

Prudential: No decision yet

Continued from page 2
affirmed Prudential Insurance Co. of America's "A" rating and removed it from under review. The rating agency said the move reflects Prudential's "diverse and substantial sources of revenue and earnings, the prominent market positions of its major business units and its strong financial position."

Best said Prudential's strategic initiatives, which include plans to demutualize, are "projected to yield future benefits"(*BI*, March 9).

Patients' rights lose in vote

WASHINGTON—The Senate last week in a symbolic but nonetheless significant vote did not support legislation that would establish a so-called Patients' Bill of Rights backed by the Democratic leadership.

That measure, among other things, would expose employers and other health care plan administrators to damage awards, including punitive damages, allowed under state law. The Employee Retirement Income Security Act now pre-empts such awards against employers.

The measure would require employers that only offer employees a closed panel health maintenance organization to add a point-of-service option. In addition, it would assure coverage for emergency treatment without prior authorization so long as a "prudent lay person" regarded the situation as an emergency, and it would assure that patients have direct access to specialists.

But the Senate, on a 51-47 vote, rejected a non-binding resolution supporting the bill. Instead, the Senate passed a resolution by Sen. Don Nickles, R-Okla., to put the Senate on record as opposing legislation that would make health insurance unaffordable or increase the number of Americans without coverage.

The Senate vote shows that despite public concern over certain managed care practices, legislators are reluctant to pass sweeping legislation to curb those practices, observers say.

Mission liquidation plan OK'd

LOS ANGELES—A California appeals court has approved an amended liquidation plan for Mission Insurance Co. almost two years after rejecting an earlier plan that called for estimating the insurer's long-tail claims.

The earlier plan, intended to speed up a final distribution of Mission's assets, proposed fixing the present value of estimated incurred-but-not-reported losses and immediately collecting from reinsurers for a final distribution to claimants. The state Court of Appeal threw out that plan in 1996, agreeing with reinsurers that California law expressly bars estimation of contingent claims (*BI*, June 24, 1996).

The California Insurance Department quickly filed an amended plan that will pay direct policyholder claims in two installments, the second coming at some point in the future after long-tail claims have developed. Reinsurers would not be required to pay estimated claims "unless future legislation results in a statute which permits such estimation," the plan says (*BI*, July 29, 1996).

A Los Angeles Superior Court judge approved the amended plan, but reinsurers—including the Illinois Insurance Department as liquidator of Centaur Insurance Co., a Mission reinsurer—appealed.

Among other things, reinsurers objected that the amended plan is vague, that it allows claimants to submit "preliminary claims" based on estimates and that it denies reinsurers participation in claims adjudication. Reinsurers also objected to any retroactive use of future legislation allowing claims estimates and charged that Mission's liquidators intend to estimate long-tail claims despite the amended plan's provisions to the contrary.

In a March 30 ruling, though, a three-judge appellate panel unanimously rejected the reinsurers' arguments. The panel noted that the amended plan prohibits billing reinsurers for estimated claims and requires that reinsurers be notified before the amount of any claim is determined.

"Most if not all" of the reinsurers' challenges "consist of claims that the California Commissioner will violate express provisions in the future," the panel concluded. "If so, we are confident the trial court will overturn such actions when challenged by interested parties."

Briefly noted

EXEL Ltd. has completed its acquisition of **Folksamerica General Insurance Co.**, a shell company licensed as an insurer in 20 states and as a reinsurer in 11 states that formerly was called Great Lakes American Reinsurance Co. (*BI*, Nov. 10, 1997). The company has been renamed X.L. Insurance Co. of America Inc. Its chief executive officer will be Ian Heap, former president of EXEL, and senior vp of underwriting and operations will be Elizabeth Eiss, formerly group vp of commercial insurance at CNA Insurance Co. . . .Investors including EXEL Ltd., The Trident Partnership L.P., Risk Capital Reinsurance Co. and Marsh & McLennan Risk Capital Holdings Ltd. are investing $35 million into the recently launched Bermuda-based **Altus Holdings Ltd.**, whose two major subsidiaries are focusing on the alternative market, says President David May. Stamford, Conn.-based Altrisc Services Inc. is an underwriting management company whose primary focus is program business and working with midsize companies looking for alternative risk financing structures. Bermuda-based Alternative Re Ltd. operates primarily as a rent-a-captive facility, Mr. May said. . . .**Privacy legislation** introduced in the Senate last week would require employers to obtain the signed, written permission of employees to disclose otherwise confidential health care information about the individuals that is needed to process and pay claims. The authorization form would be signed at the time an employee enrolls in a health care plan. . . .In line with plans unveiled in February (*BI*, Feb. 16), Aon Corp. on Friday acquired 100% of France's largest reinsurance broker, Paris-based **Groupe Le Blanc de Nicolay**, subject to regulatory approval. GLN, which also places primary coverage and has consulting services, will be combined with Aon's existing French operations, operating under the holding company Aon Holdings France.

