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Updates

Chicago will pay $36 million to settle suits over 1992 flood

CHICAGO—The City of Chicago will pay $36 million to several businesses and insurers that suffered losses in a 1992 underground flood under a settlement announced Friday.

That figure is far less than the total of $400 million in claims from the flood, which caused $300 million in insured damage. But the plaintiffs involved in Friday's settlement have filed a separate federal suit, as the city has, against Great Lakes Dredge & Dock Co.

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Baby Bells ring in new deals

Labor pacts feature health, pension and family benefit changes

By LEE VELKER

Expanded health care coverage, enhanced pension plans and new family-friendly benefits are all part of tentative accords reached last week between three of the Baby Bell companies and representatives of their chief labor union.

Southwestern Bell Telephone Co., BellSouth Corp., Pacific Telesis Group and Ameritech reached agreements for three-year contracts with the Communications Workers of America early last week, after extending contracts that expired on Aug. 5.

Benefit managers watch the Baby Bell pacts carefully because the telecommunications companies tend to have generous benefit packages and are viewed as something of an industry standard.

Bell Atlantic, whose contract also expired Aug. 5, continued negotiations with CWA officials as of Friday.

In addition, US West Communications Inc., whose contract expired Saturday, and GTE of the Southwest, whose contract will expire Wednesday, also are still at the bargaining table.

Another Baby Bell, White Plains, N.Y.-based NYNEX, settled with its 30,000 CWA employees in April 1994, well before the contracts expired.

Although some details were unavailable last week—and all are subject to ratification—key benefit changes in the settlements follow:

BellSouth

BellSouth Corp. reached an agreement with CWA officials last Tuesday that will expand the health care coverage offered to its approximately 58,000 union employees.

The Atlanta-based telecommunications company, which operates in nine Southeastern states, will move from a self-insured and self-administered indemnity plan with a preferred provider network to a point of service plan "to cut down on administration costs and to use a gatekeeper," said Reezin N. Swilley, assistant vp of benefits. BellSouth will continue to offer an indemnity plan for employees outside of the geographic reach of the POS plan.

Under the company's current plan, employees have a co-payment of $5 plus 10% of the total cost of network medical services. The POS plan will instead offer a flat $15 rate.

While the network will cover a broader geographic area, making it accessible to more workers. But fewer network providers will be available in some areas.

"Both the company and the union wanted to expand the network," Mr. Swilley said.

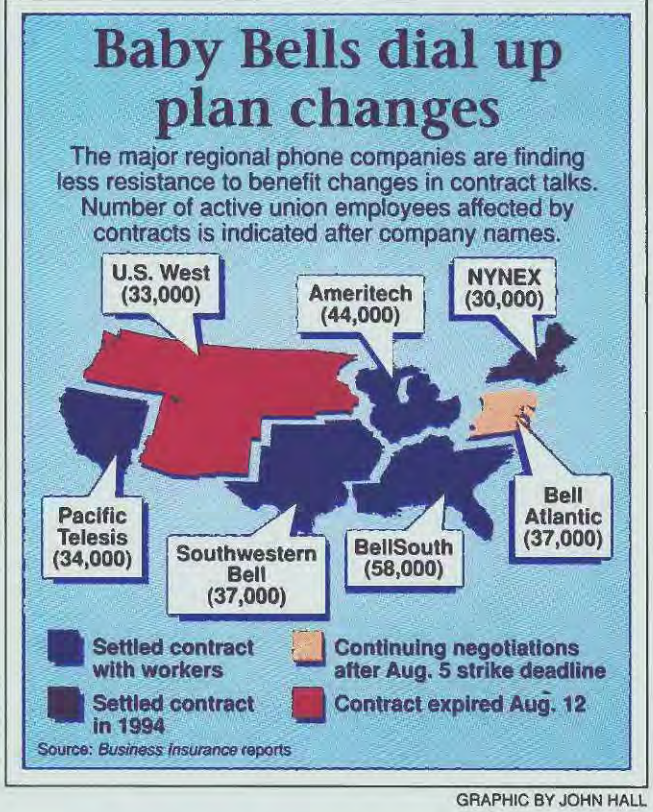
For those who still fall out of range of preferred providers or choose a non-network provider, the deductible will rise by $10 to $190.

The company will still pay 80% of non-network charges above the deductible, he said.

The agreement—expected to be ratified by Sept. 27—also includes increased pension benefits for current employees. Details were unavailable.

The pact also includes an expanded job reassignment program, as well as a 10.5% salary increase over the three-year contract, with a cash payment of $1,100 per employee now and an option for the same cash payment or a stock option

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GRAPHIC BY JOHN HALL

Big plans fail to buoy UFG

By DOUGLAS McLEOD

NEW YORK—Not long before it became a public company in 1992, troubled broker B.R.I. Coverage Corp. mapped out an ambitious plan to boost its revenues: It would acquire Frank B. Hall & Co. Inc., the world's seventh-largest broker.

B.R.I. planned to finance the takeover in part with millions of dollars of "Kwajalein guarantees," which are notes purportedly backed by payments owed by the U.S. government to property owners on a Marshall Islands atoll.

The acquisition never happened and in fact was never taken seriously by Reliance Group Holdings Inc., Hall's parent.

"They didn't have any real money," a Hall official later scoffed.

This planned takeover was one of several that B.R.I.—which later became Underwriters Financial Group Inc.—participated in or developed over the years. Other takeover targets included: Christiania General Insurance Co.; the now-insolvent Prestige Casualty Co. of Illinois; and, earlier this year, broker Lawrence Agency Corp. of Schenectady, N.Y.

None of UFG's acquisition plans panned out, though, and the company largely ceased operating in June, hampered by the suicide of a top officer, the resignations of two other top executives and a lawsuit charging that it defrauded a premium finance company of $5 million to cover its debts and operating ex-

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Buyers' market for LTD cover

New entrants drive down rates

By JUDY GREENWALD

It's a buyers' market for group long-term disability insurance.

While rates are going up in selective areas, the LTD market overall remains highly competitive.

"I would characterize it as very definitely a buyers' market," said Jack Doerr, group benefits practice leader for Sedgwick James Inc. in Chicago. Rates are going "down, down, down," he said.

Competition has increased as insurers that have grown discouraged about writing medical coverage, yet are still anxious to be in its ancillary markets, focus their energies on long-term disability.

Some of the "bells and whistles" of a few years ago—such as long-term occupational coverage—are disappearing, though, as insurers tighten underwriting standards.

Meanwhile, spurred in part by employers' concerns, there is a growing emphasis on integrating long- and short-term disability coverage. Plans are also being made to integrate LTD with group health and workers compensation coverages, with "seamless" coverage the ultimate though still elusive aim. Combining them could enable employers to better manage claims.

Competition in the LTD market continues to grow.

In the last two years, insurers looking to broaden their product line have come into the market, said Wayne Atteberry, senior vp with Portland, Oregon-based Standard Insurance Co.

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Pensions & Retirement Plans
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Debate to begin soon on natural disaster bill

Backers brace for opposition to federal plan

By MARK A. HOFMANN

WASHINGTON—Backers of legislation designed to reinsure massive catastrophe losses are confident they will be able to trump opponents' arguments when hearings on the measures begin after Congress returns from its August break.

The twin bills, H.R. 1856 and S. 1043, would create a new non-profit corporation to oversee the operations of a catastrophe reinsurance pool and to provide primary catastrophe coverage to homeowners (*BI*, June 19).

The excess reinsurance program would respond to catastrophic losses caused by earthquakes, hurricanes, tsunamis and volcanic eruptions.

The reinsurance would kick in only after the property/casualty insurance industry had suffered aggregate losses of more than 15% of consolidated industry surplus from those four perils over a 12-month period. Any individual company that suffered an aggregate loss of at least 20% of its surplus from the same perils during the same period could also tap into the fund.

Given that the industry's aggregate surplus was estimated at $190.6 billion at the end of 1994, a loss of about $28.6 billion would be necessary to trigger coverage.

If catastrophic losses exceeded the reinsurance pool's available funds, which would be generated by premiums paid by participating insurance companies, the corporation could borrow money

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Updates

Chicago settles flood suit

Continued from previous page

The Oak Brook, Ill. -based contractor drove pilings into the Chicago River in 1991. Seven months later, a tunnel collapsed at the site, sending 250 million gallons of water through the antiquated underground system and crippling dozens of buildings in the city's Loop business district for weeks (*BI*, April 20, 1992).

"We will seek the balance from Great Lakes," said John B. McCabe, senior partner with Clausen Miller in Chicago who represents a group of plaintiffs in the settlement, including property manager Helmsley-Spear, American Home Assurance Co., St. Paul Cos. Inc. and Travelers Corp.

Collecting from Great Lakes could be difficult under a Supreme Court ruling earlier this year that moved the action to maritime court where the contractor can limit its liability to about $630,000, the value of the vessels used to complete the work (*BI*, Feb. 27).

The settlement came as jury selection was set to begin in federal court, where plaintiffs were seeking more than $76 million from the city.

Erin insured toll: $375 million

RAHWAY, N.J.—Hurricane Erin caused $375 million in insured property damage, estimates the Property Claim Services division of the American Insurance Services Group Inc.

Nearly all the damage, $350 million, occurred in Florida during two landfalls on Aug. 1 and Aug. 3, with the most serious damage occurring in and around Orlando, Melbourne and Pensacola (*BI*, Aug. 7).

PCS estimates that nearly 130,000 claims will be filed.

Erin also caused damage in southern Alabama, producing about 11,000 claims, and wind and rain associated with the storm are expected to generate about 3,000 claims in Mississippi.

State Farm Group, Florida's largest homeowners insurer, estimates its loss from Erin will reach $60 million on about 30,000 claims.

The Florida Property/Casualty Joint Underwriting Assn. has reserved $14.2 million for Hurricane Erin claims, of which the JUA expects to receive 7,700. Most policies the JUA wrote in the Panhandle exclude windstorm because those properties are eligible for coverage by the Florida Windstorm Assn.

The state-run fund issued a preliminary damage estimate of $25 million.

Nationwide Mutual Insurance Co., the state's fourth-largest homeowners insurer, expects to pay out $30 million for 10,000 claims, including a $2 million loss to a Melbourne hotel.

Meanwhile, a new storm, Tropical Storm Felix, was moving west-northwest in the Atlantic Ocean late last week. As of Friday, it was several hundred miles southeast of Puerto Rico.

Health plan merger challenged

WASHINGTON—Three consumer activist organizations are calling for the Justice Department to block the proposed merger of MetraHealth Cos. Inc. and United HealthCare Corp.

Citizen Action, the Consumer Federation of America and Public Citizen last week petitioned Assistant Attorney General Anne K. Bingaman, urging that the Justice Department's antitrust division, which she heads, block the merger (*BI*, July 3; June 26).

According to CFA Chairman Howard Metzenbaum, a former Democratic senator from Ohio, "As consumer advocates, we are concerned that health care conglomerates, such as the one created by the proposed merger of United and MetraHealth, will lead to rationing of care, higher costs for patients and a decline in health care quality while yielding greater corporate profits and less competition."

"We've analyzed the antitrust and regulatory issues involved and we're confident our transaction satisfies these issues," said a spokeswoman for Minneapolis-based United HealthCare.

Humana to buy EMPHESYS

LOUISVILLE, Ky.—Humana Inc.'s planned $650 million cash acquisition of EMPHESYS Financial Group Inc. could make Humana the nation's second-largest for-profit managed care company, with 3.7 million members in 22 states, analysts say.

The merger will allow Humana to bolster its position as the largest provider of managed care plans to small employers, since the average EMPHESYS plan covers only seven people. It will also allow Humana greater access to the hotly competitive market in California, where EMPHESYS is the contract administrator of the small-group purchasing cooperative, the Health Insurance Plan of California.

"EMPHESYS fits perfectly with our strategic plan to grow in existing markets and to expand into attractive new markets," said Wayne T. Smith, president and chief operating officer of Louisville, Ky.-based Humana.

"There's some market overlap, but not huge," observed Randall Huyser, an HMO analyst at Furman Selz Inc. in San Francisco. "So it won't provide huge economies of scale." However, it will open new markets to Humana, which probably will try to shift indemnity and PPO enrollees into more aggressive managed care plans, he said.

Humana has 2.4 million enrollees, 1.7 million in HMOs. In contrast, the bulk of Green Bay, Wis.-based EMPHESYS' 1.3 million enrollees are in preferred provider organizations and point-of-service plans and other indemnity-type arrangements, said a spokesman. Even after a recent purchase, it has only two HMOs with 41,000 members.

Under the proposed deal approved by EMPHESYS directors last week, Humana will commence its all-cash tender offer by Aug. 16, buying all outstanding common stock for $37.50 per share, or $650 million. The transaction, which is subject to regulatory approval, is expected to be completed in the fall.

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Sky-high settlement of health benefits suit

McDonnell Douglas offers retirees cash to buy coverage

By JERRY GEISEL

ST. LOUIS—McDonnell Douglas Corp. will dip into its hugely overfunded pension plan to pay 21,000 retirees and others about $500 million in increased benefits in the biggest settlement ever over the elimination of corporate retiree health benefits.

Under the settlement, which still must be approved by a federal court, McDonnell Douglas, effective Dec. 1, 1996, will:

• Increase pension benefits by $100 a month for life for non-union workers who retire before Dec. 1, 1996. Benefits will be increased $50 a month for life for eligible survivors, such as widows of retirees.

• Retirees who are less than 65 years old will receive, in addition to the $100-a-month increase, a supplemental benefit of $350 per month, generally until they turn 65. Eligible survivors would receive half the extra benefit that would be payable to the retiree.

In addition, McDonnell Douglas will obtain—though not pay for—retiree health coverage. The company said it intends to have a program running by Jan. 1 1997, that would not include any limitations on pre-existing medical conditions, a vital feature for retirees, who often have longstanding medical problems.

The company says it is working with CIGNA Corp. and GenCare Health Systems Inc., a St. Louis-based HMO, as well as other outside firms to arrange coverage throughout the country.

The St. Louis-based aerospace and defense giant says it will offer

See **Retirees** *on page 37*

Business purpose of benefit funding vehicle under scrutiny

IRS questions COLI plans

By MICHAEL SCHACHNER

The Internal Revenue Service is scrutinizing the tax breaks that several large corporations are obtaining from corporate-owned life insurance and may ask Congress to restrict the tax benefits the coverage offers employers.

COLI plans are a popular tax-advantaged way for companies to fund non-qualified deferred compensation plans for top executives, though increasingly are used to generate funds for a variety of business purposes.

IRS examiners have questioned Dow Chemical Co. about its use of COLI plans, confirmed a Dow spokesman, who added that the company is in compliance with the Tax Code and is taking a wait-and-see attitude to the investigation.

An IRS spokesman would neither confirm nor deny reports by insurance lawyers and consultants that the tax agency is questioning the deductions that Dow, Procter & Gamble Co. and other companies have taken. The spokesman said only that COLI tax breaks are "an issue under study" and "can come up" during a tax record examination.

Lawyers and consultants say that the IRS investigation of COLI plans grew out of questions raised by auditors in the agency's Cincinnati office.

"It all arose from some field agents, who aren't familiar with insurance, thinking something was wrong with a company deducting the interest paid on loans from COLI when there's tax-free buildup within the policies. But

See **COLI** *on page 31*

Cost of AIDS claims increases

Group life and health insurers paid about $1 billion in AIDS-related claims in 1994, a 3.1% increase over $978.1 million in 1993, according to a recent study.

Claims paid by group life insurers increased 13.9% to an estimated $562.9 million from $494.2 million in 1993, while those paid by group health insurers fell 7.8% to an estimated $446 million from $483.9 million in 1993.

The 1994 study, the ninth annual survey done by the American Council of Life Insurance and the Health Insurance Assn. of America, is based on the responses of 361 insurers and does not include self-insured employers and most Blue Cross & Blue Shield plans.

The HIAA attributes the group health claim decrease to improvements in medical management and better case management.

As a percentage of 1994 claims paid, AIDS-related claims represented 4.4% of group life claims and 1% of group health claims.

Including statistics from ordinary life and individual accident and health insurers, the life and health insurance industry paid an estimated $1.6 billion in claims relating to the acquired immune deficiency syndrome.

—By Sally Roberts

Surplus lines directory deadline nears

The deadline for *Business Insurance's* annual surplus lines directory is fast approaching.

The Sept. 11 issue will contain a Spotlight Report on the surplus lines market. In addition, it will feature a directory of excess and surplus lines insurers and a listing of wholesalers, including surplus lines brokers, managing general agents and underwriting managers.

New participants may return questionnaires by the extended deadline of Aug. 22. To be listed as an excess lines insurer, your organization must be a U.S.-based insurer specializing in excess liability lines and at least 50% or $50 million of gross premiums must be written in excess liability lines on an admitted basis.

To be listed as a surplus lines insurer, your organization must be U.S.-based or currently listed by the NAIC's Non-Admitted Insurers Information Office as having met its criteria for alien non-admitted insurers. At least 50% or $10 million of gross premiums must be related to commercial risks written on a direct, non-admitted basis.

There is no charge to be listed, but to be included companies must complete a questionnaire provided by *BI*.

To receive a questionnaire, please contact Assistant Directory Editor Rich Trout at 312-649-5483.

Inside

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• Change is inevitable as insurers strive to respond to customer needs, insurer executives say. **PAGE 34**

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Retooling defined benefit offerings



Not ready for the scrap heap

Traditional plans still play leading role where labor unions thrive

By MARK A. HOFMANN

Don't mourn the passing of the defined benefit pension plan just yet.

Such plans—once the backbone of the corporate retirement policy—remain strong in large and heavily unionized industries. But a shift away from defined benefit plans among smaller employers is continuing a trend that's been apparent for more than 15 years.

The number of single-employer defined benefit plans insured by the Pension Benefit Guaranty Corp. shrank to 56,000 last year from 111,000 in 1985.

Plan sponsors and consultants give myriad reasons for the shift to defined contribution plans from traditional defined benefit plans. They include the cost of administering plans, a desire to homogenize plans among different operating divisions, making employees happy and adding predictability to funding provisions and, in some cases, the employer's bankruptcy.

Consultants agree that the shift to defined contribution plans does not mean that destitute armies of the retired will be cast out into the street. They also agree that reports of the defined benefit funding program's imminent demise are greatly exaggerated.

And, some add that changing economics may make defined benefit plans more attractive for certain types of employers.

"Attention has focused on this measure of 'number of plans' as if number of plans regardless of number of people is significant," said Dallas L. Salisbury, president of the Employee Benefit Research Institute in Washington.

"Back in '74, the simple rule of thumb that we had at the Labor Department was that 95% of the participants were in 5% of the plans. You then saw during the '80s the creation of roughly 100,000 defined benefit plans, most all of which also terminated during the decade of the '80s. Most of those plans were very small," Mr. Salisbury said.

In some cases, professional firms would form an individual defined benefit plan for each partner, he explained.

But even given that short-lived boom in defined benefit plan formation, 5% of the plans still cover 95% of all participants, he said.

In fact, despite the drop in the number of defined benefit plans, the number of people covered by such plans that are insured by the PBGC actually rose modestly during the past decade, to about 33 million people in 1994 from 31 million in 1985.

By comparison, in 1986 there were 8.6 million active participants in 401(k) plans. By 1994, that number had reached 18.5 million, according to Access Research Inc. of Windsor, Conn. Access Research projects the number of participants will grow to 20.8 million by the end of 1996.

"The news of the death of the defined benefit plan is premature," said Martin Slate, executive director of the PBGC in Washington.

"In the large-plan universe, the situation is stable. Overall participation is up slightly, and plan formations are up," he said.

During the past decade, 295 defined benefit plans with more than 5,000 participants apiece have been formed, and an additional 200 plans with between 1,000 and 5,000 participants were formed during the same period, Mr. Slate said.

Within heavily unionized industries, businesses have tended to stick with defined benefit plans, according to EBRI's Mr. Salisbury. Most of the large companies that have eliminated their defined benefit plans either went into bankruptcy or otherwise went out of business.

But Mr. Slate, like private pension consultants, points out that the pension universe is divided into at least two parts: a portion consisting of larger employers that continue to support defined benefit plans

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Can't beat 401(k)s, so sponsors join them

Simplicity, demographics help explain newfound appeal of cash balance plans

By JERRY GEISEL

A decade after their launch, cash balance pension plans have become an important part of the pension landscape.

A relative rarity until recently, the number of cash balance plans—which offer 401(k) plan-like features, including individual account statements, benefit portability and easy-to-understand benefit formulas—is soaring.

Conservative estimates, based on interviews with major benefit consulting firms, suggest that more than 300 employers now sponsor cash balance plans, up 100% in the last five years.

Recent converts include American Express Co. of New York, which adopted a plan last month, and the Tennessee Valley Authority, which plans to do so next year.

"This is a plan that meets the needs of employers and employees. It is a very uncomplicated way of providing retirement benefits," said Randy Snyder, the TVA's manager of retirement services in Knoxville.

Manor Care Inc., a Silver Spring, Md.-based hotel and nursing home developer and manager, and Reckitt & Colman Inc., a Wayne, N.J., food and household products manufacturer, also recently established plans. And Owens-Corning Fiberglas Corp. is seriously considering doing so.

Originally concentrated among financial services firms, the plans today are found in industries ranging from agriculture to utilities. And there may still be plenty of growth in the plans.

"I think it is highly probable that the vast majority of employers one day will have cash balance plans," said Myron Spektor, Reckitt Colman's former director of compensation and benefits and now vp of human resources at USA Detergents Inc. in North Brunswick, N.J.

"There is a whole lot of growth yet to come," adds Mark Maselli, a principal with Kwasha Lipton L.L.C., the Fort Lee, N.J., benefit consulting firm that developed the cash balance plan concept.

Other experts are more cautious and say cash balance plans will be just one of many pension plan designs that companies will use.

"No one plan is right for everyone. Different companies have different objectives and different demographics driving those objectives," said Vicky Slomiany, a consultant with Watson Wyatt Worldwide in Washington.

"There always will be a market for cash balance plans, though I don't know if they ever will be the dominant type of defined benefit plan," said Joel Rich, a principal with William M. Mercer Inc. in New York.

For many companies, the primary advantage of a cash balance plan is that it makes pension benefits more real and visible to employees, like 401(k) plans.

Indeed, employee surveys often have found that 401(k) plans are among the most popular benefits, while traditional defined benefit plans are among the least understood and appreciated.

"We were spending a lot of money for a benefit that employees didn't understand or value," recalled Jacalyn Bidwell, corporate vp of human resources at SSM Health Care Ministry Corp. in Denville, N.J., which adopted a cash balance plan last year.

"The formula was complicated. It involved projections. And it took a long time to earn a meaningful benefit," Ms. Bidwell said, referring to its old defined benefit plan.

"Cash balance plans are as user-friendly as 401(k) plans. It is very attractive for employees to know exactly what their benefit is worth and be able to take that benefit when they move on," said Rick Vair, director of compensation and benefits at Owens-Corning in Toledo, Ohio.

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***What the PBGC is doing about missing plan participants*.....Page 16**



Shift

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and a smaller plan sector, where sponsors continue to exit defined benefit plans.

There is definitely an exodus of midsize employers, or those with 100 to 1,000 employees, from defined benefit plans, said Anna M. Rappaport, a managing director with William M. Mercer Inc. in Chicago.

She offered several reasons for the change, including regulations and paperwork, the fact that defined benefit plans are designed to fit long-term employment and outside forces, such as a change in ownership.

In some cases, predictability outweighs cost in determining whether a defined benefit plan should be dropped, said Mr. Salisbury. Even if it is more expensive for a company to have a defined contribution plan, employers often prefer a predictable expense than the widely varying funding demands of defined benefit plans, he said.

In addition, companies with fewer than 100 employees "are basically legislated out of defined benefit plans," said Ms. Rappaport.

Higher PBGC premiums and increased regulatory requirements are among the factors driving smaller employers from defined benefit plans.

There is "clear evidence" that employers are replacing the defined benefit plans with defined contribution plans, said Mr. Slate.

A case in point is Bryn Mawr College in Bryn Mawr, Pa. The college had a defined benefit plan for about 100 of its service and crafts employees, said Karen Snyder, director of personnel services. "It became extremely expensive to administer because of regulations," she said.

The college froze participation in the plan in 1989 and terminated it on May 31 of this year. The service employees now participate in a defined contribution plan that covered other college employees, she said. The reaction has been positive, and the service employees are "much more in tune with their retirement money," Ms. Snyder said.

That reaction does not surprise consultants.

"The initial benefit for employers is employees like it better. It's a very common sentiment for employees to say, 'I like my 401(k) plan.' Ten years ago they never said that. The employer is meeting a need that's out there," said Larry Keys, manager of the Atlanta office of Buck Consultants Inc.

In fact, sometimes employers have switched at least in part due to employee desire, as happened at Kemper Corp. in Long Grove, Ill.

A Kemper spokesman said that the corporation had acquired several operations over time that did not have defined benefit plans. In addition, many employees had expressed an interest in managing their own investments, he said. The switch to a defined contribution plan provided a more homogeneous approach to retirement planning among the different units, he said.

Approximately 450 employees at the company's Long Grove headquarters were affected by the change, he said.

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Seeking simplified pensions

Clinton plan aims for small employers

The Clinton administration is seeking congressional sponsors for a pension simplification bill designed to encourage small businesses to provide pensions for their employees.

The measure would affect only those businesses with 100 or fewer employees. At the heart of the proposal is a "National Employee Savings Trust," which the administration describes as a "simplified voluntary retirement savings plan."

According to Martin Slate, executive director of the Pension Benefit Guaranty Corp. in Washington, the proposal would eliminate federal reporting requirements for small employers and set only three major criteria for employer participation:


Mr. Slate

- Each employee at least 21 years old and with at least two years' service would be eligible. Workers earning less than $5,000 per year would not have to be covered.
- The NEST would be designed using one of two formulas, chosen by the employer.

An employer could contribute at least 3% of pay for each eligible employee and would have the option of granting employees the right to make elective contributions; or the employer could contribute 1% of pay and employees must be given the right to make elective contributions.

The employer would be required to match dollar-for-dollar any elective contributions up to 3% of salary. Elective contributions between 3% and a maximum of 5% of pay would have to be matched at a rate of at least 50 cents per dollar. Employees' elective contributions would be limited to $5,000 and employer non-elective contributions would be limited to $7,500, or 5% of an employee's compensation of up to $150,000.

- All contributions would be made to an individual retirement account and would be fully vested immediately.

The complexity of the current pension system hinders many small firms. "They have to have a team of attorneys, accountants, actuaries and consultants," said Mr. Slate, adding that the NEST concept would simplify things.

The administration "realistically" expects to have a bill before Congress by September or October, he said.

The measure also includes an array of other provisions that would simplify pension plan administration, including an easier way to run 401(k) non-discrimination tests (*BI*, June 19).

—By Mark A. Hofmann

Amazing What Happens When Your Standards Are Sky High.



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Shift

Continued from page 4

All plans are now in the form of profit-sharing plans, said John Sternberg, Kemper Corp.'s corporate risk manager and administrator of the company's pension plans. Many subsidiaries did not have a defined benefit plan; they had always been defined contribution plans. The Long Grove-based companies had a defined benefit plan as well as an employee savings plan.

"We've given them an array of mutual funds to choose from," he said. There are nine funds and a managed investment pool. Employees have a chance to tailor their retirement savings to meet their retirement goals and choose investments to suit their personal needs and personalities, he said.

The increased stability of defined contribution plans has given other employers an incentive to switch from defined benefit plans.

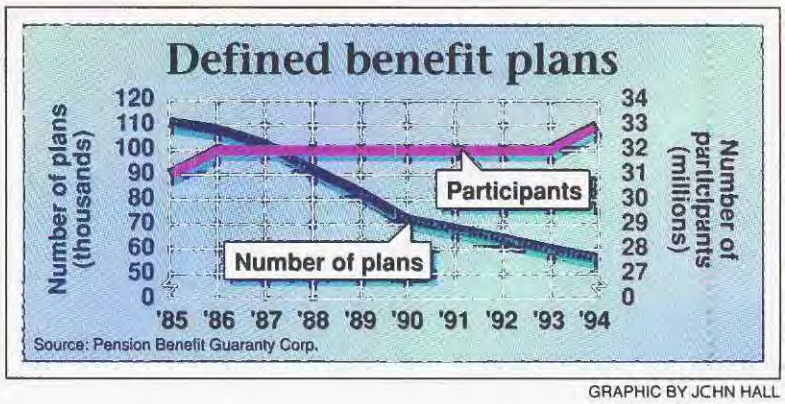
David Bossman, president and treasurer of the American Feed Industry Assn. in Arlington, Va., said the trade group changed strategies "mostly for budgeting and ease of planning." The association had participated in the American Society of Assn. Executives' defined benefit plan. The funding demands could swing by $100,000 annually to cover about 16 people, which is a big variable for a group with a budget less of than $3 million, said Mr. Bossman.

"Every year, we'd have to go through this gyration of how much do we have to fund. I told the board, if you want to get out of this thing, now's the time to do it," he said, and the board agreed. The association now participates in a defined contribution plan, also sponsored by the Washington-based ASAE.

Consultants say the switch away from defined benefit plans by midsize employers does not portend armies of penniless retirees cast out into the streets.

Small employers and some medium-sized firms are not getting their money's worth out of those defined benefit plans, due to a combination of employee perception and employer cost, said Allen Steinberg, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill. Still, defined benefit plans are the most efficient for long-term employees, he said.

"I wouldn't call it either good or bad. As a general rule, if they decide to terminate a defined benefit plan, they replace it with a defined contribution plan. If you're an older employee, you usually lose, but not always. If you're a 21-year-old, you usually like the switch," said Dick Joss, a consulting actuary with Watson Wyatt Worldwide in Washington.



GRAPHIC BY JOHN HALL

"Even with large organizations, there's been a fundamental change in what retirement programs offer over the past 20 years. We are getting to the point now where people who are retiring have at least had some significant buildup of 401(k) assets or something else in addition to defined benefit plans," said Steve Kerstein, a principal with Towers Perrin in Valhalla, N.Y.

This shift creates a fundamental issue of educating employees about investing their retirement assets, said Mr. Kerstein. Smaller companies probably do not place as much emphasis on education, he said. If employees of small companies don't have the proper education, there's a real risk that they won't get the most benefit from their programs, he said.

Even though the number of employees covered by defined benefit plans has remained relatively stable, employee perception of the plans' impact on their retirement has shifted as defined contribution plans have become more popular.

"The number of people identifying their defined benefit plan as primary has gone down dramatically," said Mr. Salisbury.

He added that many larger employers are going through "fairly regular evaluations" of whether defined benefit plans still make sense. Despite the regular reassessments, few large employers have concluded that it would be in their interest to terminate the plans, he said.

"The terminations seem to have fallen off, certainly among large and medium-sized employers," said Mr. Joss. Clients that once asked questions about terminating their plans are no longer doing so, he said.

In fact, some companies are de-emphasizing 401(k) plans and placing greater emphasis on defined benefit plans, said Bill Mischell, a principal in the pension practice of A. Foster Higgins & Co. Inc. in Princeton, N.J.

Companies are viewing defined benefit plans as "very useful tools" to encourage groups of employees to leave, particularly as corporations undergo downsizing, he said.

Others are eliminating matching funds in 401(k) plans for economic reasons. Defined benefit plans allow wide ranges in contributions, giving employers flexibility, particularly in cyclical industries. Companies can put more in during good years and build up surplus, and less cash in during bad years when the economy is sour, he said.

Mr. Salisbury also pointed to defined benefit plans as a management tool and predicted that many companies would find the set-ups more attractive as the workforce ages. Defined benefit plans traditionally have been a tool to "help people go out the door" when it's time for them to go out the door, he said.

With large employers no longer guaranteeing lifetime employment, many employees get "nervous" about their continued employment, and "if you're nervous about longevity" you'll favor a defined contribution plan, he said.

An employee doesn't have to stay on the job as long to do as well under a defined contribution plan as under a defined benefit plan, Mr. Salisbury said. Defined contribution plans make sense for a mobile workforce. BI



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Opinions

Pension system still afloat

IS THERE A national pension crisis?

The authors of a new book, titled "Pensions in Crisis," apparently think so.

The book's authors, Karen Ferguson, director of the Pension Rights Center in Washington, and Kate Blackwell, a freelance writer who earlier co-authored a pension book with Ralph Nader, say that the declining number of traditional defined benefit plans tells the story.

More and more employers are terminating defined benefit plans and are establishing 401(k) and other savings plans in their place. The book's authors contend that this growth in savings plans primarily benefits only those employees wealthy enough to save for retirement.

While we would agree there are problems with the nation's pension system—millions of people work for companies that do not offer pension plans, and some employees, for whatever reason, just do not contribute to their company-sponsored savings plan—we don't think there is a national crisis.

Undeniably, the face of pension plan coverage is changing. The percentage of the country's workforce covered by defined benefit plans is declining. There are many reasons for this decline, though. Some employers say the administrative costs of running a defined benefit plan have grown too high, while others no longer want the exposure to what they feel are unpredictable costs. And many employers say workers do not appreciate defined benefit plan coverage.

While a lower percentage of workers is covered by defined benefit plans today than a decade ago, that doesn't signal a crisis in retirement benefits.

One reason we are not alarmed is that we think it is a myth that in years past most people stayed at their jobs for 20 or 30 years and then collected a rich pension from their employers' traditional defined benefit plans.

The reality then and now is that many workers frequently change jobs. For those mobile employees, the promise of a traditional plan, in which a meaningful benefit only is earned after many years of service, is a fairly empty one. That was true 20 years ago and remains true today.

What many employers are doing—a point barely touched on in "Pensions in Crisis"—is redesigning their plans to ensure a better fit with their employee population. For example, as we detail in this week's Spotlight report, hundreds of employers are converting defined benefit plans into cash balance or pension equity plans, which provide greater benefits to workers with less service, while continuing to meet the needs of long-term employees.



To be sure, many employers, especially smaller firms, also have been terminating defined benefit plans and replacing those arrangements with 401(k) plans. But, again, we do not regard that as a crisis.

Some workers who move to a 401(k) plan likely would have been better off remaining in a defined benefit plan. But, many others, especially those who change jobs during their careers, probably will end up with a bigger retirement nest egg in their 401(k) plan than they ever would have earned in their defined benefit plan.

We think the pension universe is changing to better meet the needs of the nation's workforce. To characterize the change as a crisis just doesn't fit the facts.

Letters

Give mothers the option of extra day after birth

To the editor: On June 13, my husband and I were blessed with the arrival of our first child, Kevin. Because of what we experienced during the first days of his life, we have joined the backlash described in the July 10 article, "Maternity stay backlash grows."

My husband and I thought that we were prepared for our son's arrival. After all, there were two of us to care for him, we are both educated professionals, we had taken every newborn care class offered at our hospital, read books and articles, met with our pediatrician and asked my mother to stay with us the first few days. While in the hospital, the nurses went over a checklist on bathing, feeding and other topics of his care. Excited to begin our lives as a family, we were then discharged 24 hours after his delivery.

Upon returning home, the excitement of our new addition quickly faded as the effects of the labor and delivery as well as lack of sleep became apparent. We soon learned that breast-feeding was not as easy as it seemed in class. It's not as though first-time mothers can practice before the baby arrives, and grandmothers today are unfamiliar with breast-feeding because it was not popular back then. We also realized that due to the excitement, we had not paid close attention to the nurses in the hospital and thus had forgotten much of what they advised.

Because our son was released from the hospital with jaundice and my lack of experience nursing, we spent the next 48 hours worried about whether he was getting adequate nourishment or if his cries were caused by dehydration. Three times we were headed back to the hospital but would call instead and a nurse would assure us that he was OK.

Exhausted after the delivery and with only five hours of sleep in three days, I soon became angry that our concern and panic over his health in the critical first days of life could have been avoided by an extra day in the hospital.

I found it interesting that the representatives of managed care organizations could not justify their position based on what was best for mother and child, but could only comment on the number of readmissions and long-term complications. They seem to miss the point that a newborn needs adequate care and that an exhausted, inexperienced mother, who needs care herself the first few days, might not be the best provider on her own.

I hope that, instead of viewing the birth of a child as a business decision based on cost, HMOs will show some compassion and at least allow young and first-time mothers an optional second-night stay. After all, this is the beginning of a new life and of a family, and they should be given the best start possible.

Dorothy E. Schrage
St. Petersburg, Fla.

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Cash

Continued from page 3

Easy-to-understand formulas are one of the most popular features of cash balance plans (see related story).

Benefit managers say adoption of cash balance plans virtually overnight changed employees' perception of their pension programs.

"Compared to 10 years ago, our employees, without a doubt, are far more aware of the value of their accrued benefits," said Ray Allsup, vp-benefits consultant at BankAmerica Corp., the San Francisco banking giant that in August 1985 became the first company to adopt a cash balance plan.

"We have achieved quite a bit. I can't say enough about having employees understand and appreciate their benefits," he adds.

Higher visibility of benefits, though, is only one reason behind the boom in cash balance plans.

Waves of restructurings and layoffs have altered perceptions of employment, and helped drive dozens of employers to scrap their traditional final average pay plans in favor of cash balance plans.

Employers and employees more than ever are aware that few workers will spend a significant portion of their careers with one organization. Instead, many work a few years for one company, then move to another company, and repeat the process throughout their careers.

"We've looked at demographics and the mobility of the workforce and realized more and more that employees are joining companies at different points in their careers" and then moving on, said Tom Pavey, vp-retirement plans in American Express Co.'s Minneapolis office.

That mobility has dulled the appeal of traditional final average pay plans, in which long-term employees fare well but short-service employees get only minuscule benefits, said Larry Keys, a consultant at Buck Consultants Inc. in Atlanta.

By contrast, cash balance plans, since they are career average plans, give short-service employees benefits that can be as much as two to four times larger than those they would get in traditional plans.

"A cash balance plan allows us to more fairly compensate employees for their contributions, compared to traditional plans, even if employees don't spend their entire careers with us," said Mr. Pavey of American Express.

And those better benefits can be an important recruiting tool. "Our cash balance plan is very attractive to young people coming into the workforce," said Joe Worley, benefits manager at Countrymark Cooperative Inc., a 60-year old regional farm cooperative in Indianapolis, which adopted a cash balance plan several years ago.

While many of the reasons for adopting a cash balance plan haven't changed since 1985, when the first plans were launched, the plans are becoming more diverse.

"We have moved far beyond plain vanilla cash balance plans. What stands out is the huge variety in benefit formulas," according to Allen Steinberg, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

In their early years, cash balance plans were a model of simplicity. Employees received credits, often 5% or 6% of pay for each year of service. In addition, those accounts were guaranteed to increase based on a certain interest rate, such as the one-year Treasury bill rate, plus one percentage point.

To be sure, many cash balance plan sponsors continue to use a uniform percentage of salary for all employees—regardless of their age or length of service—for each of service.

"You don't want to replace a complex traditional defined benefit plan with a complex cash balance plan," said Mr. Spektor, the former benefits manager at Reckitt & Coleman, where the cash balance plan gives benefit credits equal to 5% of pay.

Other employers, though gradually increase—with length of service—the percentage of pay they will recognize in calculating pay-related credits.

"We did want to give more recognition to increased length of service," though not as much as in

Continued on next page

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Cash plan features appealing

Cash balance plans combine the individual account statements and portability that have made 401(k) plans so popular with employees with the funding flexibility of defined benefit plans.

Employers, which typically set the plans up to replace a traditional defined benefit plan, first calculate the present value of employees' vested benefits in the old plan. That amount then is converted into an opening account, or cash balance, in the new plan.

Individual statements detail employer contributions, which are based on a percentage of compensation, and interest earned. Employees can tell instantly how much money they can take when they leave the company. By contrast, defined benefit plan statements only project benefits at retirement.

While employees in cash balance plans have individual accounts, employer contributions are made to the entire plan.

Like traditional plans, cash balance plans are funded on an aggregate basis with contributions determined by various factors, including assumptions about future salary increases, turnover and investment returns.