Oxford

Continued from page 2

xpert Marvin Rich, a former executive vp at oth Kmart Corp. and WellPoint Health Networks Inc., as chief administrative officer in harge of Oxford's specialty companies and fiance and information systems.

Despite its well-publicized financial problems, mployers are largely staying with Oxford, at east so far, said Bob Braddick, a consultant in he New York office of William M. Mercer Inc. "I on't see significant numbers of employers exiting," he said, but he does see many employers eveloping exit strategies.

Many Oxford clients see it as "prudent busiess planning to consider 'what if' scenarios," he aid. "But on the other hand, as part of the same nought here, having watched for these weeks nd months, they have, by and large, decided hat no action is needed up to this point."

Jeff Zomper, vp of human resources at the lew York Daily News, which has used Oxford ince January, said his company is monitoring he situation, but its experience has been good. We just hope they continue to be good while hey go through the changes that they are."

However, Oxford's financial situation is causng concern.

"It's hard to tell at this point" whether Oxford vill emerge from its current problems, said Arun . Kumar, director at rating agency Standard & oor's Corp. in New York. "You're talking relaively big numbers," he said of Oxford's 1997 osses, as well as projected losses for this year. The company is going to need to not only meet inimum statutory requirements but also (needs funding) to continue in business and for infrastructure needs, such as systems improvements, product development and entry into new markets and the like," said Mr. Kumar.

"They're not out of the woods yet, not by a long shot, and on top of all this, they're going to have to deal with the public relations issues, which is not always a good thing for a health insurer to have to confront," said Mr. Kumar.

Mark Jamilkowski, an HMO analyst with Conning & Co. in Hartford, Conn., said, "Another bridge loan just does not sound good to me." With the Texas Pacific financing package contingent on additional debt, he said, "their having to get an additional $100 million loan from DLJ makes it sound like they're having trouble lining up people to issue bonds for them."

"We're all looking for some sign from the company that they have, in fact, reached the end (of their problems), but it doesn't seem to be coming," he said. If the company continues to experience operating difficulties this year and next, and the financing is not in place, he said, "they could still be at significant risk."

But some observers are cautiously optimistic about Oxford's chances of solving its problems. Mercer's Mr. Braddick said, "In terms of their long-term viability, I feel that they have a very good chance to recover, and the main litmus test is—I continue to hear from employer plan sponsors—that they are not receiving waves of complaints from their members. But I do think the equation is fragile."

"I think they will survive," said Douglas L. Meyer, an analyst with rating agency Duff & Phelps Credit Rating Co. in Chicago. While there has obviously been a lack of management and financial controls, he said, "there are some real assets in the company, and they're probably worth preserving, so from that standpoint I see them being a survivor." He said, though, that future developments with regard to claims processing and reserve developments must be focused on.

Meanwhile, New York's Insurance Department has ordered the suspension of the payment of Mr. Wiggins' severance package. In a letter sent Thursday to Oxford Chairman Fred Nazem, New York Insurance Superintendent Neil D. Levin said, "Given the financial, management and systems difficulties at Oxford, Oxford's request for substantial rate increases for its most vulnerable subscribers in New York and Mr. Wiggins' compensation package of $30 million in 1997, these additional payments present significant concerns."

Mr. Levin said he is suspending payments until the department is assured they will not come from the assets of New York subsidiaries, and that the units have enough capital and surplus to resolve their problems and "adequately service their current subscribers."

"You take the stock down by 75%, you usually don't get that large of a send-off," Mr. Jamilkowski said of Oxford's stock drop over the past few months.