Like defined contribution plans, cash balance plans usually have portable benefits. Employees can take lump sum payouts when they leave and roll them over into an individual retirement account or into a new employer's plan. By contrast, traditional defined benefit plans typically provide a monthly annuity beginning at retirement age.

Despite those features, cash balance plans legally are defined benefit programs because:

- They promise a specific benefit based on a formula. Benefit credits—expressed as a percentage of pay—are earned for each year of service.
- They protect employees from investment risk. Account balances grow at a guaranteed rate, such as the one-year Treasury bill rate plus one percentage point.

If returns run ahead of projections, companies can reduce future contributions. But in cases of an investment loss or lower-than-expected returns, companies have to contribute more.

—By Jerry Geisel

Pension equity plans another option when traditional pension doesn't fit

By JERRY GEISEL

Cash balance plans aren't the only alternatives to replace traditional final average pay defined benefit plans.

About 15 employers, including Ameritech Corp., International Business Machines Corp., and Scientific-Atlanta Inc., have set up yet another hybrid known as pension equity plans, or PEPs.

Typically, employees are credited with a specific percentage that is used to calculate their benefits. When employees leave the company or retire, they typically receive a benefit equal to the sum of the percentages, which increase with age, multiplied by final average pay. Some employers give employees the choice of taking lump sums; others offer only annuities.

While both PEP and cash balance plans have easy-to-understand designs, they differ in some ways. Unlike cash balance plans, for example, PEP plans do not include an interest rate variable in benefit calculations.

In addition, PEP plans provide a relatively even accrual of benefits. By contrast, cash balance plans tend to have "front-loaded" accruals, meaning that shorter-service employees receive much higher benefits than they would in a traditional final average pay plan. In a traditional plan, benefits are "back-loaded," meaning they are skewed to the final years of service.

"PEP plans are a very good plan to cover all sorts of employees," said Eric Lofgren, a consultant at Watson Wyatt Worldwide in New York who developed the concept.

Pension equity plans are especially attractive for companies with lots of mid-career hires or fast-track employees whose earnings rise quickly, he said. Those employees may not fare as well in a cash balance plan for two reasons:

- A major portion of the benefit in a cash balance plan is derived from the compounding of interest. An employee hired at mid-career may not work enough years for interest to compound significantly.
- Fast-track employees also may not do as well in a cash balance plan because benefits are based on career earnings and an interest rate set by the plan rather than the employee's highest salary.

Like employers that adopted cash balance plans, those that set up PEP plans did so after examining demographic trends and recognizing that traditional defined benefit plans no longer met the needs of employees.

"Our own plan was structured for long-service employees. The reality is that employees don't spend their careers at one firm," said Beth Pollard, director of human resources at Scientific Atlanta in Atlanta, which adopted a PEP plan last year.

"We were responding to the different makeup of the workforce. The reality is that fewer people will be spending their entire careers at IBM," said Don Sauvigne, director of retirement programs at IBM in Armonk, N.Y., which adopted a PEP plan in January.

Changing demographics were one reason behind Chicago-based Ameritech's move to establish a plan.

The old plan required employees to meet certain age and service requirements, such as working 20 years and being at least age 55, before they were eligible for significant retirement benefits.

Given those requirements and the expectation of many workers that their careers at Ameritech would be much shorter, the traditional plan was perceived as having little value.

"For employees in the early stages of their career, the benefits (in the old traditional plan) were not perceived as significant. Many of them wondered if they could meet the age and service requirements needed to get a significant benefit," said Tim Meginnes, manager of retirement plans/benefit finance in Chicago for the telecommunications company.

The more even accruals of a PEP would provide greater benefits for those shorter service employees.

At the same time, Ameritech wanted to move away from the "cliff effect" of the old plan, in which benefits increased dramatically when the age and service requirements were met. "At midnight, your benefit would be worth a lot more than they were at 11:59," Mr. Meginnes said.

That cliff effect drove the decisions of employees late in their careers, regardless of other factors, he said. "We did not want a magic date."

The magic date was eliminated in the plan Ameritech adopted in May for management employees. "Benefit values increase steadily. By smoothing out the cliff, employees' decisions on whether or not to stay can be made without focusing on an artificial milestone," he said. BI

Continued from previous page

a traditional final average pay plan, said Countrymark's Mr. Worley. In its plan, benefit credits begin at 3% of pay for employees with less than five years of service and rise by one percentage point every five years until the credits reach 9% of pay.

While cash balance plans typically are established to replace existing defined benefit plans, one employer adopted one and slightly cut back its 401(k) contributions to offset the cost of the new plan.

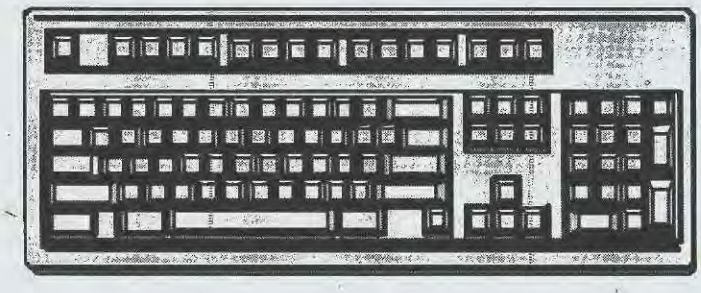
Like virtually all 401(k) plans, Manor Care Inc.'s plan requires employees to contribute to receive a matching contribution. Lower-income employees, though, often could not afford to do so.

By adopting a company-paid cash-balance plan, "We wanted to assure our front-line employees that they would have a retirement benefit," said Chuck Shields, Manor Care's senior vp-human resources.

One potential problem with cash balance plans—the lack of a meaningful IRS safe harbor that would enable employers to avoid running complex non-discrimination tests—has not proved to be a big problem.

"The reality is that cash balance plans can be designed to pass the general non-discrimination test and that with the software packages that have been developed, non-discrimination testing is not an administrative hurdle," said Steve Kerstein, a principal with Towers Perrin in Valhalla, N.Y.

And if the IRS does one day develop a safe harbor for the plans, "I think you will see a flood of new plans," said David Wolfe, a partner with the law firm of Gardner, Carton & Douglas in Chicago. BI



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* Employee Benefit Plan Review, April 1995 based on the number of master contracts in force.

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Raising participation in 401(k) saving plans

Targeted employee communications reap most gains among employer efforts

By DEBORAH SHALOWITZ COWANS

Employers that want to increase 401(k) plan participation without spending a lot of money should produce lively and personalized communications, hold face-to-face meetings with employees and perhaps rework their company match schedule, savings plan experts say.

Companies simply willing to spend a bit more can increase their level of matching contributions. That is an expensive way to increase participation, though, because it would appeal to both higher-paid and lower-paid workers, said Brian Ternoey, a principal with A. Foster Higgins & Co. Inc. in Princeton, N.J.

Employee communications are one key to increasing participation.

Among plan sponsors that increased communications in the past two years, 69% reported increased participation as a result, including 26% that reported increases of 10% or more, Foster Higgins found in a 1994 survey.

Targeted communications are the single most cost-effective way to increase 401(k) participation, said Mr. Ternoey.

For example, plan sponsors should direct their efforts at certain types of employees or those in specific locations who are not participating in the savings plan, he suggested. "Try to find specific subgroups (of non-participating workers) and then do some focus communications."

Such promotional efforts should be "very personal for employees," agreed Cathleen Donnelly, a principal in the communications division of Kwasha Lipton in Fort Lee, N.J.

Ms. Donnelly recommended telling workers exactly how much money a specific percentage of salary works out to be and what expenditures they might cut out to save this amount. For example, a personalized letter could point out that 3% of salary might mean $15 per week, or two tickets to a movie, she said. The letter also could include the potential yield from investing that $15 each week.

"When people hear things in percentages, it seems like a much bigger deal than it is," Ms. Donnelly said. It is important to relate savings to "the real world" and not just "the world of abstracts of net gain, blah, blah, blah."

For the most part, printed communication is still considered more effective than all other media in reaching employees.

"Rarely do employees watch something on film, walk away and retain the information for any period of time," said Trey Wood, a communications consultant with Buck Consultants Inc. in Atlanta.

"The advantage of print communication is you can put it down and pick it up again," Ms. Donnelly pointed out.

But those written communications need to be succinct and inviting.

"Anything in writing should be short," said Mr. Ternoey. A one-page personalized letter with a hypothetical summary of what an employee's savings account might contain already if the employee had been participating in the savings plan "can be pretty effective," he said.

Include lot of white space, charts and graphs, advised Ms. Donnelly. "The more interesting it is to read, the more inviting the layout, the friendlier, the better."

Medaphis Corp. in Atlanta found participation in its 401(k) plan increased 5% after it sent out some new, livelier communications pieces, according to Barbara Shadomy, manager of retirement plans. Medaphis provides business management services to hospitals and physicians. The company has 10,000 employees, 5,000 of whom are eligible to participate in the 401(k) plan.

The company's participation rate was about 47% at the beginning of this year, and plan materials were printed in black and white and were quite detailed. Employees "just didn't look at it," said Ms. Shadomy.

To alert employees to some investment options added to the plan, Medaphis and Buck Consultants developed a colorful postcard and poster and a fund comparison chart.

The postcard and poster feature a pale green background with pink and green squiggles. On it is a colorful cartoon of a woman driving a convertible accompanied by a dog in sunglasses and a scarf and the enrollment deadline. "Our goal was to make it fun, make it something they would want to read," Ms. Shadomy said.

Employee response to the materials was "tremendous," she said.

Meetings also are quite useful in increasing 401(k) plan participation.

"It's hard to beat face-to-face communication," stated Buck's Mr. Wood.

Charles Schwab & Co. Inc. in San Francisco found that an employee meeting "was the key to the success" of its latest multimedia campaign about savings plan participation, said Harriet Guberman, vp for benefits.

Other elements of the campaign included postcards that were sent to employees at work, a brochure on plan highlights and a video, Ms. Guberman said.

It is important to "seize upon every opportunity" to communicate to employees about the plan, she said. For example, Schwab employees can change the percentage of pay they contribute to the savings plan on a quarterly basis, so every three months workers receive a reminder about the plan.

However, a good communications effort can go only so far in increasing savings plan participation. Reworking an employer match can help as well.

For example, Schwab now matches 100% of the first $500 of an employee's contribution and then matches 50% of further contributions, up to 10% of an employee's annual pay, Ms. Guberman said. Schwab previously matched only 50% of employee contributions up to 8% of annual salary.

Schwab, which has approximately 6,500 eligible employees, also more than doubled the number of investment options available to workers.

These efforts, along with the new communications package, helped push participation to 90% from 80%, Ms. Guberman said.

Most plan sponsors—83%—match employee contributions, according to the Foster Higgins survey. The most common matching percentage is 50%, followed by 25% and then 100%.

A common trend now is to reduce the matching percentage and increase the annual salary percentage ceiling, Mr. Wood said.

For example, employers that previously might have matched 100% of an employee's contribution up to 3% of annual salary now are more likely to match 50% up to 6% of salary, he said.

However, experts said they do not have the empirical data to prove that these changes result in increased savings plan participation. BI

Separating education and advice

Labor Department draft seeks to offer employers guidance

The U.S. Department of Labor by the end of the summer expects to issue a draft of an interpretive bulletin that will help employers differentiate between advising and educating workers about investing money in their retirement savings accounts.

The Labor Department wants to "give people providing education programs greater comfort that they really are giving education and not crossing over into financial advice," said Olena Berg, assistant secretary of labor for pension and welfare benefits. "The intent here truly is to be helpful and encourage more education."

In October 1992, the department issued guidelines spelling out how plan sponsors could avoid liability for participants' investment decisions under section 404(c) of the Employee Retirement Income Security Act of 1974 (*BI*, Oct. 12, 1992).

But the line between the sort of education required to avoid liability and investment advice that could trigger such liability is a blurry one (*BI*, Oct. 31, 1994).

The interpretive bulletin is designed to clarify the distinction between the two.

Approximately 90% of the education programs the department looked at did not come close to crossing the line between education and advice, Ms. Berg said.

But a program may tread too close to that line, for instance, "when the party providing the education program also has a financial stake" in the investments or offers specific advice on how money should be allocated among investments, she said.

Although an interpretive bulletin does not carry the weight of an actual regulation, it is the "department's statement of what it believes a law to be," Ms. Berg noted. If people do not think the draft bulletin is helpful, the department will not release a final version, she added.

—By Deborah Shalowitz Cowans



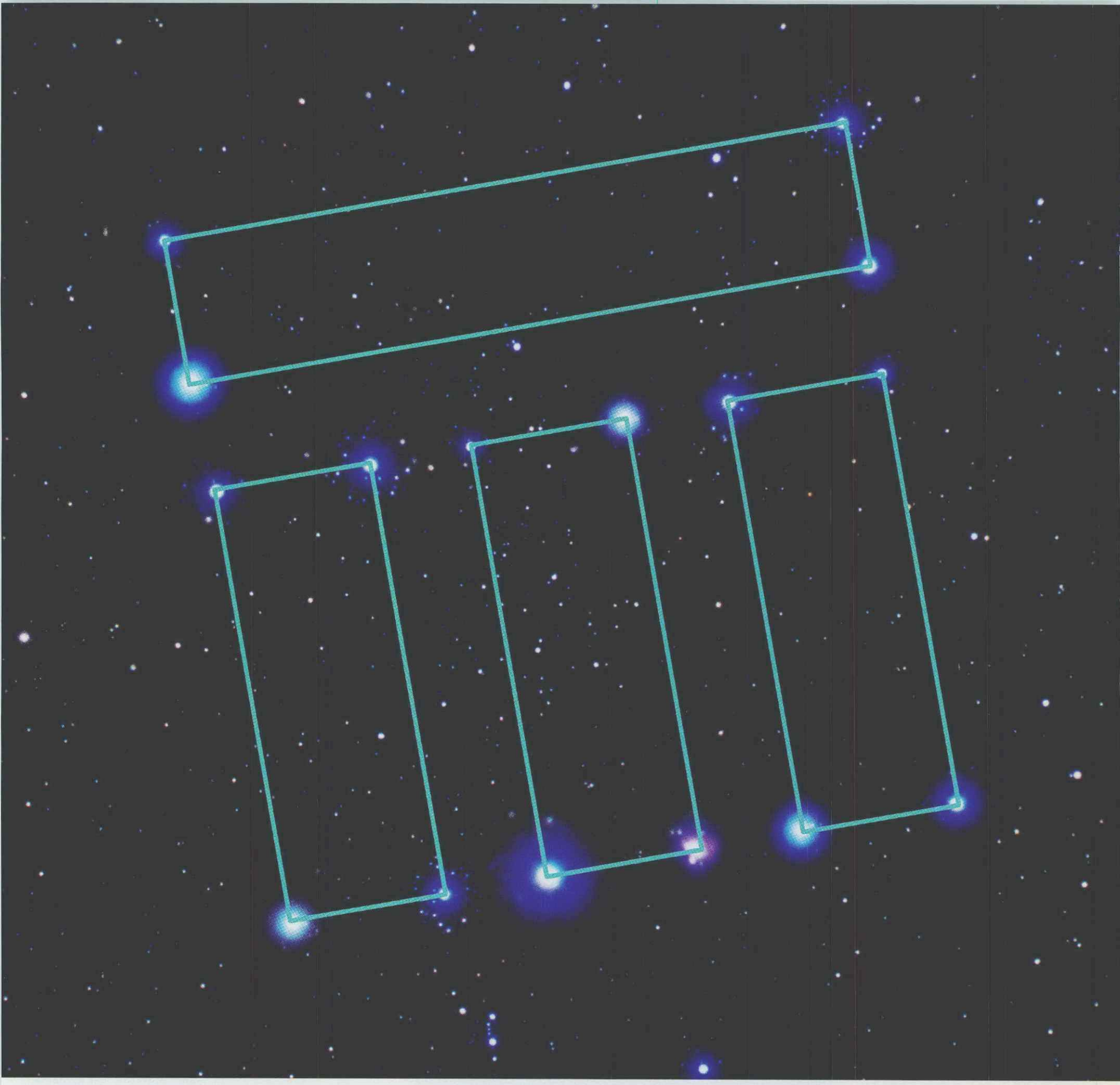
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Finding missing plan participants

PBGC extends service to find, pay benefits to missing persons

By SALLY ROBERTS

A provision tucked into pension funding reform legislation enacted last year may make it easier for plan administrators to locate missing participants before a pension plan is terminated.

The legislation—known as the Retirement Protection Act and included in a broader bill to implement the General Agreement on Tariffs and Trade—not only strengthens pension funding rules, but also establishes the Pension Benefit Guaranty Corp. as a clearinghouse for locating and disbursing the benefits of missing participants in plans that are terminated.

The change will make the PBGC's service, now used only for missing participants of underfunded defined benefit plans, available beginning next year to sponsors of fully funded plans that are terminated. The agency also may eventually expand the locator service to missing participants of defined contribution plans.

"This is the best piece of news to come out of GATT," contends Kyle Brown, an attorney at benefit consulting firm Watson Wyatt Worldwide in Washington.

"A vast majority, if not virtually all pension plans, have missing participants," he said. Locating them has been "a major, major problem for plans for 20 years."

While most workers will keep former employers abreast of their whereabouts, others, especially job hoppers, are not so diligent. Additionally, some of the missing participants are widows and widowers who are unaware they are entitled to a deceased spouse's pension. Others, whose companies went out of business, may assume they are no longer entitled to a pension.

In any case, "every plan in existence has participants they cannot find," said Pam Scott, an attorney and principal at Kwasha Lipton L.L.C. in Fort Lee, N.J.

The task of tracking down all the participants who have left the company is a significant administrative burden, she said. "If you can't find the participants to give money to, it is difficult to wind up a plan."

The PBGC's extension of its pension participant locator service is the best news to come out of GATT, says Kyle Brown.

Plan sponsors have had some success in finding lost plan participants through the Social Security Administration or through such services offered by the Internal Revenue Service, which will forward letters to the last known address of the "missing" person.

Nevertheless, some participants inevitably remain lost and can stymie the process of terminating a pension fund.

In order to close out terminating defined benefit plans, plan sponsors must purchase an annuity or deposit funds in a bank to cover benefits owed to missing participants. "This can be difficult when the whereabouts of participants is unknown," a PBGC spokeswoman said.

In addition, the cost of an annuity can be exorbitant since the benefit owed to the retiree is usually a small amount, Mr. Brown said.

"Try to find an insurer to make a bid on an individual annuity contract for a $2,000 accrued benefit," he said. "It will charge $5,000 for it," because otherwise there is no potential for profit in it for the annuity company.

Under the PBGC's impending locator service, plan sponsors instead will be able to transfer funds to the PBGC to cover the cost of benefits for participants who cannot be located. The PBGC then will attempt to locate the missing retirees and pay their benefits.

If the plan sponsor already has purchased annuities to cover missing persons' benefits, the PBGC will direct the participant to the appropriate insurance company, the PBGC spokeswoman explained.

She said the PBGC expects to receive funds to cover benefits for approximately 1,000 missing plan participants annually once the program is implemented.

Further details of the service will be available when the preliminary regulations are issued next month. Final regulations should be issued by the end of the year, and the PBGC hopes to have the new program operational by early 1996, the spokeswoman said.

In the meantime, the PBGC continues to track missing participants of the underfunded defined benefit plans it takes over.

"Our central mission is to make sure everyone owed a pension gets one," the spokeswoman said.

In addition to addressing concerns from employers about the difficulty of finding missing participants, the PBGC implemented its missing participants locator program as part of Vice President Al Gore's "reinventing government" initiative, she explained.

Through mass mailings, letters to former co-workers, local media, credit bureaus and commercial locator services, the PBGC found the addresses of 12,000 of 15,000 missing participants in 1994, she said.

In some cases, the PBGC had to do a bit of detective work.

An advertisement in a local newspaper located all but one of the pensioners of Palace Furniture, a Clarksburg, W.Va., company whose pension fund ran dry three years after its closed its doors. A PBGC supervisor ultimately tracked down the one missing participant at one of the participant's favorite fast food restaurants.