In a statement agreeing to withhold payments pending discussions with the insurance department, Mr. Nazem said the severance package will be paid by the parent company and have no impact on New York groups' or members' premiums. "The board's assessment, with the advice of outside experts, was that the aforementioned agreements were reasonable and structured not to affect the regulated subsidiaries and individual consumers and are in the best interest of the corporation," said the statement. BI

24-hour

Continued from page 2

re being offered across the country, he said, ased on an informal survey of IBI members. orty percent of the IBI's 55 members are emloyers; the rest are insurers, brokers, health care roviders and third-party administrators.

Part of the reason for the disinterest in Calioria is that many of the 24-hour plans were aunched in 1995—the year the state repealed its minimum rate law for workers compensation, Mr. Molmen pointed out.

"This new product has been fighting the soft narket in workers compensation and, until this ear, the soft market in group health," he said.

Indeed, "the challenge was to try to generate nterest among small and midsized employers," aid Terry Moore, senior vp of Zenith Insurance o. and sales manager for SinglePoint.

While SinglePoint's objective was to help curb increases in both workers compensation and health care costs, "a lot of employers' cost problems were solved in the short term by market forces," Mr. Moore said.

Competition in the health care market exacerbated the pressure on 24-hour programs, noted John Keenan, president of Torrance, Calif.-based broker and TPA Keenan & Associates.

"Twenty-four hour was introduced three or four years ago, at the beginning of the soft workers compensation market," he recounted. "Then the soft HMO market commenced. So, consequently, it was hard to get all three companies competitive at the same time," he said, referring to SinglePoint's partners: Zenith, as the workers comp underwriter; UNUM, the disability underwriter; and United HealthCare of California.

SinglePoint also contracts with Sharp Health Plan and the Insurance Plan of the Redwoods in markets where those HMOs operate.

Even though SinglePoint is exiting California, the joint venture's partners continue to support the 24-hour concept, Mr. Moore stressed.

While "Zenith and UNUM have decided to wind down SinglePoint operations in California," he said, "the partners haven't abandoned plans for integrated benefits" in other states.

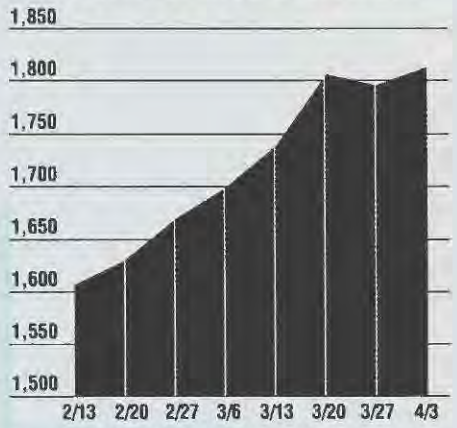
For example, SinglePoint will still operate its 1-year-old program in Arkansas. Mr. Moore was unable to provide figures on enrollment there.

And eventually California may renew interest in 24-hour coverage. "It was the right idea at the wrong time and in the wrong place," he said.

As part of its transition strategy, SinglePoint will maintain staff through the year's end to service existing accounts. When those accounts come up for renewal, they will be offered the opportunity to contract with the SinglePoint partners individually or to seek coverage elsewhere, according to Mr. Moore.

SinglePoint provides 24-hour coverage to 1,400 workers employed by 180 employers statewide, divided evenly between Northern and Southern California. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

PCS catastrophe options

As of April 3

Call spread	Price bid/ask
National Annual 1998	
40/60	8.0/10.0
60/80	5.5/7.5
80/100	3.5/6.0
Eastern September 1998	
20/40	3.5/5.5
40/60	2.8/3.4
Southeastern September 1998	
40/60	2.5/3.3
Northeastern September 1998	
100/150	.9/1.4
California Annual 1998	
40/60	1.5/1.9
150C	1.7/2.0
Western Annual 1998	
40/60	1.5/2.5
80/100	—/1.9
150C	2.0/3.0
Florida September 1998	
40/60	1.4/2.4

Total volume: 5 Total open interest: 18,371

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.
Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Comml Union	1220	23.1	32.5	2.7	1220-630
Genl Accident	1535	10.2	37.5	3.1	1545-795
Gdn Royal Exch	430	6.5	11.5	2.7	495-257
Legal & Gen	736	18.8	12.7	2.1	785-382
Royal & Sun	777	19.4	22.8	3.0	825-429
Brokers					
Lmbrt Fenchurch	106	7.8	8.4	9.5	138-101
Lloyd Thmpson	174	NA	10.0	7.5	196-151
Sedgwick Grp	169	13.3	7.0	4.2	171-115
Willis Corroon	165	13.3	6.6	5.0	166-116

Note: Prices are April 3 closings; other numbers from April 2.
Source: *Nordby International Inc.*(nordby.com) Boulder, Colo.

BI Industry Stock Report MARCH 30, 1998, THROUGH APRIL 3, 1998

BROKERS		Price	Weekly % change	Year to date % change	52-week High	52-week Low	Vol.(000)
Aon Corp.	NYS	66.94	2.29	14.18	67.25	40.25	1142
E.W. Blanch Holdings Inc.	NYS	38.25	1.16	11.07	38.75	22.00	90
Gallagher Arthur J. & Co.	NYS	44.56	0.42	29.40	46.13	30.38	145
Hilb, Rogal & Hamilton	NYS	18.25	0.69	-5.50	19.63	13.50	34
Kaye Group Inc.	NDQ	7.50	0.00	13.21	9.00	4.38	0
Marsh & McLennan	NYS	90.63	3.50	21.54	92.50	56.75	2989
Poe & Brown	NYS	35.44	8.83	19.12	38.50	17.00	59
Sedgwick Group PLC	NYS	14.00	3.23	13.71	14.44	9.38	24
Willis Corroon Corp.	NYS	13.81	1.14	12.18	14.50	9.75	502
BROKERS	AVERAGE		2.37	14.34			
INSURERS/REINSURERS							
ACE Ltd.	NYS	39.38	-0.16	22.41	42.50	19.19	1145
Acceptance Insurance Cos.	NYS	22.94	1.38	-5.17	28.63	17.75	228
AEGON N.V.	NYS	121.94	-1.37	36.05	126.50	63.88	214
Aetna Life & Casualty	NYS	88.19	7.06	24.98	118.13	66.31	2657
AFLAC Inc.	NYS	55.94	2.33	28.97	66.94	39.50	957
Allied Group Inc.	NYS	33.63	4.67	17.47	35.75	22.69	194
Allstate Corp.	NYS	92.94	-1.65	2.69	98.38	58.63	6678
AMBAC Indemnity Corp.	NYS	60.31	4.32	31.11	60.31	31.00	934
American Bankers Ins.	NDQ	64.81	0.68	41.09	66.06	25.00	1621
American Financial Group	NYS	43.88	0.86	8.84	49.25	32.38	393
American General	NYS	64.06	1.08	18.50	64.94	36.50	2755
American Heritage Life Ins.	NYS	22.50	5.88	25.00	22.50	11.88	113
American Indemnity/Fin'l	NDQ	12.63	3.06	-9.01	15.50	9.50	8
American International	NYS	127.63	3.13	17.36	129.94	75.13	4280
Argonaut Group	NDQ	35.75	-1.72	5.54	38.13	26.75	103
AXA-UAP Group	NYS	53.19	4.42	36.38	53.56	29.25	135
Baldwin & Lyons Inc.	NDQ	23.50	8.36	-2.59	28.75	17.38	2
Berkley W.R. Corp.	NDQ	47.75	5.23	8.83	49.50	31.19	465
Berkshire Hathaway Inc.	NYS	67700.00	0.15	47.17	69500.00	30000.00	1
Capital RE Corporation	NYS	64.94	1.56	4.63	66.44	38.75	143
Capitol Transamerica Corp.	NAS	20.75	-1.78	-2.64	28.13	19.25	48
Centris Group Inc.	NYS	12.25	0.00	9.80	12.94	8.94	148
Chartwell Re	NYS	34.31	1.29	1.67	36.25	24.50	75
Chubb Corp.	NYS	79.25	0.63	4.79	81.94	51.13	2615
CIGNA Corp.	NYS	204.94	0.34	18.89	208.75	136.94	953
CNA Financial Corp.	NYS	152.88	3.03	19.67	153.00	96.38	89
CNA Surety	NYS	16.00	3.23	3.64	16.50	12.88	229
EMC Insurance Group Inc.	NDQ	13.75	-4.35	3.77	15.00	10.75	52
ESG Re Limited	NDQ	25.06	-3.14	6.65	28.88	20.88	157
Enhance Financial Services	NYS	71.00	2.34	19.33	72.25	37.63	241
Everest Reinsurance	NYS	44.06	9.47	6.82	44.06	26.75	872
Executive Risk Inc.	NYS	73.88	1.72	5.82	75.75	43.25	263
EXEL Ltd.	NYS	79.44	6.63	25.35	79.81	39.00	1865
Fremont General Corp.	NYS	60.19	-1.33	9.93	62.13	26.38	584
Frontier Insurance Group	NYS	27.69	1.84	21.04	39.25	20.00	533
Gainsco Inc.	NYS	8.13	0.78	-4.41	10.19	7.88	190
General RE Corp.	NYS	224.13	1.24	5.72	227.00	151.50	559
Gryphon Holdings	NDQ	18.25	14.06	8.96	19.38	13.88	642
Harleysville Group	NDQ	26.75	1.90	11.46	27.50	15.75	77
Hartford Steam Boiler	NYS	68.00	3.32	23.22	68.81	44.00	204
HCC Insurance Holdings	NYS	23.25	0.00	9.41	32.69	15.63	610
ING Groep N.V.	NYS	62.81	7.37	48.45	62.81	38.88	520
IPC Holdings Ltd.	NDQ	32.50	0.00	0.97	32.88	22.38	221
Hartford Financial Services	NYS	113.31	5.04	21.11	113.31	68.13	1604
LaSalle Re Holdings Ltd.	NYS	41.06	-1.05	16.08	42.38	27.25	276