In another case, a PBGC supervisor had to rush to New York's John F. Kennedy International Airport to retrieve documents on 37,000 employees of a failed company that inadvertently had been left behind in file cabinets that were about to be shipped to an auction house, the spokeswoman said. BI

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Business Insurance directory of 401(k) plan administrators

A

AAAA Benefits Inc.

8305 University Executive Park, Suite 320, Charlotte, N.C. 28262; 704-594-6270; fax: 704-594-6290

Staff

Total	13
Designations held: 1 CPA	

Clients

Total	145
Average participants/plan	45
Minimum participants/plan	10
Maximum participants/plan	5,000

1994 revenues

Total	$750,000
401(k) plan administration	$650,000

Services began: 1985.
Parent: American Assn. of Advertising Agencies.
Software: Purchased from outside vendor, accommodates 15 investment funds and 9 types of contributions.
Administration: Does not use 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*, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.
Service area: Nationwide.
Charges: Determined by complexity of plan, assets under management.
Officers: Donald S. Lewis, executive vp; Wendy E. Jones, senior vp.
Contact: Wendy Jones.
* *Available in 1996.*

AccuRecord Inc.

100 Executive Drive, Edgewood, N.Y. 11717; 516-243-6400 ext. 236; fax: 516-243-6427

Staff

Total	40
Involved in 401(k) plan services	40

Clients

Total	512
Average participants/plan	439
Minimum participants/plan	50
Maximum participants/plan	100,000

1994 revenues

Total	$4,000,000
401(k) plan administration	$3,750,000

Services began: 1982.
Software: Written and maintained in-house, accommodates 99 investment funds and 30 types of contributions, software may be used by clients in-house.
Administration: 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, compliance issues. Other services include compliance testing, Form 5500 preparation, alliances.
Service area: Nationwide.
Charges: Determined by number of participants, frequency valuations.
Officers: G. Chave, president; P. Badamo, executive vp; G. Pantaleo, senior vp; K. Rooney, vp.

Actuarial & Employee Benefit Services

3481 Central Parkway, Suite 100, Cincinnati, Ohio 45223-3396; 513-872-7505; fax: 513-872-7509

Staff

Total	23
Involved in 401(k) plan services	4
Designations held: 1 attorney	

Clients

Total	27
Average participants/plan	39
Minimum participants/plan	1
Maximum participants/plan	1,000

1994 revenues

Total	$1,800,000
401(k) plan administration	$58,000

Parent: CAI Insurance Agency Inc.
Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: Midwest.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Officers: James T. Schlotman, Carl R. Schlotman Jr.

Continued on next page

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Continued from previous page

Actuaries & Associates

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

Staff

Total 14
Involved in 401(k) plan services 8
Designations held: 1 CEBS, 1 ASA/FSA, 1 attorney

Clients

Total 150
Average participants/plan 25
Minimum participants/plan 1
Maximum participants/plan 5,000

1994 revenues

Total $707,000
401(k) plan administration $201,000

Services began: 1981.
Software: Leased from outside vendor, accommodates 15 investment funds and 20 types of contributions.
Administration: Does not use cash or unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on plan design, compliance issues.
Service area: Nationwide.
Locations: Administrative offices in Amarillo, El Paso, Lubbock and Houston, Texas. Consulting offices in Amarillo, El Paso and Lubbock Texas.
Charges: Determined by number of participants,.
Officers: B.K. Houchin Sr., president; Eugene Shelton, vp.
Contact: Jeff Houchin.

Acuff & Associates Inc.

511 Union St., Suite 2410, Nashville, Tenn. 37219; 615-726-2410;
fax: 615-726-2009

Staff

Total 21
Involved in 401(k) plan services 10
Designations held: 2 ASA/FSAs, 1 attorney

Clients

Total 200
Average participants/plan 450
Minimum participants/plan 10
Maximum participants/plan 12,000

1994 revenues

Total $1,800,000
401(k) plan administration $800,000

Services began: 1991.
Software: Leased from outside vendor, accommodates 99 investment funds and 99 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: Southeastern United 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;
708-577-6000; fax: 708-870-9200

Staff

Total 90
Involved in 401(k) plan services 46
Designations held: 9 CPAs, 1 attorney

Clients

Total 270
Average participants/plan 850

Services began: 1982.
Software: Written and maintained in-house, accommodates 80 investment funds and 20 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include enrollment, projection and loan software; data management.
Service area: Nationwide.
Charges: Determined by number of

Continued on next page

Guide to 401(k) plan vendors

The seventh annual directory of 401(k) plan administrators contains information on companies that provide services such as recording enrollment, maintaining participants' accounts and handling account activity. A firm must offer these services independent of any investment services; it may or may not offer investment management services in addition to plan administration services.

The directory is published as an editorial service and there is no charge to be included. Information in the directory is provided by participating companies via a *BI* questionnaire.

Listings begin with the company name and address. Details on **staff** and **401(k) clients** are provided, followed by total 1994 **gross revenues** and revenues from 401(k) plan administration (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 and full share **accounting** are used by all companies unless otherwise noted. Information on whether the company has the ability to accommodate **loan provisions** and 401(m) **non-discrimination testing** for clients is included. Next **client support services** offered are described.

Following, the **service area** and locations of **branch offices** (not including the home office) are given. How the company charges for its services and names and titles of principal **officers** and a **contact** person complete the listings.

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Continued from previous page
participants, complexity of plan, time and expense, frequency valuations.

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

Contact: Mark Tucker.

Alexander & Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst, N.J. 07071; 201-460-6600; fax: 201-460-6677

Staff

Total	625
Involved in 401(k) plan services	50

Clients

Total	200
Average participants/plan	4,500
Minimum participants/plan	500
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Alexander & Alexander Services Inc.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include consulting on investment services, systems, communication and vendor selection; plan audits; retirement planning software; plan design; government filing; outsourcing; surveys.

Service area: Nationwide.

Locations: Administrative offices in Atlanta; Baltimore; St. Louis; Lyndhurst, N.J. Consulting offices in San Francisco and San Jose, Calif.; Greenwich, Conn.; Tampa, Fla.; Atlanta; Chicago; Baltimore; Boston; Detroit; Minneapolis; St. Louis; Lyndhurst, N.J.; New York; Dallas.

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

Officers: Donald L. Seeley, president/CEO-The Alexander Consulting Group Inc.; Robert K. Burden, executive vp-The Alexander Consulting Group Inc.; Neil A. Burger, chairman/CEO-Alexander & Alexander Consulting Group Inc.; John L. Goodyear, chairman/CEO-Alexander & Alexander Benefits Services Inc.

Contact: Melanie Langsett, 404-264-3141.

The Alliance Benefit Group

2100 Northland Drive, Austin, Texas 78756; 512-454-3718; fax: 512-454-7926

Staff

Total	35
Involved in 401(k) plan services	10
Designations held: 3 CEBSs, 2 ASA/FSAs, 1 attorney	

Clients

Total	750
Minimum participants/plan	1
Maximum participants/plan	50,000

1994 revenues

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

Services began: 1981.

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

Administration: Does not use 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.

Service area: Nationwide.

Locations: Administrative offices in Austin and Houston, Texas. Consulting offices in Fayetteville and Little Rock, Ark.; Oklahoma City; Austin, Dallas, Houston and Midland, Texas.

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

Officers: G.C. Pettey III, president; Jayne Barstow, senior vp.

Contact: Robin J. Herzog.

Alliance Benefit Group of Pittsburgh Inc.

3 Gateway Center, 21st Floor, Pittsburgh, Pa. 15222; 412-232-6502; fax: 412-471-5001

Staff

Total	32
Involved in 401(k) plan services	28
Designations held: 1 CEBS, 1 CPA, 1 attorney	

Clients

Total	150
Average participants/plan	92
Minimum participants/plan	25
Maximum participants/plan	5,000

1994 revenues

Total	$2,200,000
401(k) plan administration	$950,000

Services began: 1982.

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

Administration: Does not use unit value accounting or 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include mutual fund family access.

Service area: Mid-Atlantic states, Ohio, West Virginia.

Locations: Administrative and consulting offices in Peoria, Ill.; Albert Lea, Minn.; Oklahoma City; Harrisburg, Pa.; Austin, Dallas and Houston, Texas.

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

Officers: John J. Griffith Jr., Mark C. Griffith, Carol B. Manson, David A. Potter, Anthony J. Donina.

Ameritas Life Insurance Corp.

5900 O St., Lincoln, Neb. 68510; 402-467-1122; fax: 402-467-7885

Staff

Total	759
Involved in 401(k) plan services	22
Designations held: 5 CEBSs, 2 CPAs, 3 ASA/FSAs, 1 attorney	

Clients

Total	85
Average participants/plan	48
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$570,925,000
401(k) plan administration	$118,320

Services began: 1985.

Software: Purchased from outside vendor, accommodates 64 investment funds and nine types of contributions.

Administration: Does not use unit value accounting or 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include standardized and non-standardized prototype document, governmental reporting, plan design and proposals.

Service area: Nationwide.

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

Officers: Larry Arth, chairman/president/CEO; Norman M. Krivosha, executive vp/secretary/corporate general counsel; 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.

Arnold & Co. Inc.

1450 W. Long Lake Road, Suite 365, Troy, Mich. 48098; 810-641-8686; fax: 810-641-7885

Staff

Total	17
Involved in 401(k) plan services	11
Designations held: 1 ASA/FSAs	

Clients

Total	300
Average participants/plan	175
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1982.

Software: Purchased from outside vendor, accommodates 99 investment funds and 48 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include plan qualifications, plan terminations, audit representation and expert witness services.

Service area: Nationwide.

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

Officers: Craig C. Arnold, president; Marilyn S. Auiler, vp.

Contact: Craig C. Arnold.

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

B

Benefit Dynamics Inc. -Retirement Plans of America Division

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

Staff

Total	33
Involved in 401(k) plan services	10
Designations held: 1 CEBS, 1 ASA/FSA	

Clients

Total	103
Average participants/plan	125
Minimum participants/plan	25
Maximum participants/plan	25,000

Services began: 1983.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include input and verification of payroll data; allocation of individual salary reduction contributions by investment month; eligibility determination; trust fund reconciliation; calculation of employer match contribution, IRS Section 410(b), 410(a)(26), forfeitures, accrued and vested benefits; employer valuation reports; preparation of release forms, Form 5500 and summary annual report.

Service area: Nationwide.

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

Officers: Jo Ann Massanova, president; Carmen LaVerghetta, executive vp; Mark E. Moran, vp.

Contact: Mark E. Moran.

The Benefits Group

Corporate Plaza I, 6450 Rockside Woods Blvd. S., Suite 300, Independence, Ohio 44131; 216-328-1300; fax: 216-328-130[illegible]

Staff

Total	46
Involved in 401(k) plan services	16
Designations held: 1 CEBS, 1 CPA, 1 ASA/FSA, 1 attorney	

Clients

Total	240
Average participants/plan	350
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Purchased and leased from outside vendor, accommodates 16 investment funds and nine types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.

Service area: Nationwide.

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

Officers: Charles J. Farro, chairman; Joseph P. Crea, president.

Contact: James S. Vitalie.

Benefits Plus Inc.

60001 Adams Road, Bloomfield Hills, Mich. 48304-1575; 810-258-0838; fax: 810-258-0890

Staff

Total	3[illegible]
Involved in 401(k) plan services	3[illegible]
Designations held: 2 CPAs	

Clients

Total	16[illegible]
Average participants/plan	4[illegible]
Minimum participants/plan	1[illegible]
Maximum participants/plan	2,50[illegible]

1994 revenues

Total	$2,100,00[illegible]
401(k) plan administration	$2,100,00[illegible]

Services began: 1988.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues employee communications. Manages investment of funds. Other services include individual employee enrollment semi-annually, service satisfaction guarantee, turnkey administration.

Service area: Nationwide.

Charges: Determined by number of participants.

Officers: Mark Wayne, owner/president.

Boatmen's Trust Co.

100 N. Broadway, St. Louis, Mo. 63102; 314-466-3800; fax: 314-466-3964

Staff

Total	13
Involved in 401(k) plan services	5
Designations held: 15 CEBSs, 3 attorneys	

Clients

Total	26
Average participants/plan	50
Minimum participants/plan	2
Maximum participants/plan	25,00

1994 revenues

Total	$167,300,00
401(k) plan administration	$4,180,00

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Services began: 1981.

Software: Purchased from outside vendor, accommodates 30 investment funds and 10 types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include enrollment meetings.

Service area: Nationwide.

Locations: Administrative and consulting offices in Little Rock, Ark.; Des Moines, Iowa; Kansas City, St. Louis and Springfield, Mo.; Albuquerque, N.M.; Oklahoma City; Amarillo and Houston, Texas.

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

Officers: Martin E. "Sandy" Galt, president/CEO; Lyle Brizendine, executive vp-pensions/institutional services; John S. Cole, chief equity investment officer; Landers Carnal, chief fixed income investment officer; Richard W. Hibbs, director-marketing/client services.

Contact: Richard W. Hibbs.

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121-0047; 212-330-1000; fax: 212-695-4184

Staff

Total	1,760
Involved in 401(k) plan services	165
Designations held: 25 CEBSs, 8 CPAs, 139 ASA/FSAs, 36 attorneys	

Clients

Total	280
Average participants/plan	1,700
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$175,000,000

Services began: 1981.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include access to mutual fund families and trust service providers; voice response systems/services; defined contribution, defined benefit and health and welfare outsourcing; participant service center; investment supervisory services; plan document preparation; loan administration consulting; benefit statements; pre-retirement and financial planning seminars/system; employee investment education materials/consulting.

Service area: Nationwide.

Locations: Administrative and consulting offices in Phoenix; Los Angeles; San Francisco; Denver; Stamford, Conn.; Washington; Atlanta; Honolulu; Chicago; Fort Wayne, Ind.; Kansas City, Kan.; Boston; Detroit; Secaucus, N.J.; New York; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Dallas; Houston.

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

Officers: William E. Giegerich, president/CEO; Frederick W. Rumack, director-401(k) consulting; Pat Amendola, director-administrative services group; Lowell Tanzor, director-administrative consulting services.

Contact: Carolee Martin, manager of marketing, 201-902-2524.

CalTrust

3080 S. Bristol St., Costa Mesa, Calif. 92626; 800-274-8798; fax: 714-437-4065

Staff

Total	164
Involved in 401(k) plan services	31
Designations held: 1 CEBS, 2 ASA/FSAs	

Clients

Total	155
Average participants/plan	235
Minimum participants/plan	25
Maximum participants/plan	25,000

1994 revenues

Total	$12,139,000
401(k) plan administration	$1,450,000

Services began: 1984.

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

Administration: Does not use 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include trustee and custodial services.

Service area: Nationwide.

Locations: Administrative and consulting offices in San Francisco.

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

Officers: Renate I. Renfro, chairman/president; John Brown, Alfred H. Antignolo, senior vps; Gary Woodruff, vp-marketing/sales; Rise Norris, vp-pension services.

Contact: Gary Woodruff.

CAPAX-The Osborne Organization

1150 Ninth St., Suite 1400, Modesto, Calif. 95354; 209-529-0840; fax: 209-529-0230

Staff

Total	12
Involved in 401(k) plan services	5

Clients

Total	125
Average participants/plan	35
Minimum participants/plan	1
Maximum participants/plan	500

1994 revenues

Total	$1,025,000
401(k) plan administration	$250,000

Services began: 1987.

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

Administration: Does not use 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues,

Continued on next page

The case for fiduciary liability coverage.

Be a hero. Tell them about it.

The Employee Retirement Income Security Act (ERISA) requires employee benefits plan fiduciaries to carry a fidelity policy equalling at least 10 percent of funds managed. It protects the fund, not the fund managers. And only from acts of dishonesty.

But, many benefits fiduciaries don't know that. A recent survey showed *nearly 50 percent* of those who don't purchase fiduciary liability coverage believe that their ERISA-mandated fidelity bond protects their personal assets.

Be a hero. Tell them it doesn't.

Aetna has developed a coordinated promotional package with a brochure and video to help you explain the need for fiduciary liability coverage and differentiate it from the ERISA-mandated fidelity bond.

It's a simple way to help your customers, and earn additional income at the same time. In fact, when you help them understand their personal risk, we think they'll line up to get Aetna's fiduciary liability coverage.

For more information about Aetna's fiduciary liability coverage, call your Bond representative today.

Aetna

The Aetna Casualty and Surety Company
Aetna Casualty & Surety Company of America

Continued from previous page
employee communications. Manages investment of funds.

Service area: California.

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

Officers: Jim Osborne, president; Wade Osborne, vp; Tim Buzzini, retirement benefit specialist; Shayna Osborne, Diane Jones, administrators.

Contact: Wade Osborne.

CIGNA Retirement & Investment Services

350 Church St., Hartford, Conn. 06103; 800-997-6633; fax: 203-725-2052

Staff

Total	1,350
Involved in 401(k) plan services	600

Clients

Total	3,000
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: CIGNA 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: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include transition management services, Form 5500 completion and audit, compliance testing services, employee communication services, custom enrollment services, trustee services, participant service center, combined benefit participant statements, participant transition services.

Service area: Nationwide.

Locations: Administrative offices in Hartford, Conn.; Dubuque, Iowa. Consulting offices in Anaheim, Los Angeles and San Francisco, Calif.; Hartford, Conn.; Washington; Atlanta; Chicago; Indianapolis; Boston; Detroit; Minneapolis; St. Louis; Buffalo and New York, N.Y.; Charlotte, N.C.; Cleveland and Columbus, Ohio; Philadelphia; Pittsburgh; Dallas; Houston; Milwaukee.

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

Officers: Byron Oliver, president; David Gerges, CFO/senior vp-financial; Thomas Quinlan, senior vp-customer service; Frederick Castellani, senior vp-sales & field services; Douglas Klinger, senior vp-marketing & business development.

Contact: Frederick Castellani or Douglas Klinger.

Coopers & Lybrand L.L.P., Human Resource Advisory Group

1301 Ave. of the Americas, New York, N.Y. 10019-6013; 800-232-2717; fax: 212-259-2625

Staff

Total	2,830
Involved in 401(k) plan services	2,063
Designations held: 27 CEBSs, 129 CPAs, 51 ASAs, 98 FSAs, 40 attorneys	

Clients

Total	NA
Average participants/plan	2,200
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$271,000,000

Services began: 1982.

Parent: Coopers & Lybrand L.L.P.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include investment and trustee services, interactive voice response, multimedia live operator outsourcing, traditional communication.

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles; San Francisco; Stamford, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Louisville, Ky.; Baltimore; Boston; Detroit; Minneapolis; Parsippany, N.J.; Albany, New York and Syracuse, N.Y.; Charlotte, N.C.; Cleveland and Columbus, Ohio; Philadelphia; Pittsburgh; Dallas; Houston; Seattle.

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

Officers: Reed Keller, vice chairman; Iris Goldfein, Frank Raiti, managing principals.

Contact: Derek Romanaux, 212-259-2596.

W.F. Corroon

26 Century Blvd., Nashville, Tenn. 37214; 615-872-3900; fax: 615-872-3999

Staff

Total	350
Involved in 401(k) plan services	71
Designations held: 3 CEBSs, 3 CPAs, 3 ASA/FSAs, 4 attorneys	

Clients

Total	376
Average participants/plan	700
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Willis Corroon Group P.L.C.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include education, consulting.

Service area: Nationwide.

Locations: Administrative offices in San Diego, Baltimore, New York, Cleveland. Consulting offices in Los Angeles, San Diego, San Francisco, New Orleans, Baltimore, St. Louis, New York, Cleveland, Dallas, Seattle.

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

Officers: Rick Hauck, CEO, W.F. Corroon-U.S.A.; Elliot Asser, COO, W.F. Corroon-U.S.A.; Bob Cross, president/CEO-Tenn.; Ron Dewsnup, vp-Great Lakes; Sam Marra, senior vp-San Francisco; Bill Stanton, president/CEO-Md.

Contact: Bob Cross.

D

Delaware Management Co. Inc.