Life Re Corp.	NYS	76.38	2.78	17.16	76.38	37.38	535
Lincoln National	NYS	87.69	3.85	12.24	87.69	49.00	963
MAIC Holdings Inc.	NYS	28.94	1.54	8.03	30.38	15.06	39
Markel Corp.	NYS	170.00	-1.70	8.89	177.50	102.50	15
MBIA Insurance Group	NYS	79.06	4.89	18.33	79.06	45.44	1208
Meadowbrook Insur. Group	NYS	31.38	1.62	20.38	31.38	21.50	31
Mid Ocean Ltd.	NYS	79.63	7.24	46.77	80.19	44.13	745
MMI Cos. Inc.	NYS	24.31	0.52	-3.23	27.88	20.75	208
Mutual Risk Mgmt. Ltd.	NYS	35.88	11.89	19.83	35.88	16.75	612
NAC Re Corp.	NYS	52.13	-0.60	6.79	53.81	35.63	395
Navigators Group	NDQ	17.88	-6.54	-4.83	22.50	15.75	160
Nobel Insurance Ltd.	NDQ	13.06	0.00	-0.48	15.38	12.13	17
NYMagic Inc.	NYS	29.25	-0.21	6.12	30.06	18.38	8
Ohio Casualty Corp.	NDQ	49.00	-0.25	9.80	51.00	35.50	454
Old Republic Int'l	NYS	45.06	1.55	21.18	45.25	24.63	1283
Orion Capital Corp.	NYS	56.88	10.30	22.48	56.88	30.88	616
Partner Re Ltd.	NYS	50.56	3.85	9.03	51.06	30.75	254
Penn-America Group Inc.	NDQ	20.50	-6.29	0.00	23.00	11.50	226
Pennsylvania Manufacturer's Co	NDQ	18.63	0.68	11.19	19.38	16.25	89
Philadelphia Cons. Holding	NDQ	21.13	-2.87	19.01	23.25	14.00	305
PXRE Corp.	NYS	30.44	-3.37	-8.29	35.25	24.75	55
Reliance Group Holdings	NYS	18.88	5.23	33.63	19.13	10.13	1367
Reliastar Financial Corp.	NYS	47.69	3.67	15.78	48.75	28.63	1398
RenaissanceRe Holdings Ltd.	NYS	48.56	-3.00	10.06	50.75	34.13	252
Risk Capital Holdings	NDQ	23.75	-0.52	6.74	25.50	16.00	100
RLI Corp.	NYS	53.25	-1.16	6.90	55.25	30.50	37
St. Paul Companies	NYS	88.94	-1.25	8.38	94.38	63.00	1703
SCOR	NYS	60.50	7.80	26.70	61.25	38.50	8
SAFECO Corp.	NDQ	53.88	-0.23	10.51	55.38	38.50	2536
SCPIE Holdings Inc.	NYS	30.38	0.41	4.97	32.25	19.13	NA
Seibels Bruce Group	NDQ	7.81	-0.79	4.17	8.94	5.88	32
Selective Ins. Group	NDQ	27.25	0.93	0.93	28.63	19.75	211
Terra Nova Insurance Co. Ltd.	NYS	30.50	0.41	16.19	30.50	18.00	130
TIG Holdings	NYS	26.56	1.43	-19.96	36.56	24.56	1388
Tokio Marine & Fire	NDQ	53.31	-7.38	-7.68	66.00	41.25	101
Torchmark Corp.	NYS	47.69	3.11	13.04	47.81	26.25	1973
Transatlantic Holdings	NYS	76.75	1.40	7.34	77.94	53.38	209
Travelers Property/Casualty	NYS	44.50	1.28	1.14	46.06	31.38	1334
Travelers Corp.	NYS	61.69	-0.50	14.50	63.38	30.88	16792
Trenwick Group Inc.	NDQ	38.75	5.44	2.99	39.63	31.88	258
Unico American Corp.	NDQ	16.00	-3.76	30.61	18.13	9.75	91
United Fire & Casualty	NDQ	43.31	-1.56	-2.12	47.00	30.00	2
Unitrin	NDQ	69.50	1.09	7.54	71.44	48.50	184
UNUM Corp.	NYS	56.69	3.07	4.25	56.69	33.63	1351
USF&G Corp.	NYS	24.88	-0.50	12.75	25.88	15.63	2437
Vesta Insurance Co.	NYS	55.25	-0.90	-6.95	64.75	32.75	536
Zenith National Ins.	NYS	29.00	1.09	12.62	29.25	24.50	78
INSURERS/REINSURERS	AVERAGE		1.60	12.19			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	28.31	3.90	27.25	33.94	22.06	1898
Humana Inc.	NYS	26.00	5.58	25.30	26.50	18.44	3654
Oxford Health Plans	NDQ	17.25	10.40	10.84	89.00	13.75	16230
Pacificare Health Sys.	NDQ	77.00	7.88	53.23	83.00	46.75	199
Safeguard Health Enter.	NDQ	9.00	-1.37	-33.33	14.88	7.50	134
Sierra Health Services	NYS	40.00	0.47	18.96	41.63	23.75	168
United Healthcare Corp.	NYS	69.75	5.88	40.38	69.75	42.44	5669
Wellpoint Health Networks	NYS	69.56	3.53	64.64	70.19	37.50	1582
HMOs	AVERAGE		4.54	25.91			
ALL COMPANIES	AVERAGE		2.84	17.48			