1 Commerce Square, 2005 Market St., Philadelphia, Pa. 19103; 215-751-2910; fax: 215-988-1681

Staff

Total	600
Involved in 401(k) plan services	50

Clients

Total	3,500
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Lincoln National 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: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include trustee services.

Service area: Nationwide.

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

Continued on next page

"In Russia, only 1% of industrial enterprises
As privatization continues, business owners
the largest insurance program in Russian

DID

American Re, through our subsidiary Becher + Carlson Companies, recently placed $500 million in property coverage for KamAZ, one of Russia's largest heavy truck manufacturers. Always on the lookout for new markets in growing economies, we just became the first reinsurer to open an office in Beijing.

We are a direct writer, carefully positioned to capitalize on opportunities for growth. For the past three years, we co-hosted seminars to facilitate relationships between large industrial corporations, government and international agencies. Together we are addressing environmental issues and identifying emerging technologies that cut both the cost of cleanup and of litigation.

We have specialists in actuarial, claims management, data processing, and numerous other disciplines. Our multidisciplined teams can customize client solutions involving treaty, facultative, bond, finite risk, and alternative market approaches.

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under management, time and expense.

Officers: Wayne A. Stork, chairman/chief investment officer; Brian F. Wruble, president/COO; Winthrop S. Jessup, executive vp; David K. Downes, CFO; Minette van Noppen, vp.

Deloitte & Touche L.L.P.

1000 Wilshire Blvd., Los Angeles, Calif. 90017; 213-688-5424; fax: 213-892-6293

Staff

Total	800
Involved in 401(k) plan services	75

Clients

Total	500
Average participants/plan	300
Minimum participants/plan	250
Maximum participants/plan	Unlimited

1994 revenues

Total	$140,000,000

Services began: 1982.

Software: Purchased from outside vendor, record keeping provided by third party, accommodates unlimited investment funds and 400 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include evaluation of outsourcing alternatives, financial planning, vendor selection management.

Service area: Nationwide.

Locations: Administrative offices in Los Angeles; Detroit; New York; Tulsa, Okla.; Portland, Ore.; Dallas; Houston. Consulting offices in San Francisco; Atlanta; Chicago; Boston; Minneapolis; Parsippany, N.J.; Philadelphia.

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

Officers: Robert Starkey, principal-Los Angeles; Dick Berens, principal-Minneapolis; Ainar Ayala, principal-New York; Tim Phoenix, principal-Dallas; Mark Schneider, partner-Houston; Michelle Auerbach, national marketing director; Maurice Smith, national director.

Diversified Group Brokerage Corp.

369 N. Main St., Marlborough, Conn. 06447; 203-295-9583; fax: 203-295-8164

Staff

Total	3
Involved in 401(k) plan services	3

Clients

Total	40
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	1,000

1994 revenues

401(k) plan administration	$105,000

Services began: 1991.

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

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

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

Service area: Nationwide.

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

Officers: Robert H. Soleau, president; Ben Gaetano, director.

Contact: Ben Gaetano.

Dreyfus Retirement Services

200 Park Ave., New York, N.Y. 10166; 212-922-6110; fax: 212-922-6317

Staff

Total	400
Involved in 401(k) plan services	258

Designations held: 9 CEBSs, 3 CPAs, 6 attorneys

Clients

Total	248
Average participants/plan	900
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Mellon Bank N.A.

Software: Purchased from outside vendor, accommodates 99 investment funds and 36 types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults* on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include PC-based interactive program for employees; performance measurement reviews.

Service area: Nationwide.

Locations: Administrative offices in Medford, Mass.; Uniondale, N.Y.; Pittsburgh; Providence, R.I. Consulting offices in Los Angeles, San Francisco, Atlanta, Chicago, Boston, New York, Pittsburgh, Dallas.

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

Officers: Frank Cahouet, chairman-Mellon Bank; Keith Smith, vice chairman-Mellon Bank; Barbara Casey, president-Dreyfus Retirement Services; Robert Stone, executive vp-sales/marketing; Samuel Mancino, senior vp-operations.

Contact: Robert Stone, 212-922-6110.

** Dreyfus Retirement Services offers consulting services only in conjunction with retirement services.*

Dun & Bradstreet Pension Services

3507 Frontage Road, Suite 200, Tampa, Fla. 33607; 800-325-6860; fax: 800-344-1258

Staff

Total	200
Involved in 401(k) plan services	100

Designations held: 3 CEBSs, 5 CPAs, 15 ASA/FSAs, 1 attorney

Clients

Total	2,500
Average participants/plan	125
Minimum participants/plan	1
Maximum participants/plan	10,000

1994 revenues

Total	$14,000,000
401(k) plan administration	$14,000,000

Services began: 1984.

Parent: Dun & Bradstreet Corp.

Software: Written and maintained in-house, purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include sales and marketing support, plan documents, administration and compliance, Form 5500, profit-sharing services.

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles, Newport Beach, San Diego and San Mateo, Calif.; Charlotte, N.C.

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

Contact: E. William Moore.

E

Employee Benefit Management Services (EBMS)

550 N. 31st St., Suite 210, Billings, Mont. 59101; 406-245-3575; fax: 406-259-7871

Staff

Total	52
Involved in 401(k) plan services	2

Designations held: 1 CPA

Continued on next page

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will turn to the company that structured
history."

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Continued from previous page

Clients

Total 27
Average participants/plan 30
Minimum participants/plan 10
Maximum participants/plan 300

1994 revenues

401(k) plan administration $42,000

Services began: 1985.
Software: Purchased from outside vendor, accommodates 16 investment funds and 7 types of contributions.
Administration: Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Toll-free service to request account activity, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.
Service area: Northwest.
Charges: Determined by number of participants, time and expense, frequency valuations.
Officers: Frederick Larson, president; Nicki Larson, vp.
Contact: Sharon Elliott, 406-245-3575 ext. 231.

Employee Benefits Specialists Inc.

1633 Bayshore Highway, Suite 360, Burlingame, Calif. 94010; 415-259-4000; fax: 415-259-4010

Staff

Total 12
Involved in 401(k) plan services 6

Clients

Total 110
Average participants/plan 55
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

Services began: 1988.
Software: Purchased from outside vendor, accommodates 64 investment funds and 7 types of contributions.
Administration: Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include plan terminations, distributions, plan audits, plan design and installation, employee and management communications, interactive voice response.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Joan L. Rhodes, president; Chimane M. Rhodes, vp; Elizabeth C. Juen, secretary/treasurer.
Contact: Joan Rhodes, 800-229-7683.

The Epler Co.

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

Staff

Total 14
Involved in 401(k) plan services 4
Designations held: 1 ASA/FSA, 3 attorney

Clients

Total 8
Average participants/plan 100
Minimum participants/plan 50
Maximum participants/plan 10,000

1994 revenues

Total $1,300,000
401(k) plan administration $500,000

Services began: 1982
Software: Purchased from outside vendor, accommodates 99 investment funds and 10 types of contributions.
Administration: Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: California.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Officers: Jane Barry, CEO/president; Lin Ball, Elaine Kalin, Lou Filliger, vps.

E.R.I.S.A. Inc.

6600 N. Lincoln Ave., Suite 330, Lincolnwood, Ill. 60645; 708-674-1883; fax: 708-674-5751

Staff

Total 6
Involved in 401(k) plan services 3
Designations held: 1 CPA, 1 attorney

Clients

Total 25
Average participants/plan 20
Minimum participants/plan 1
Maximum participants/plan 1,000

1994 revenues

Total $475,000
401(k) plan administration $45,000

Services began: 1988.
Software: Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.
Administration: Does not use unit value accounting or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Spanish translations.
Service area: Chicago metropolitan area.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Michael R. Iselin, president; Richard M. Perlin, vp.

Fidelity Institutional Retirement Services Co.

82 Devonshire St., Boston, Mass. 02109; 617-563-0335; fax: 617-476-7294

Staff

Total 1,877
Involved in 401(k) plan services 1,200

Clients

Total 2,490
Average participants/plan* ..... NA
Minimum participants/plan* ..... NA
Maximum participants/plan ..... Unlimited

* *Client figures combine National Plans and Corporate plans. Corporate plans are designed for companies with less than 1,000 employees. Average National plan is 2,800 participants; average Corporate plan is 200 participants. Minimum participats per plan is 500 for National Plans and 50 for Corporate Plans.*

Services began: 1982.
Parent: Fidelity Investments.
Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include voice response system, asset allocation information and assistance, transaction confirmation, PC-based savings/investment tools, self-directed brokerage, non-qualified plan services, employee educational curriculum.
Service area: Nationwide.
Locations: Administrative and consulting offices in Covington, Ky.; Dallas.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense.
Officers: Robert L. Reynolds, president; Ellyn A. McColgan, executive vp-client services; Peter J. Smail, senior vp-sales; Steven E. Elterich, senior vp-systems; Cynthia Egan, senior vp-client management.
Contact: Peter J. Smail.

First Fidelity Bank N.A.

765 Broad St., C76507, Newark, N.J. 07102; 201-430-4870; fax: 201-565-1877

Staff

Total 60
Involved in 401(k) plan services 45
Designations held: 12 CEBSs, 2 attorneys

Clients

Total 350
Average participants/plan 75
Minimum participants/plan 1
Maximum participants/plan 10,000

1994 revenues

Total $16,000,000
401(k) plan administration $6,500,000

Services began: 1982.
Software: Purchased from outside vendor, accommodates 20 investment funds and unlimited types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include trustee/custodian of assets, recurring payments, design and conduct employee seminars, prototype plans with summary plan description, no-load mutual funds, GIC Fund, 404(c) compliance assistance.
Service area: Nationwide.
Locations: Administrative and consulting offices in Shelton, Conn.; Allentown and Philadelphia, Pa.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Les Goodman, president/CEO; Joseph Ready, Mary Mulhern, senior vps; Marty Farrell, Roy Williams, Nancy Matthews, vps.

First Trust Corp.

717 17th St., Suite 2600, Denver, Colo. 80202; 303-293-2223; fax: 303-292-2227

Staff

Total 550
Involved in 401(k) plan services 9
Designations held: 1 CPA

Clients

Total 110
Average participants/plan 75
Minimum participants/plan 10
Maximum participants/plan 2,000

Services began: 1984.
Parent: Fiserv Inc.
Software: Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.
Administration: Does not use unit value accounting 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Contact: Barbara Rowley.

First Trust National Association

180 E. Fifth St., P.O. Box 64488, St. Paul, Minn. 55164-0488; 612-244-6000; fax: 612-244-4203

Staff

Total 1,500
Involved in 401(k) plan services 80
Designations held: 5 CEBSs, 2 CPAs, 3 attorneys

Clients

Total 1,100
Average participants/plan 230
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

1994 revenues

Total $116,000,000
401(k) plan administration $30,200,000

Services began: 1981.
Parent: First Bank System (FBS).
Software: Leased from outside vendor, accommodates 20 investment funds and 20 types of contributions.
Administration: Does not use unit value or 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include seminars, focus groups, newsletters, performance measurement, complete employee education programs.
Service area: Nationwide.
Locations: Administrative and consulting offices in Denver; Chicago; Duluth, Minneapolis and Rochester, Minn.; Billings, Mont.; Fargo, N.D.; Sioux Falls, S.D.; Milwaukee.
Charges: Determined by number of participants, assets under management, time and expense.
Officers: John Murphy, chairman/chief investment officer; Matthew Wagner, executive vp-corporate/institutional trust; Thomas Plumb, Deborah, Maschoff, senior vps-institutional trust; John Stevens, vp-institutional trust.
Contact: Michael Eidem, vp-sales/marketing, 612-244-5045.

Fleet Investment Services

111 Westminster St., Providence R.I. 02903-2305; 401-278-6827; fax: 401-278-6670

Staff

Total 154
Involved in 401(k) plan services 154
Designations held: 1 CEBS, 1 CPA, 1 attorney

Clients

Total 350
Average participants/plan 86
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

1994 revenues

Total $26,210,000
401(k) plan administration $31,500

Services began: 1981.
Parent: Fleet Financial Group Inc.
Software: Purchased from outside vendor, accommodates 100 investment funds and 20 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype documents, mandatory testing Form 5500 preparation, distribution checks and Form 1099R filing, retirement planning and asset allocation software, enrollment and ongoing participant communication and education.
Service area: Nationwide.
Locations: Administrative offices in East Hartford, Conn.; Albany, N.Y. Con-

Continued on page 26

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* On an annual license

15-185

Preparing for downsizing costs

By Joseph P. Rainey

Letting employees go can lead to rising workers compensation claims: Are you prepared?

Whether it's called re-engineering, reorganization, downsizing or rightsizing, it all means employees are displaced and searching for any means to replace their income to provide for themselves and their families.

Workers compensation losses can spiral out of control as employees make the transition to a new employer. Workers comp claim costs will increase when employees are fired.

To reduce these costs, steps must be taken to manage the process:

✓ Put resources to control losses in place before the reduction is announced. Many of these resources already may be present as part of a good workers comp claim management system.

Choose an onsite workers comp coordinator prior to announcing the layoffs. The workers comp coordinator is responsible for executing the workers comp cost control program. This individual will coordinate modified duty jobs by matching medical restrictions with job requirements. These modified duty positions focus on a full duty return to work. To have a large number of employees terminated while on restricted work will not reduce costs. Senior management must support the coordinator. The coordinator should have an avenue to appeal to management if supervisors are uncooperative.

✓ Initiate an accident reporting and investigation procedure. Identify the injured employee and any witnesses. Clearly document the facts of the accident and any potentially responsible third party. Report the accident to the claim service provider within 24 hours. Provide them with a copy of the accident investigation. Make the workers comp coordinator accountable to report and investigate the accident.

✓ Identify a list of preferred medical providers that have some occupational health experience. Educate them about the type of work the employees perform. High quality medical providers that understand the employer's goals are important to the success of any claim management program. Explain the return-to-work plans, including temporary modified duty positions and how full duty return to work will be accomplished. If fee agreements or percent discounts are practical in the area, this is a good time to negotiate.

✓ Coordinate with the claim service provider. Meet with the local claim service provider and select an adjuster to manage all of the claims. Train this adjuster to know the worksite, the workers comp coordinator, the job duties of the employees, the medical providers and the return-to-work policy. Get the adjuster's commitment that he or she will support the policies that are in place to control loss costs. Explain that the adjuster will meet with the workers comp coordinator on a regular basis to discuss strategy and will be held accountable for his or her part in the process.

✓ Select a medical case manager to provide early intervention for serious injuries. When an injury occurs, involve the medical case manager immediately to be sure that medical providers deliver quick and effective care. Ongoing treatment should be aggressive and productive. The medical manager can control the care on site or over the telephone. Practical matters will determine which is more productive. The workers comp coordinator and the claim service provider need to watch the medical case manager to be sure the individual concentrates on aggressive medical care and return-to-work efforts.

✓ After announcing the reduction in workforce, clearly communicate timetables and benefits to employees to dispel rumors and gossip. Explain severance and unemployment benefits so employees do not feel workers comp is the only way to continue their income.

✓ Maintain a list of employees on restricted duty and concentrate on returning those employees to unrestricted work. Employees terminated with restrictions will be entitled to wage loss benefits.

✓ Continue safety and loss control programs during layoffs. It is important that employees see the same or increasing levels of attention to safety after announcing the reduction. Consider increasing the visibility of the claim service provider and security. Have the claim service provider investigate any claims reported after the announcement with face-to-face meetings with the employee.

✓ Identify employees that have reported a claim or incident in the past and follow up periodically to detect any problem or worsening of the condition. Make a record of all conversations with that employee. Update all of the employees' addresses or addresses of their closest relatives to aid in later investigations.

✓ When the reduction is complete, be sure to retain all records from the location. Keep all old workers comp insurance policies. Save all safety, industrial hygiene, medical and hazardous material reports. Maintain any records of worksite history. Continue periodic strategy meetings with the claim service provider after the reduction. Take extra care to investigate claims that reopen after terminating employees.

Workers comp loss costs will increase during a reduction in work force. The employer and claim service provider can control the increase with the right planning and resources. BI



Joe Rainey is a vp in the claims department at Marsh & McLennan Inc. in Chicago.

Court rules intoxication injuries compensable

An exotic dancer who was injured in an auto accident after becoming intoxicated while working for her employer was entitled to workers compensation benefits, according to the Supreme Court of Iowa.

This claim arose from a single auto accident on the night of Sept. 3, 1989. The driver, a fellow employee of Jacqueline Fernandez' called "April" was killed in the accident. Ms. Fernandez was a passenger in April's car. At the time of the accident, both Ms. Fernandez and April were employed as exotic dancers. Their duties included socializing with male customers. An important requirement was to motivate customers to buy them drinks.

Each dancer had a quota of two drinks per hour. The consumption of alcohol by dancers was condoned, if not encouraged, by the lounge management. Ms. Fernandez' claim for workers comp benefits was granted by the Commission and upheld by the trial court.

The employer argued on appeal the Ms. Fernandez' injuries were not compensable because her intoxication was attributable in large part to her drinking and drug usage before work, rather than at work. But the court said that the evidence supported the conclusion that her intoxication was caused by her drinking while at work. The court also said that evidence supported the finding that Ms. Fernandez' intoxication was a substantial cause of her injuries. Finally, the court said the claim would not be denied under the normal exclusion of benefits for injuries occurring while going to or coming from work because work-related intoxication was an employment hazard that follows an employee when he or she leaves work.

2800 Corp. vs. Fernandez, Supreme Court of Iowa, Feb. 22, 1995 (*BI*/03/S.-$10).

Legal Briefs

ERISA pension not alienable

A criminal defendant convicted of fraud could not be forced to relinquish his Employee Retirement Income Security Act pension benefits for restitution, according to the 4th U.S. Circuit Court of Appeals.

Dr. Charles Smith pled guilty to one count of wire fraud in violation of federal law. The indictment arose out of Dr. Smith's solicitation of friends for investments in fraudulent business schemes. The fraud victims made checks payable to Dr. Smith or wired money directly to accounts he controlled. He was given a 21-month sentence. The trial court also ordered Dr. Smith to turn over upon receipt each month the entire amount of his pension benefits payable under an ERISA plan. Dr. Smith appealed the restitution order claiming ERISA precluded assignment or alienation of benefits.

On appeal, the government argued that once pension funds have been distributed, the anti-alienability provision of ERISA no longer applies. But the appellate court said there was a distinction between funds disbursed from an ERISA plan before an employee has retired and such funds paid as an annuity for retirement purposes. The court noted that the Supreme Court has said that the purpose of ERISA is to safeguard a stream of income for pensioners. Thus, the court said that where the funds are paid pursuant to the terms of the plan as income during retirement years, ERISA prohibits their alienation. The trial court decision was vacated and the case remanded.

U.S. vs. Smith, 4th U.S. Circuit Court of Appeals, March 3, 1995 (*BI*/02/S.-$10).

Construction negligence

Jones Construction Co. was the general contractor for a construction project and contracted with PPG Industries Inc. to install a glass wall at the site. The contract required PPG to indemnify Jones for third-party bodily injury and property damage claims arising out of PPG's work. PPG was covered by a CGL policy issued by Hartford Fire Insurance Co., which required owners and contractors to be included as additional insureds by specific contract. John McGovern, a PPG employee, was injured while working at the site and sued Jones for negligence. Jones and its insurer, Aetna Casualty & Surety Co., tendered the defense to Hartford based upon Hartford's policy naming Jones as an additional insured.

Hartford refused. Jones and Aetna brought this action seeking a declaration that Hartford owed a duty to indemnify Jones and won at trial.

On appeal, Hartford argued that because PPG only contracted to indemnify Jones for PPG's negligence, the policy did not cover a suit alleging Jones' negligence. The court disagreed, stating that the endorsements did not limit coverage to injuries attributable to PPG's negligence.

J.A. Jones Construction vs. Hartford Fire Insurance, Appellate Court of Illinois, Jan. 5, 1995, *Rehearing Denied*, Feb. 2, 1995 (*BI*/04/Ju.-$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Continued from page 24
sulting offices in East Hartford, Conn.; Bangor and Portland, Maine; Boston and Springfield, Mass.; Manchester, N.H.; Albany, Buffalo, Long Island, Newburgh, Rochester and Utica, N.Y.

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

Officers: John H. Parker, division head; Joe Jennings, Jeffrey Wirth, Patricia MacMillan, vps.

Contact: Marshall Raucci Jr., 401-278-6670.

Fringe Benefits Design Inc.

5101 College Blvd., Suite 100,
Leawood, Kan. 66211; 913-451-0100;
fax: 913-451-2162

Staff

Total	80
Involved in 401(k) plan services	15
Designations held: 1 CEBS, 1 CPA, 2 attorneys	

Clients

Total	400
Average participants/plan	85
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$5,000,000
401(k) plan administration	$800,000

Services began: 1985.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.

Service area: Midwest.

Locations: Administrative and consulting offices in Des Moines, Iowa; Oklahoma City.

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

Officers: Paul M. Smith Sr., CEO; Michael R. Juffa, president; Bryan J. Smith, chairman; Ray Wynant, CFO; Matthew Smith, vp-administration.

Contact: Bryan J. Smith.

Fringe Benefits Management Co.

1720 S. Gadsden St., Tallahassee,
Fla. 32301-6220; 904-425-6200;
fax: 904-425-6220

Staff

Total	158
Involved in 401(k) plan services	15
Designations held: 1 CPA, 2 attorneys	

Clients

Total	6
Average participants/plan	400
Minimum participants/plan	50
Maximum participants/plan	Unlimited

1994 revenues

Total	$11,125,000
401(k) plan administration	$443,000

Services began: 1985.

Software: Written and maintained in-house, record keeping provided by third party, accommodates eight investment funds and three types of contributions.

Administration: Does not use cash or 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include participant education, enrollments.

Service area: Nationwide.

Locations: Consulting office in Miami.

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

Officers: Mike Sheridan, president; Agnes McMurray, executive vp; Lorraine Ritch, Mel Yoder, Debra Tougas, senior vps.

Companies listed provide 401(k) administration services on an unbundled basis. Additional directory terms are explained on page 19.

G

Godwins Booke & Dickenson

123 N. Wacker Drive, Suite 1000,
Chicago, Ill. 60606; 312-701-4800;
fax: 312-701-2313

Staff

Total	1,100
Involved in 401(k) plan services	250

Clients

Total	450
Average participants/plan	800
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Aon Corp.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include retirement planning guide, investment guide, retirement and investment seminars, personalized planning reports.

Service area: Nationwide.

Locations: Administrative offices in Tampa, Fla.; St. Louis; Briarcliff, N.Y.; Winston-Salem, N.C.; Conshohocken, Pa. Consulting in 30 offices nationwide.

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

Officers: Donald C. Ingram, chairman/COO; Eric R. Brash, regional manager-central; Walter L. Ogle, regional manager-gulf; Paul G. Chicos, regional manager-northeast; Roger L. Vaughn, regional manager-southeast; William Xanthos, regional manager-western.

Contact: Linda P. Holleman, 910-748-1120 ext. 676.

H

HPL&S Inc.

125 S. Wilke Road, Suite 300,
Arlington Heights, Ill. 60005;
708-392-2999; fax: 708-392-1053

Staff

Total	28
Involved in 401(k) plan services	19
Designations held: 6 CPAs, 3 attorneys	

Clients

Total	220
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000

1994 revenues

Total	$2,570,000
401(k) plan administration	$900,000

Services began: 1983.

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

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

Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include assistance in selection of investment vehicles, Section 415 coordination with other plans maintained by sponsor.

Service area: Nationwide.

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

Officers: Mark Schwartz, president; George F. Castillo, Thomas J. Doherty, vps; William C. Ludwig, treasurer; Ira A. Post, secretary.

Contact: Thomas J. Doherty.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia,
Pa. 19103; 215-875-2827;
fax: 215-875-2833

Staff

Total	5
Involved in 401(k) plan services	4
Designations held: 1 CEBS, 1 CPA, 3 attorneys	

Clients

Total	21
Average participants/plan	300
Minimum participants/plan	150
Maximum participants/plan	10,000

Services began: 1986.

Parent: The Hay Group.

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions, clients may access system by modem.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include Form 5500 and Form 1099R preparation.

Service area: Nationwide.

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

Officers: Ken Shapiro, president; Kurt Fichthorn, Don Samples, Mike Cotter, executive vps; Joseph Sapora, vp.

Contact: Roberta Stern, vp.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace,
Suite 850, Atlanta, Ga. 30346;
404-395-9880; fax: 404-512-6230

Staff

Total	175
Involved in 401(k) plan services	110
Designations held: 5 CEBSs, 1 CPA, 20 ASA/FSAs, 1 attorney	

Clients

Total	NA
Average participants/plan	5,000
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1982.

Parent: The Northern Trust 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: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include participant education and communication, needs and resource analysis, online information and reporting system, interactive voice response, telephone service representatives, performance and analytical services, personal financial services planning, Section 415 limitation testing.

Service area: Nationwide.

Locations: Administrative and 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; R. David Parsons, principal actuary; T. Ray McKinney, David M. Gladstone, Dennis F. Sain, executive vps.

Contact: Dennis F. Sain.

Hewitt Associates L.L.C.

100 Half Day Road, Lincolnshire,
Ill. 60069; 708-295-5000;
fax: 708-913-9509

Staff

Total	4,300
Involved in 401(k) plan services	365
Designations held: 25 CEBSs, 35 CPAs, 5 ASA/FSAs, 2 attorneys	

Clients

Total	256
Average participants/plan	6,900
Minimum participants/plan	2,500
Maximum participants/plan	Unlimited

1994 revenues

Total	$396,000,000
401(k) plan administration	$45,100,000

Services began: 1981.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment education, benefits center, financial planning and retirement modeling software.

Service area: Nationwide.

Locations: Administrative offices in Newport Beach, Calif.; Rowayton, Conn.; Atlanta; Bedminster, N.J.; The Woodlands, Texas. Consulting offices in Phoenix; Los Angeles, Newport Beach, San Francisco and Walnut Creek, Calif.; Denver; Rowayton, Conn.; Washington; Tampa; Atlanta; Chicago; Detroit; Boston; Minneapolis; St Louis; Bedminster, N.J.; New York; Charlotte, N.C.; Cleveland and Dayton, Ohio; Pittsburgh; Philadelphia; Dallas, Houston, San Antonio and The Woodlands, Texas; Richmond, Va.; Seattle; Milwaukee.

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

Officers: Dale Gifford, CEO; Richard Hutson, director-business development; Gail Kellogg, practice leader-defined contributions administration; Tom Schmitz, practice leader-total benefit administration.

Contact: Barbara V. Rueth, marketing manager.

A. Foster Higgins & Co. Inc.

125 Broad St., New York, N.Y. 10004;
212-574-9000; fax: 212-574-9100

Staff

Total	1,300
Involved in 401(k) plan services	50

Clients

Total	150
Average participants/plan	2,500
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$169,000,000

Services began: 1982.

Parent: Johnson & Higgins.

Software: Purchased from outside vendor, accommodates 99 daily and 20 monthly/quarterly investment funds and 30 types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds through alliances. Other services include investment consulting services, investment education, full employee communications, call center with multilingual capabilities.

Service area: Nationwide.

Locations: Administrative offices in Los Angeles; Princeton, N.J.; Dallas. Consulting offices in Costa Mesa, Los Angeles and San Francisco, Calif.; Stamford, Conn.; Washington; Atlanta; Minneapolis; Princeton, N.J.; New York; Philadelphia; Dallas; Richmond, Va.; Seattle.

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

Officers: Robert F. Powell, chairman/CEO; John N. Feldtmose, president.

Contact: Gus J. Sanchez, principal/national practice leader, 609-520-2443.

Hogg Robinson Consulting Group

355 Lexington Ave., New York,
N.Y. 10017; 212-867-4100;
fax: 212-953-7765

Staff

Total	NA
Involved in 401(k) plan services	31
Designations held: 2 CEBSs, 1 CPA, 4 ASA/FSAs	

Clients

Total	125
Average participants/plan	375
Minimum participants/plan	25
Maximum participants/plan	20,000

Services began: 1981.

Parent: Acordia Inc.

Software: Leased from outside vendor, accommodates 20 investment funds and 10 types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include employee education, non-qualified 401(k) plans, executive benefit integration.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston; Morristown, N.J.; New York; Philadelphia.

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

Officers: Gerard E. Desmond, president/CEO.

J

Howard Johnson & Co.

375 Park Ave., New York, N.Y. 10152;
212-758-5900; fax: 212-758-3625

Staff

Total	250
Involved in 401(k) plan services	170

Clients

Total	350
Average participants/plan	3,500
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

Services began: 1981.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include live operator assistance through phone service center.

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles; San Francisco; Washington; Chicago; New York; Portland, Ore.; Seattle and Spokane, Wash.; London; Dublin, Ireland.

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

Officers: Howard J. Johnson chairman/CEO; Nancy B. Greer, executive vp/CFO; Charles R. Southall, executive vp; John R. Claus, executive vp/director-northwest professional center; Brendan O'Farrell, executive vp/director-Howard Johnson & Co. (U.K.) Ltd.

Contact: Nancy M. Rizzuto.

W.J. Jones Administrative Services Inc.

1979 Marcus Ave,, Lake Success,
N.Y. 11042; 516-775-5420;
fax: 516-775-6854

Staff

Total	110
Involved in 401(k) plan services	21
Designations held: 2 CEBSs, 1 CPA, 1 ASA/FSA	

Clients

Total	10
Average participants/plan	1,500
Minimum participants/plan	25
Maximum participants/plan	Unlimited

1994 revenues

Total	$10,000,000
401(k) plan administration	$1,200,000

Services began: 1990.

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

Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include customized quarterly statements, customized employee communications, onsite enrollment support, coordination of services through multiple investment management vendors.

Service area: Nationwide.

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

Officers: John P. Sherlock, president; Robert F. Sherlock, vp; Beth Pantaleo, retirement plan services.

Contact: Robert F. Sherlock, vp.

K

KBM Management Inc.

5860 Heritage Landing Drive, East Syracuse, N.Y. 13057; 315-449-0229; fax: 315-449-3115

Staff

Total 55
Involved in 401(k) plan services 14
Designations held: 1 CPA, 1 ASA/FSA

Clients

Total 150
Average participants/plan 350
Minimum participants/plan 1
Maximum participants/plan 1,000,000

Services began: 1987.

Software: Purchased from outside vendor, accommodates 50 investment funds and 10 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include documents, IRS and DOL compliance, consulting, employee meetings.

Service area: Nationwide.

Locations: Consulting office in Albany, N.Y.

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

Officers: Robert W. Menikheim, CEO; Terry J. Musto, director-pension services; Mary F. D'Ambrosio, vp; Philip C. Mower, senior actuary.

Contact: Mary D'Ambrosio or Terry Musto.

KPMG Peat Marwick L.L.P.

767 Fifth Ave., New York, N.Y. 10153; 212-909-5000; fax: 212-909-5299

Staff

Total 430
Involved in 401(k) plan services 253
Designations held: 10 CEBSs, 50 CPAs, 35 ASA/FSAs, 10 attorneys

Clients

Total 1,400
Average participants/plan 1,200
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

1994 revenues

Total $2,300,000,000
401(k) plan administration $12,000,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 400 investment funds and 35 types of contributions, software may be used by clients in-house.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include qualified plan account distribution counseling, pre-retirement planning, individual investment performance reporting at the participant account level, interactive loan modeling, investment supervision, computer-based retirement planning.

Service area: Nationwide.

Locations: Administrative offices in Boston; Dallas. Consulting provided in 60 offices throughout the United States, Puerto Rico and District of Columbia.

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

Officers: Jon C. Madonna, chairman; James G. Brocksmith Jr., deputy chairman.

Contact: Lester L. Oliver, national practice leader-compensation/benefits, 213-955-8837; Brian J. Mackey, compensation/benefits practice leader-Northeast, 617-988-1000; Neal A. Weber, compensation/benefits practice leader-Southwest, 214-754-2954.

Kimball Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154-1439; 617-894-2111; fax: 617-894-3781

Staff

Total 20
Involved in 401(k) plan services 12
Designations held: 4 ASA/FSAs, 1 attorney

Clients

Total ..... NA
Average participants/plan 150
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

Services began: 1982.

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

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

Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include pension plan design and actuarial services; group and flex benefit consulting, design, communications and financial analysis services.

Service area: New England states, New York.

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

Officers: C. Charles Akins Jr., president; Emmet M. Bonner, Joanne O'Donnell, Richard S. Fitts, vps.

Contact: Richard S. Fitts.

Kwasha Lipton L.L.C.

2100 N. Central Road, Fort Lee, N.J. 07024-1400; 201-592-1300; fax: 201-592-9012

Staff

Total 585
Involved in 401(k) plan services 169
Designations held: 1 CEBS, 2 ASA/FSAs, 4 attorneys

Clients

Total 165
Average participants/plan 7,000
Minimum participants/plan 4,000
Maximum participants/plan ..... Unlimited

Services began: 1981.

Software: Written and maintained in-house, accommodates 99 investment funds and 16 types of contributions, software may be used by clients in-house.

Administration: Does not use 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, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include voice response system, review and approval/denial of hardship withdrawal requests, loan modeling, approval and repayment, processing of rollovers, QDRO services and interfacing with investment managers and trustees.

Service area: Nationwide.

Locations: Administrative offices in Raleigh, N.C.

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

Officers: Robert S. Byrne Jr., CEO; James T. Brickman, COO; Manuel Castells, CFO; Dominick A. Cardace, secretary.

Contact: Sid Mendelson, principal.

L

LFS Benefit Services Inc.

271 W. Cerritos Ave., Anaheim, Calif. 92805-6549; 714-774-8051; fax: 714-239-6862

Staff

Total 12
Involved in 401(k) plan services 2

Clients

Total 80
Average participants/plan 50
Minimum participants/plan 1
Maximum participants/plan 2,000

Services began: 1980.

Software: Purchased from outside vendor, accommodates 99 investment funds and 4 types of contributions.

Administration: Does not use unit value accounting or 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.

Service area: Nationwide.

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

Officers: Alfred O. Long, president/CEO; Marcia E. Lichte, vp-sales/marketing.

Contact: Alfred O. Long.

Y.S. Liedman & Associates

9350 S. Dixie Highway, PH1, Miami, Fla. 33156; 305-670-9595

Staff

Total 17
Involved in 401(k) plan services 17
Designations held: 1 CEBS, 1 attorney

Clients

Total 300
Average participants/plan 50
Minimum participants/plan 2
Maximum participants/plan 5,000

1994 revenues

Total $1,164,000
401(k) plan administration $891,000

Services began: 1982.

Software: Purchased from outside vendor, accommodates 20 investment funds and 5 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include comprehensive benefit communication.

Service area: Nationwide.

Locations: Administrative and consulting offices in Delray Beach, Fla.

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

Officers: Y. Stephen Liedman, president; Gary L. Tortora, Stuart Klein, executive vps; Jeffrey Mandell, Mark Kevitats, vps.

Contact: Gary L. Tortora.

M

MPS Ltd.

3 E. 54th St., New York, N.Y. 10022; 212-838-8500; fax: 212-750-0582

Staff

Total 9
Involved in 401(k) plan services 3
Designations held: 1 ASA/FSA, 1 attorney

Clients

Total 60
Average participants/plan 40
Minimum participants/plan 1
Maximum participants/plan 250

Services began: 1986.

Software: Purchased from outside vendor, accommodates 10 investment funds and 4 types of contributions.

Administration: Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

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

Officers: Morton Herman, chairman; Marc Levinson, president; Roger Brandwein, Michael Frank, vps.; Gerald Howard, treasurer.

Mammel & Associates

9110 W. Dodge Road, Omaha, Neb. 68114; 402-397-7000; fax: 402-398-2458

Staff

Total 27
Involved in 401(k) plan services 15
Designations held: 2 CEBSs, 1 CPA, 5 ASA/FSAs, 2 attorneys

Clients

Total 280
Average participants/plan 496
Minimum participants/plan 10
Maximum participants/plan ..... Unlimited

1994 revenues

Total $2,400 000
401(k) plan administration ..... $89[illegible] 000

Services began: 1982.

Parent: Silverstone Group Inc.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include voluntary compliance resolution and closing agreement program representation, video and CD-ROM communications, individual securities investments, non-qualified replacement plans.

Service area: Nationwide.

Locations: Consulting offices in Denver; Moline, Ill.; Lincoln, Neb.

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

Officers: Lew Trowbridge, president; Dan Wintz, Donn Jones, Mark Weber, Tony Sorrentino, executive vps.

Contact: Dan Wintz.

William M. Mercer Inc.

1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7000; fax: 212-345-7423

Staff

Total 3,581
Involved in 401(k) plan services 350

Clients

Total 1,000
Average participants/plan 2,000
Minimum participants/plan 100
Maximum participants/plan ..... Unlimited

1994 revenues

Total $724,000,000

Services began: 1981.

Parent: Mercer Consulting Group Inc./Marsh & McLennan Cos. Inc.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds through an alliance. Other services include integration of 401(k) services with compensation and employee benefit programs, investment manager selection and end-performance measurement services, 401(k) modeling through interactive video or PC diskettes.

Service area: Nationwide.

Locations: Administrative and consulting offices in Birmingham, Ala.; Los Angeles, Orange and San Francisco, Calif.; Denver; Stamford, Conn.; Tampa, Fla.; Atlanta; Chicago and Deerfield, Ill.; Indianapolis; Louisville, Ky.; Baltimore; Boston; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Morristown, N.J.; Albuquerque, N.M.; Rochester, N.Y.; Cincinnati, Cleveland and Columbus, Ohio; Portland, Ore.; Pittsburgh; Dallas, Fort Worth and Houston, Texas; Richmond, Va; Seattle.

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

Officers: Peter Coster, chairman; Timothy J. Lynch, Vikesh Mahendroo, Edward Pringle, executive vps.

Contact: Jacqueline D. Dienstag, principal, 708-317-7955.

Mid America Group Inc.

2130 Arch St., Philadelphia, Pa. 19103-1392; 215-881-8700; fax: 215-881-8710

Staff

Total 28
Involved in 401(k) plan services 20
Designations held: 1 ASA/FSA, 1 attorney

Clients

Total 175
Average participants/plan 80
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

1994 revenues

Total $1,400,000
401(k) plan administration $500,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 48 investment funds and 8 types of contributions, software may be used by clients in-house.

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

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include plan design and documentation, periodic recordkeeping, reporting and disclosure, plan distributions, on-going education/enrollment and plan termination assistance.

Service area: Nationwide.

Locations: Administrative and consulting offices in Jenkintown, Pa.

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

Officers: Alvin Block, chairman; Gary Block, president; Gerald A. Lister, executive vp; David M. Burns, director; Kalman Muchnick, director-marketing.

Contact: Gerald A. Lister, 215-881-8713.

Milliman & Robertson

1301 Fifth Ave., Suite 3800, Seattle, Wash. 98101; 206-624-7940; fax: 206-340-1380

Staff

Total 910
Involved in 401(k) plan services 225
Designations held: 14 CEBSs, 6 CPAs, 10 ASA/FSAs, 8 attorneys

Clients

Total 265
Average participants/plan 512
Minimum participants/plan 200
Maximum participants/plan 20,000

1994 revenues

Total $144,000,000
401(k) plan administration $15,000,000

Services began: 1983.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include hardship withdrawal outsourcing, QDRO outsourcing, investment education, individual participant plan books.

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles; Denver; Atlanta; Chicago; Minneapolis; New York; Portland, Ore.; Dallas; Houston.

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

Officers: Dan McCarthy, chairman; Robert Collett, president; Mark Trieb, national practice chairman.

Contact: Bob Johnston, director-marketing, 214-855-0100.

Minnesota Mutual

400 Robert St. N., St. Paul, Minn. 55101; 612-223-4286; fax: 612-298-3793

Staff

Total 1,700
Involved in 401(k) plan services 150
Designations held: 10 CEBSs, 1 CPA, 4 ASA/FSAs, 1 attorney

Clients

Total 919
Average participants/plan 90
Minimum participants/plan 20
Maximum participants/plan 5,000

Services began: 1981.