Top advancing issues: Gryphon Holdings, Mutual Risk Mgmt Ltd., Oxford Health Plans. Leading decliners: Tokio Marine & Fire, Navigators Group, Penn-America Group Inc. Most active issue: Travelers Corp. The *BI* Index rose 0.9%; the Dow Jones 30 Industrials gained 2.1%; the S&P 500 increased 2.5% and the NYSE Composite gained 2.3%. Average P/E: Brokers, 21.3; Insurers/reinsurers, 19.4; HMOs, 26.7.

Source: *Nordby International Inc.* (nordby.com), Boulder, Colo.

WITH OUR POLICYHOLDERS WE ARE ENGAGED IN A GREAT MUTUAL ENTERPRISE. IT IS GREAT BECAUSE IT SEEKS TO PREVENT CRIPPLING INJURIES AND DEATH BY REMOVING THE CAUSES OF HOME, HIGHWAY AND WORK ACCIDENTS. IT IS GREAT BECAUSE IT DEALS IN THE RELIEF OF PAIN AND SORROW AND FEAR AND LOSS. IT IS GREAT BECAUSE IT WORKS TO PRESERVE AND PROTECT THE THINGS PEOPLE EARN AND BUILD AND OWN AND CHERISH. ITS TRUE GREATNESS WILL BE MEASURED BY OUR POWER TO HELP PEOPLE LIVE SAFER, MORE SECURE LIVES.

Liberty Mutual is committed to reducing the impact of low back pain, so someone like Joe won't miss work, or the occasional piggyback ride with daughter Lisa. At our research center we analyze how variations in bending habits can affect the risk of low back pain. Our research has led to innovative products like Computask,™ a software program we use to evaluate workplace tasks and help recommend ways to ensure that Joe and daughter Lisa live safer, more secure lives.

➢ *There's more information we'd like to share. So please call John Ryan at (617) 574-5842 or visit our website at http://www.libertymutual.com*

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