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

Administration: Does not use 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 inquir-

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ies, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Form 5500 and other reporting, documents, summary plan descriptions, qualifications, annual testing.

Service area: Nationwide.

Locations: Consulting offices in Los Angeles; San Francisco; Atlanta; Chicago; Detroit; Minneapolis; Charlotte, N.C.; Cleveland; Houston; Seattle.

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

Officers: Randy Wallake, senior vp; Jenean Cordon, Dick Manke, second vps; Mike DiCenso, director-field operations; Dana Vogen, director-pension services.

N

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, 810-539-4000; fax: 810-539-4012

Staff

Total	25
Involved in 401(k) plan services	7
Designations held: 2 CPAs, 1 ASA/FSA	

Clients

Total	81
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	2,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 99 investment funds and 20 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include defined benefit plans, insurance, administration and estate planning.

Service area: Nationwide.

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

Officers: Harold H. Lambert, president; Brian V. Stevens, secretary-treasurer; Michael T. Stacey, vp.

Contact: Michael T. Stacey, 810-539-4000 ext. 1245.

National City Corp.

1900 E. Ninth St., Cleveland, Ohio 44114-3484; 216-575-2000

Staff

Total	20,306
Involved in 401(k) plan services	900

Clients

Total	1,080
Average participants/plan	570
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$125,000,000

Services began: 1981.

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

Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include savings incentive plan.

Service area: Nationwide.

Locations: Administrative and consulting offices in Indianapolis and New Albany, Ind.; Lexington, Ky.; Akron, Ashland, Columbus, Dayton and Toledo, Ohio.

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

Officers: David A. Daberko, chairman/CEO; William R. Robertson, deputy chairman; Robert G. Siefers, executive vp/CFO; Timothy Driscoll, senior vp-institutional trust; Jeffrey Biggar, executive vp-institutional trust.

Contact: Kelly Dwyer, 216-575-2651.

Northeast Benefit Plan Services

P.O. Box 703, Milford, Mass. 01757; 508-478-6214; fax: 508-478-3199

Staff

Total	2
Involved in 401(k) plan services	2
Designations held: 1 CEBS	

Clients

Total	20
Average participants/plan	12
Minimum participants/plan	4
Maximum participants/plan	250

Services began: 1990.

Software: Record keeping provided by third party, accommodates 10 investment funds and 6 types of contributions.

Administration: Does not use 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.

Service area: Mid-Atlantic and Northeastern United States.

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

Officers: J. Paul Freniere, principal; Robert J. Bogue, associate.

Contact: J. Paul Freniere.

Norwest Banks

Norwest Center, Sixth & Marquette, Minneapolis, Minn. 55479-0046; 612-667-0627; fax: 612-667-2293

Staff

Total	334
Involved in 401(k) plan services	293
Designations held: 11 CEBSs, 20 attorneys	

Clients

Total	1,308
Average participants/plan	100
Minimum participants/plan	25
Maximum participants/plan	15,000

Services began: 1982.

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

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment education, asset allocation software, employer meetings and human resources training, employee newsletter and videos.

Service area: Nationwide.

Locations: Administrative and consulting offices in Denver; Fort Wayne, Ind.; Des Moines, Iowa; Duluth and Minneapolis, Minn.; Billings, Mont.; Omaha, Neb.; Albuquerque, N.M.; Fargo, N.D.; Sioux Falls, S.D.; Waco, Texas; Sheboygan, Wis.

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

Officers: Jay Kiedrowski, executive, vp; Jill Johnson, Laurie Nordquist, Karen Scofield, Joyce Traynor, vps.

Contact: Julia H. Gutz, product manager, 612-667-7075.

The Nyhart Co. Inc.

3505 N. Washington Blvd. P.O. Box 88187, Indianapolis, Ind. 46208-0187; 317-923-2391; fax: 317-926-3303

Staff

Total	115
Involved in 401(k) plan services	14
Designations held: 1 CEBS, 4 attorneys	

Clients

Total	84
Average participants/plan	216
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Purchased from outside vendor, accommodates 30 investment funds and 10 types of contributions.

Administration: Does not use 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.

Service area: Nationwide.

Locations: Consulting office in Evansville, Ind.

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

Officers: Daryl Dean, president/CEO; Nancy Cooper, vp/manager-defined contribution; Jeffrey S. Line, vp-legal/finance; Gary Chattin, regional vp; Jay Hanselmann, chief actuary.

Contact: Nancy C. Pitt.

P

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300, Westlake, Ohio, 44145; 216-871-8611; fax: 216-871-7485

Staff

Total	25
Involved in 401(k) plan services	12
Designations held: 1 CEBS, 1 attorney	

Clients

Total	260
Average participants/plan	120
Minimum participants/plan	2
Maximum participants/plan	10,000

1994 revenues

Total	$1,850,000
401(k) plan administration	$800,000

Services began: 1983.

Software: Leased from outside vendor.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include interactive customer retirement planning software for participant/employer use.

Service area: Nationwide.

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

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

Officers: John R. Parsons, chairman; Mark S. Sommers, president; Donald N. Dalessandro, vp-defined contribution services; Richard S. Wargo, senior vp/managing actuary; Paul W. Catton, manager-regional defined contribution services.

Contact: Mark S. Sommers, 800-756-6824.

Pension Associates of Wausau Inc.

2000 Westwood Drive, Wausau, Wis. 54401; 800-513-7878 fax: 715-843-3674

Staff

Total	46
Involved in 401(k) plan services	23
Designations held: 7 CEBSs, 3 ASA/FSAs, 1 attorney	

Clients

Total	685
Average participants/plan	85
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$1,500,000
401(k) plan administration	$900,000

Services began: 1985.

Parent: Wausau Service Corp.

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

Administration: Does not use 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.

Service area: Nationwide.

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

Officers: Tom Erickson, president; Ross Solverud, vp.

Pension & Benefit Associates Inc.

225 S. Lake Ave., Suite 710, Pasadena, Calif. 91101; 818-792-8888; fax: 818-792-2889

Staff

Total	13
Involved in 401(k) plan services	10
Designations held: 1 CPA, 1 ASA/FSA, 2 attorneys	

Clients

Minimum participants/plan	1
Maximum participants/plan	5,000

Services began: 1982.

Software: Leased from outside vendor, accommodates 25 investment funds and 10 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include full service flexible benefits plans.

Service area: Nationwide.

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

Officers: Allan I. Grossman, chairman; Donald W. Meaders, chairman-executive committee; Sandra E. Rittenhouse, COO; Jay S. Lorentson, senior supervising actuary; Theodore M. Thurston, senior vp-marketing.

Contact: Theodore M. Thurston.

Pension Benefits Inc.

565 E. Swedesfond Road, Suite 209, Wayne, Pa. 19087; 610-964-8040; fax: 610-964-7842

Staff

Total	9
Involved in 401(k) plan services	9

Clients

Total	120
Average participants/plan	100
Minimum participants/plan	10
Maximum participants/plan	500

1994 revenues

Total	$600,000
401(k) plan administration	$600,000

Services began: 1986.

Software: Purchased from outside vendor, accommodates 21 investment funds and 9 types of contributions.

Administration: Does not use 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include participant education.

Service area: Nationwide.

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

Officers: Jeffrey H. Horstman, president; Richard W. Silliman, vp; Susan Neumullen, vp-operations.

Pension Resources

401 N. Michigan Ave., Chicago, Ill. 60611-4240; 312-245-1740; fax: 312-644-4423

Staff

Total	20
Involved in 401(k) plan services	15
Designations held: 2 CPAs, 1 ASA/FSA, 2 attorneys	

Clients

Total	300
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$2,400,000
401(k) plan administration	$1,100,00

Parent: Friedman, Eisenstein Raemer & Schwartz L.L.P.

Software: Leased from outside vendor, accommodates 25 investment funds and 20 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.

Service area: Nationwide.

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

Officers: Michael Schwartz, partner/president; Irwin Friedman, managing partner; Kevin Simpson, CFO.

Contact: Michael Schwartz.

Pension Review Services

45 Executive Drive, Plainview, N.Y. 11803; 516-349-0505; fax: 516-349-0015

Staff

Total	9
Involved in 401(k) plan services	2.5
Designations held: 1 ASA/FSA, 1 attorney	

Clients

Total	40
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	500

Services began: 1987.

Software: Leased from outside vendor, accommodates 8 investment funds and 8 types of contributions.

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

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

Service area: Nationwide.

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

Officers: Benjamin E. Feller, president.

Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa 50392-0001; 515-248-2042; fax: 515-248-2118

Staff

Total	16,000
Involved in 401(k) plan services	2,250
Designations held: 25 CEBSs, 6 attorneys	

Clients

Total	18,200
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1994 revenues

Total	$13,700,000,000
401(k) plan administration	$60,000,000

Services began: 1981.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 25 investment funds and 6 types of contributions.

Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Form 5500 series filings, electronic reporting of plan data, enrollment meetings, auditor's package, plan documents and amendments, booklets, retirement planning software.

Service area: Nationwide.

Locations: Administrative offices in Des Moines, Mason City and Waterloo, Iowa; Spokane, Wash. Consulting offices in 51 locations throughout the United States.

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

Officers: David J. Drury, chairman/CEO; Theodore M. Hutchison, vice chairman; Ronald E. Keller, Charles E. Rohm, executive vps; David K. Kauf, senior vp.

Continued on next page

For information on participating in next year's directory of 401(k) plan administrators, please contact assistant directory editor, Rich Trout, at 312-649-5483.

Continued from previous page

Professional Consultants Inc.

2510 Lake Lansing Road, Lansing, Mich. 48912; 517-372-7611; fax: 517-372-2770

Staff

Total 32
Involved in 401(k) plan services 17
Designations held: 1 CEBS

Clients

Total 700
Average participants/plan 50
Minimum participants/plan 1
Maximum participants/plan 1,100

1994 revenues

Total $1,700,000
401(k) plan administration $1,000,000

Services began: 1984.
Software: Purchased from outside vendor, accommodates 20 investment funds and 5 types of contributions.
Administration: Does not use unit value accounting or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include Form 5500 preparation, regional prototype plan documents.
Service area: Michigan.
Locations: Administrative and consulting offices in Grand Rapids, Mich.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Officers: James R. Steckley, president; Mary H. McCune, Gary Borucki, vps; J. Gray Tuttle Jr., secretary.
Contact: Mary H. McCune.

R

Retirement Trust Resources

171 N. Clark St., Suite 10-RTR, Chicago, Ill. 60601-3294; 312-223-5200; fax: 312-223-5197

Staff

Total 70
Involved in 401(k) plan services 54
Designations held: 2 CEBSs, 3 CPAs, 1 attorney

Clients

Total 113
Average participants/plan 299
Minimum participants/plan 1
Maximum participants/plan ..... Unlimited

1994 revenues

Total $7,100,000
401(k) plan administration $1,900,000

Services began: 1985.
Parent: Chicago Title & Trust Co.
Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: Does not use 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include trustee and custody services.
Service area: Midwest and Southeast.
Locations: Administrative and consulting offices in Atlanta; Chicago.
Charges: Determined by number of participants, complexity of plan, assets under management.
Officers: Andrew P. Mayo, Ronald S. Quesenberry, Robert F. Stuark, vps.
Contact: Daniel R. Joyce (Atlanta) or Mark Berman (Chicago).

S

SMC Benefits Administration Group Inc.

10 Colvin Ave., Albany, N.Y. 12206; 518-459-9205; fax: 518-459-1395

Staff

Total 4
Involved in 401(k) plan services 3
Designations held: 3 CPAs, 1 attorney

Clients

Total 50
Average participants/plan 40
Minimum participants/plan 1
Maximum participants/plan 500

1994 revenues

Total $1,200,000
401(k) plan administration $150,000

Services began: 1988.
Software: Leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.
Service area: New York.
Charges: Determined by number of participants, time and expense, frequency valuations.
Officers: Laurance Monks, president; Michael Staff, vp; Daniel Ciampino, secretary/treasurer.
Contact: Laurance Monks.

San Diego Associates Inc.

3550 Camino Del Rio N., Suite 206, San Diego, Calif. 92108; 619-283-7800; fax: 619-283-8686

Staff

Total 6
Involved in 401(k) plan services 4

Clients

Total 100
Average participants/plan 250
Minimum participants/plan 10
Maximum participants/plan ..... Unlimited

1994 revenues

Total $975,000
401(k) plan administration $390,000

Services began: 1984.
Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.
Service area: Nationwide.
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.

Schloss & Co.

1400 Old Country Road, Suite 310, Westbury, N.Y. 11590; 516-333-2800; fax: 516-333-2889

Staff

Total 50
Involved in 401(k) plan services 30
Designations held: 2 CEBSs, 2 ASA/FSAs, 1 attorney

Clients

Total 400
Average participants/plan 80
Minimum participants/plan 3
Maximum participants/plan ..... Unlimited

Services began: 1981.
Software: Purchased from outside vendor, accommodates 30 investment funds and 15 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Eugene Schloss, president; Elaine Enis, David Dorfman, William Buckheit, Andrew Zimny, vps.

Scudder Defined Contribution Services

2 International Place, New York, N.Y. 10154; 800-323-6105; fax: 617-443-7051

Staff

Total 2,000
Involved in 401(k) plan services 195
Designations held: 4 CEBSs, 2 CPAs, 2 ASA/FSAs, 3 attorneys

Clients

Total 600
Average participants/plan 350
Minimum participants/plan 5
Maximum participants/plan ..... Unlimited

Services began: 1983.
Parent: Scudder, Stevens & Clark Inc.
Software: Written and maintained in-house, accommodates 99 investment funds and 99 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.
Service area: Nationwide.
Locations: Administrative offices in Los Angeles; San Diego; San Francisco; Atlanta; Chicago; Boston; New York; Cincinnati. Consulting office in Boston.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Mark Casady, director-defined contribution services; Jon Yenor, director-401(k) sales; Lorie O'Malley, director-client services; Paul Mercer, director-plan administration; Joe Ferris, director-technology; Sydney Tucker, director-defined contribution compliance.
Contact: Jon Yenor, 212-326-6661.

Sedgwick Noble Lowndes

5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550; fax: 901-684-4075

Staff

Total 743
Involved in 401(k) plan services 110
Designations held: 43 CEBSs, 8 CPAs, 27 ASA/FSAs, 11 attorneys

Clients

Total 560
Average participants/plan 375
Minimum participants/plan 100
Maximum participants/plan 5,000

1994 revenues

Total $86,000,000

Services began: 1981.
Parent: Sedgwick Group P.L.C.
Software: Leased from outside vendor, accommodates 30 investment funds and 20 types of contributions, software may be used by clients in-house.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include asset consulting, supplemental retirement plans.
Service area: Nationwide.
Locations: Administrative offices in Roseland, N.J.; Melville, N.Y.; Philadelphia and Warminster, Pa. Consulting offices in San Francisco; Chicago; Boston; Roseland, N.J.; Melville and Rochester, N.Y.; Portland, Ore.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Kenneth G. Martin, chairman/CEO; Scot E. Smith, president; James B. Wiertelak, CFO; Edward H. (Ted) Wood, client development director; Susan T. Gilbert, client/technical services director.
Contact: Mary E. Simcox, 516-421-1100.

The Segal Co.

1 Park Ave., New York, N.Y. 10016-5895; 212-251-5000; fax: 212-251-5490

Staff

Total 660
Involved in 401(k) plan services 75
Designations held: 5 CEBSs, 3 CPAs, 12 ASA/FSAs, 4 attorneys

Clients

Total 110
Average participants/plan 600
Minimum participants/plan 300

Services began: 1981.
Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds through an alliance. Other services include full service bundled recordkeeping, investments, trustees and communications, Form 5500 reports, summary plan descriptions, benefit statements, annual reporting of 1099Rs, administrative materials; preparation of plan documents and submission of plan documents.
Service area: Nationwide.
Locations: Consulting offices in Phoenix; Los Angeles; San Francisco; Denver; Hartford, Conn.; Washington; West Palm Beach, Fla.; Atlanta; Chicago; New Orleans; Boston; Minneapolis; New York; Cleveland; Houston; Seattle; Edmonton and Toronto, Canada.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Dale Grant, vice chairman; Richard Frenzel, executive vp.
Contact: Francis Picarelli, 212-251-5452.

Shawmut Investment Advisers

1 Federal St., Boston, Mass. 02211; 617-292-4385; fax: 617-292-2412

Staff

Total 750
Involved in 401(k) plan services 100
Designations held: 2 CEBSs, 1 CPA

Clients

Total 153
Average participants/plan 75
Minimum participants/plan 100
Maximum participants/plan ..... Unlimited

1994 revenues

Total $3,780,000

Services began: 1982.
Parent: Shawmut National Corp.
Software: Leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include deferred compensation product, trustee and custody services, benefit payments, alliance funds.
Service area: Nationwide.
Locations: Administrative offices in Hartford, Conn.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Michael McKenzie, Harry Sterling, senior vps; Michael Rothmeier, executive vp; Les Revzon, vp.
Contact: Michael McKenzie.

SIEBA Ltd.

3206 Vestal Parkway E., Vestal, N.Y. 13850; 607-770-0120; fax: 607-770-7082

Staff

Total 32
Involved in 401(k) plan services 6

Clients

Total 12
Average participants/plan 150
Minimum participants/plan 1
Maximum participants/plan 10,000

Services began: 1993.
Software: Purchased from outside vendor, accommodates 32 investment funds and 7 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include compliance audits, integration of 401(k) with flexible benefit accounts, ERISA 404(c) education.
Service area: Nationwide.
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; George M. Bush, manager-pension & insured products; David DoBell, manager-MIS; Danni DoBell, treasurer.
Contact: George M. Bush, 607-770-7080, ext. 332.

Continued on next page

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Spotlight report

Continued from previous page

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 1100, Houston, Texas 77056; 713-622-8930; fax: 713-622-6705

Staff

Total	35
Involved in 401(k) plan services	9
Designations held: 1 CEBS, 3 ASA/FSAs	

Clients

Average participants/plan	4,000
Minimum participants/plan	100
Maximum participants/plan	Unlimited

Services began: 1987.
Software: Purchased from outside vendor, accommodates 99 investment funds and 20 types of contributions.
Administration: Does not use unit value 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: J.E. Stone, managing principal; J.E. Ford, managing director; J. Currie, K.L. Haynes, T.F. McCord, C.P. Peters, C.R. Rennpage, E.B. Sanborn, principals.
Contact: Phil Peters.

SunBank Capital Management

200 S. Orange Ave., Orlando, Fla. 32801; 407-237-4472; fax: 407-237-5780

Staff

Total	134
Involved in 401(k) plan services	30
Designations held: 1 CEBS, 1 attorney	

Clients

Total	159
Average participants/plan	189
Minimum participants/plan	1
Maximum participants/plan	10,000

Services began: 1982.
Parent: SunTrust Banks Inc.
Software: Purchased from outside vendor, accommodates 30 traditional/20 daily investment funds and 11 traditional/20 daily types of contributions.
Administration: Does not use cash accounting, unit value accounting, 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds.
Service area: Nationwide.
Charges: Determined by number of participants, assets under management, frequency valuations.
Officers: Anthony Gray, chairman; Elliott Perny, senior executive vp; Stuart Van Arsdale, Earl Denney, Mills Riddick, senior vps.

Towers Perrin

1500 Market St., Philadelphia, Pa. 19102; 215-246-6000

Staff

Total	5,000
Involved in 401(k) plan services	600

Clients

Total	150
Average participants/plan	5,000
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited

1994 revenues

Total	$766,800,000

Services began: 1981.
Software: Written and maintained in-house, accommodates 15 investment funds and 15 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment management consulting, plan audits, administrative forms design, integrated administration of other employee benefits.
Service area: Nationwide.
Locations: Administrative offices in Los Angeles; Voorhees, N.J.; Philadelphia. Consulting offices in 30 locations nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: John Lynch, CEO.
Contact: Kathleen Lynn, 215-246-4160.

Transamerica Life Insurance & Annuity Co.

1150 S. Olive St., Los Angeles, Calif. 90015; 213-742-3301; fax: 213-741-7742

Clients

Total	1,300
Minimum participants/plan	2
Maximum participants/plan	Unlimited

Services began: 1985.
Parent: Transamerica Corp.
Software: Leased from outside vendor, accommodates unlimited investment funds and 10 types of contributions.
Administration: 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, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include customized enrollment meetings, financial and legislative updates, newsletters, ongoing plan assistance.
Service area: Nationwide.
Locations: Administrative offices in Great Bend, Kan.; Edgewood, N.Y.; Winston-Salem, N.C. Consulting offices in San Francisco; Washington; Atlanta; Chicago; Boston; Paramus, N.J.; Cleveland; Philadelphia; Dallas; Houston; Seattle.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Rudy Veerjee, president/CEO; Nicki Bair, vp-group pension; Jim Wilson, national sales director; Monica Weekes, vp-marketing.
Contact: Jim Wilson.

Robert S. Weiss & Co.

500 S. Broad St., Meriden, Conn. 06450; 800-466-3220; fax: 203-639-7422

Staff

Total	100
Involved in 401(k) plan services	5
Designations held: 1 CEBS, 2 attorneys	

Clients

Total	NA
Average participants/plan	150
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1991.
Parent: Weiss Financial Corp.
Software: Purchased from outside vendor, accommodates unlimited investment funds and 14 types of contributions.
Administration: Does not use 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, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Officers: Michael D. Weiss, vp; Mary Ellen Burke, director.
Contact: Mary Ellen Burke.

R.H. Wohl & Associates/ In Plain English

P.O. Box 3300, Gaithersburg, Md., 20885; 301-340-2821; fax: 301-279-0115

Staff

Total	12
Involved in 401(k) plan services	5

Clients

Average participants/plan	1,000
Minimum participants/plan	150
Maximum participants/plan	200,000

Services began: 1981.
Client support: Written communication of plan features to employees. Consults on employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense.
Officers: Ronald H. Wohl, president.

Wyatt Preferred Choice L.L.C.

6483 City West Parkway, Eden Prairie, Minn. 55344; 612-996-1700; fax: 612-996-1880

Staff

Total	4,500
Involved in 401(k) plan services	350
Designations held: 60 CEBSs, 37 CPAs, 180 ASAs, 144 FSAs, 42 attorneys	

Clients

Total	1,000
Average participants/plan	2,000
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

1994 revenues

Total	$433,000,000
401(k) plan administration	$45,000,000

Services began: 1981.
Parent: The Wyatt 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: Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
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Service area: Nationwide.
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Employee benefit resources listed

The Employee Benefit Information Resource section is an editorial compilation of current informational and educational materials on employee benefit topics other than health care.

For a listing of materials on health care topics, please see the information resource section published in the July 3 issue of *Business Insurance*.

The listings are published as an editorial service by *Business Insurance*; there is no charge to list materials in the section; and the materials may be obtained free of charge to *Business Insurance* readers.

To receive any of the free materials listed in this special information resource section, please write the key numbers of the items you want on the reader service coupons that are printed throughout the section.

Fill out the remainder of the coupon and mail it to: *Business Insurance* Reader Service Center, 650 S. Clark St., Sixth Floor, Chicago, Ill. 60605-1702.

All requests for materials must be received before April 14 to be processed.

■ Reliance National Insurance Co. offers a pamphlet on **high-limit disability income insurance** for key individuals. Request item **3301**.

■ Buck Consultants Inc. presents a brochure on how strategic benefit planning allows organizations to review the **link between plan structure and corporate objectives**. Request item **3302**.

■ **Preparing a health benefit program** in anticipation of a managed care system is the focus of an article from ENCOMPASS Health Management Systems. Request item **3303**.

■ The benefits and financial shortfalls of **group long-term disability insurance** are examined in a fact sheet presented by the Disability Services Group. Request item **3304**.

■ A catalog for the **Certified Employee Benefit Specialist Program** is provided by the International Foundation of Employee Benefit Plans. Request item **3305**.

■ A booklet provided by CIGNA Group outlines the **group life products** in its benefit package. Request item **3306**.

■ Securing **non-qualified executive retirement benefits** is discussed in this Buck Consultants Inc. report. Request item **3307**.

■ Disability Services Group provides a manuscript on the most important **long-term disability** contractual features. Request item **3308**.

■ The Alexander Consulting Group Inc. offers a booklet on **successful retirement planning**. Request item **3309**.

■ ENCOMPASS Health Management Systems presents an article that examines the **rural health care network** it designed for a clothing manufacturer. Request item **3310**.

■ Northwestern National Life Insurance Co. illustrates a benefit plan that allows **employees to personalize their benefits** by selecting coverage levels and associated payroll deductions. Request item **3311**.

■ A flier presented by Buck Consultants Inc. offers an overview of one major employer's redesigned **retirement benefit delivery system**. Request item **3312**.

■ A Duncanson & Holt Group manual overviews **long-term disability**, underwriting and claims administration. Request item **3313**.

■ A brochure from Reliance National Insurance Co. describes the company's **group accident benefits**, including basic AD&D, voluntary AD&D and business travel accident insurance. Request item **3314**.

■ A newsletter from Minet Inc. spotlights myths, misconceptions and facts surrounding **fiduciary liability under ERISA**. Request item **3315**.

See **Resource** *on page 31*

Corporate Cobra Manager and Retiree Premium Billing Software

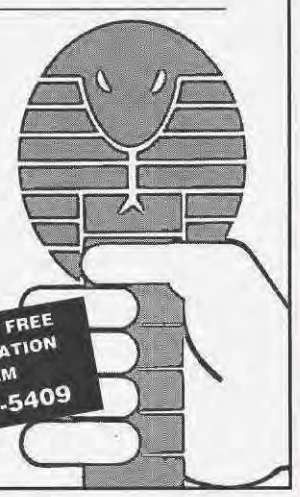
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Resource

Continued from previous page

■ The Disability Services Group supplies a leaflet with information regarding recent changes in the **individual disability insurance business**. Request item **3316**.

■ The International Foundation of Employee Benefit Plans offers a **1995 catalog of educational programs**. Request item **3317**.

■ An article describing **how to reach the self-insurance market** is available from the Self-Insurance Exchange Inc. Request item **3318**.

■ A paper offered by Buck Consultants Inc. stresses **employee input** as the key to a successful benefit program. Request item **3319**.

■ A. Foster Higgins & Co. Inc. offers a newsletter on **benefit news**. Request item **3320**.

■ An Aetna/Generali manual provides a broad overview of the **common benefits in more than 40 countries**. Request item **3321**.

■ The role of consumers in controlling their **health care benefits** is reviewed in an editorial from ENCOMPASS Health Management Systems. Request item **3322**.

■ An article from the Disability Services Group addresses the key differences between **group and individual disability programs**. Request item **3323**.

■ BNA Books offers a fact sheet designed to help employees understand **health care and dependent care accounts**. Request item **3324**.

■ Nine different guides related to **self-funding issues** such as claims examining and medical terminology are described by Self-Funding Enterprises. Request item **3325**.

■ Reasons for increased interest in **global employee stock plans** are discussed in a journal from Buck Consultants Inc. Request item **3326**.

■ A summary from VISTA Administrators Inc. gives an overview and reasons for **implementing a Section 125 plan**. Request item **3327**.

■ Child & Elder Care Insights Inc. presents a booklet with suggestions for implementing **dependent care assistance programs** as part of an employee assistance program. Request item **3328**.

■ Spectrum Human Resource Systems Corp. offers an overview of the functions and role of **human resource information systems** in business. Request item **3329**.

■ A review of the **new pension rules** included in the General Agreement on Tariffs and Trade legislation is offered by Buck Consultants Inc. Request item **3330**.

■ Disability Services Group presents a flier on the increasing risk of **long-term disability**. Request item **3331**.

■ A booklet exploring **benefit administration problems and solutions** that companies face such as outsourcing, insourcing and redesign is offered by The Alexander Consulting Group Inc. Request item **3332**.

■ An **employee benefit thesaurus** is offered by the International Foundation of Employee Benefit Plans. Request item **3333**.

■ ENCOMPASS Health Management Systems supplies a **corporate profile** of the company and its relationship with Fortune 500 employers. Request item **3334**.

■ Reliance National Insurance Co. offers a pamphlet on **Texas occupational accident insurance**. Request item **3335**.

■ A brochure from Buck Consultants Inc. summarizes the **pros and cons of hybrid pension plans** and compares them to traditional defined benefit pension plans. Request item **3336**.

■ The **tax effects of long-term disability** income on high-income employees and how to create tax-free employee benefits are reviewed in an article from Disability Services Group. Request item **3337**. BI

Business Insurance **Information Resource**

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COLI

Continued from page 2

when the IRS gets its insurance specialists involved, they'll probably say what is happening is fully within the letter of the law," said James Holden, a tax attorney with Steptoe & Johnson in Washington.

Here's how COLI programs work: Companies take out whole, universal or variable life policies on tens, hundreds or even thousands of employees, usually naming the company as sole beneficiary. When the policies cover top executives, though, their families are more likely to be beneficiaries. Some companies even take out multiple policies on single employees without telling them.

Such coverage affords two tax advantages. First, investment income in the policies builds up tax-free throughout an employee's life. Second, if companies borrow against the policies, the interest they charge themselves—usually about 8%—on the first $50,000 borrowed is in turn tax-deductible. Loans only may be taken in three of every seven years.

Today many companies are using the proceeds from these loans to fund non-qualified retirement plans for top executives and health benefits for retirees (*BI*, Nov. 28, 1994). The Internal Revenue Code permits the deduction of interest paid on such loans as long as the loans are tied to a "legitimate business purpose."

"We believe the IRS has questions about the business purpose issue," said Philip J. Feick, a vp with Seabury & Smith, an insurance program management unit of Marsh & McLennan Cos. Inc. in New York. "But if a company is insuring the life of its CEO or is funding a post-retirement benefit plan with COLI proceeds, that certainly seems to me to be a legitimate business purpose."

He cited several factors that would make a plan more likely to be considered to have a "legitimate business purpose": using the life insurance program to pay death benefits to families; using the borrowed proceeds to fund retiree health benefits; and taking tax deductions based only on reasonable interest rates.

"I think most people feel that the IRS will not come after conservative, well-documented COLI plans. But what the government could target are the plans they determine to be too aggressive with respect to interest rates," said Steve Diamond, a principal and consulting actuary with Buck Consultants Inc. in Secaucus, N.J.

The IRS could target corporate-owned life insurance plans it considers to be too aggressive with respect to interest rates, says Buck Consultants' Steve Diamond.

For example, some companies may claim deductions for unrealistically high interest rates on funds borrowed from a COLI program.

"If the government only attacks aggressive COLI, many plans will be safe," Mr. Diamond predicted.

But plans that, for example, allow a corporation to set its own interest rates on borrowed funds rather than tying interest to market indices could be in jeopardy, he said. "I reviewed one plan that allows the employer to select the interest rate that was in place at the time the plan was introduced or use the current rate. There's a big difference between 13% and the going rate of 8%."

But Mr. Holden said most plans he is aware of are probably safe because the funds are closely tied to post-retirement health and other benefit plans, and the interest rates are reasonable. But he added that even if they weren't, he doubted whether tax deductions taken in accordance with current laws could be challenged by the IRS.

"Congress has written laws that allow for multiple life policies and they have stated what type of deductions can be taken on money borrowed from COLI. There's no doubt that these plans are within the law. All the IRS can do now or in the future is make the suggestion that changes be made," he said.

Mr. Feick said what is needed is clarification on what the IRS is looking at and what course it is pursuing. "It's cloudy right now. The IRS and the companies being looked at aren't really saying anything," he said.

"We could use some clarification of what is under scrutiny because COLI is still an extremely efficient way of dealing with future benefits," said Mr. Feick. "But, now more than ever, the purchase of this product has to be tied to quantified costs of retiree benefits or some other program. Then there's no question about the business purpose."

Meanwhile, Mr. Diamond of Buck said that if the IRS persuades Congress to eliminate the tax deductibility of interest paid on COLI loans and there is no grandfathering of existing programs, COLI plans could disappear.

"There aren't many programs that would be undertaken if no deductions were allowed," he said. "If you want to insure your people's lives, you can use standard term life." BI

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BIWCFPS

Insurers adapt to survive

Restructuring, consolidation expected to drive changes

By JUDY GREENWALD

SAN FRANCISCO—The insurance industry's customer base is undergoing profound changes, and the industry must change in response, say top insurer executives.

Ten years ago, CNA Financial Corp. was able to address its customers in a single way and the customer could "take it or leave it," said Dennis H. Chookaszian, the company's chairman and chief executive officer. "We were not a flexible organization." Today, however, the insurer provides the customized service its customers are seeking.

Mr. Chookaszian spoke on a panel on the globalization of the insurance industry at last month's annual International Assn. of Defense Counsel meeting.

There has been a "profound change" in Aetna Casualty & Surety Co.'s relationship with customers, according to Ronald E. Compton, chairman and president. He noted that Aetna has a 25% share of the Fortune 500 market as a property/casualty insurer dominated by commercial lines. "We go where they go," he said of Aetna's customers. "I think we're doing the right job."

Aetna is partners with its customers, said Mr. Compton, noting the company has been broken into 16 units from what was once only three divisions. You need to take the business and focus "on whom you're trying to help out there," Mr. Compton said.

Aetna's customers are under pressure to look at all suppliers with a view toward cutting expenses, said Mr. Compton, who said he realizes that Aetna is "just another supplier."

Insurers must imagine themselves as partners, and think of themselves as part of the supply team for U.S. businesses, he said. As such, if the customer wants something accomplished a certain way and it makes sense, it is "up to you and me to do it" in a cost-effective way.

The panel was asked what the insurance industry landscape will be like in the year 2000.

While Mr. Compton said predictions can be difficult, he ventured that property/casualty insurers will continue to grow. "I think you will be big, or you will be dead," he said.

Merger and acquisition activity will continue, with weaker, less professional management replaced by stronger, tougher, more determined, more strategically oriented management. "That's the only process that will allow the property/casualty industry to thrive" under the more difficult conditions that will exist, said Mr. Compton.

The future will see a trend of compression horizontally and vertically in the business, including in the distribution system, which will make the business more efficient, predicted CNA's Mr. Chookaszian.

"Specialization is happening throughout our country," which will force a restructuring of today's multiline companies, he said. Insurers instead will restructure themselves to focus on those areas they do best, said Mr. Chookaszian. Insurers will "tend to be more specialized in one area or another."

The most important trend will involve the financial restructuring of the business, said Mr. Chookaszian. This is already happening to an extent, he said, pointing to the restructuring of Crum & Forster Inc. into Talegen Holdings Inc., a holding company with standalone subsidiary property/casualty insurance operating groups and service companies.

'I think you will be big, or you will be dead,' says Ronald E. Compton of Aetna, adding that consolidation is necessary if the insurance industry is to survive.

This trend will lead to the involvement of Wall Street and non-insurance money in the industry's capital structure, and a change to a short-term from a long-term focus on profit. "I think financial sponsorship will be radically different five years from now," he said.

Edward B. Jobe, chairman and CEO of American Re-Insurance Co., pointed to better cost control as an issue for the industry in the year 2000. One of the driving forces of current merger and acquisition activity is economies of scale, he said. From a reinsurer's perspective, specialized services will be demanded that will mitigate loss costs and insurance costs over time, such as litigation management, large case management and environmental consulting.

Mr. Jobe questioned how many companies will be writing insurance in the year 2000. "I think it will be much, much less than it is today," he said.

The executives also were asked to address the question of whether society can survive in the current tort environment.

The United States today is the largest consumer nation in the world, said Aetna's Mr. Compton. The competitive advantage provided by our superior productivity, however, is threatened by the tort liability system. It could come down to a choice between remaining competitive or erecting trade barriers, which would lead to economic collapse. "We are chipping away at the edges" of the tort liability problem but not getting at the problem in a fundamental sense, Mr. Compton said.

Every time there is a problem, he said the first thing we do is put it in the courts. He attributed that to our Puritan background, and the need to find something to blame for every problem.

The first thing we must do is work on the underlying psychology that asks "Who dunnit. Who's at fault here?" said Mr. Compton. The fact that this attitude is not prevalent elsewhere in the world means other nations could become more competitive than the United States. "It's going to have to be rooted out and changed," he said.

"I believe that defense firms need to take a more pro-active position to support the need for changes" in the tort system, said CNA's Mr. Chookaszian. He would encourage defense firms to become more politically involved, he said.

American Re's Mr. Jobe pointed to the industry's united position on Superfund legislation and said, "I'm quite encouraged by what's happening," noting that a united industry position on an issue is a rarity. BI

Superfund reform outlook

AIA's Vagley sees improved prospects in new GOP era

By JUDY GREENWALD

SAN FRANCISCO—There is a 50-50 chance Congress will pass Superfund reform legislation this year, says an insurance industry representative.

Among the things working in the insurance industry's favor is that it is "really advancing as one this year," said Robert Vagley, president of the American Insurance Assn.

He discussed the impact of the changed political landscape on the insurance industry during a session last month at the annual International Assn. of Defense Counsel meeting in San Francisco.

Last November's elections brought about "sweeping political change," said Mr. Vagley. "It really was in effect a peaceful revolution," he said, noting that not a single House Republican incumbent lost his or her seat, which helped the Republicans take over after 40 years of Democratic control.

In addition, those Republicans who have been elected for the first time generally are not lawyers, with more than 50% claiming business backgrounds.

There have been sweeping changes on the state level, as well, with 20 new insurance commissioners who in many cases are replacing what Mr. Vagley called highly contentious predecessors. And there have been major changes in state legislatures.

All this presents the insurance industry with the opportunity to propose a legislative agenda rather than being on the defensive, said Mr. Vagley.

Of all the legislation the industry is advancing, a Superfund reform bill is one of the most likely to be passed, he said.

Issues like redlining and McCarran-Ferguson Act reform are no longer on the front burner in Washington, he said. In addition, such issues as the federal government's role in insurance are "very clearly not on the table for the foreseeable future," he added.

At the same time, he cautioned that "the Republican Congress does not necessarily mean that happy days are here again."

Furthermore, this Congress prefers small business to large business, the AIA president said. "We need to overcome that distinction."

It should also be borne in mind that "Bill Clinton did not move out of town," and interest groups hostile to the insurance industry did not leave, he added.

The lobbyist also pointed out for all the talk of a revolution, few bills actually have been enacted yet in this Congress.

Focusing on Superfund, he said the insurance industry is hoping that Congress will repeal retroactive liability without imposing new taxes.

Congress' leadership seems committed to enacting Superfund reform this year, said Mr. Vagley. There also appears to be a broad consensus that Superfund is broken "and needs to be fixed."

"I think we are approaching a 50-50 chance of accomplishing Superfund reform in Congress this year," he said.

Mr. Vagley noted that when the Superfund law, formally known as the Comprehensive Environmental Response, Compensation and Liability Act, was enacted in 1980, it was estimated that there were 400 toxic waste sites that would take six years to clean up at a cost of $1.6 billion.

After 15 years, only 67 out of 1,300 polluted sites have been cleaned up, or a 5% rate in 15 years, at a cost of close to $20 billion. And about 85% of this has been spent on litigation. At the same time, "we're cleaning up virtually nothing." BI

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INTERNATIONAL

Eastern Europe plays insurance catch-up

Demand for insurance coverage increasing at rapid pace in several countries: Swiss Re

By MARIA KIELMAS

Premium volume is growing at a faster rate in Eastern Europe than in the world market as a whole, says Swiss Reinsurance Co.

In addition, demand for insurance in the region will continue to increase as incomes rise, Swiss Re concludes in a recent study of the region.

There is a structural pent-up demand for insurance in Eastern European countries as a result of growth in newly liberalized economies. Moreover, the global importance of these countries in insurance terms will increase as the value of their currencies rises against the U.S. dollar.

For the region, Swiss Re estimates that total premium volume, in dollar terms, grew 25.8% to $8 billion in 1994 from $6.33 billion in 1993, which was up 35% over 1992 volume.

"The higher growth compared with the inflation adjusted rate of change of 8% calculated in national currencies may be put down to the real appreciation of many Eastern European currencies against the U.S. dollar. This means that higher inflation compared with the U.S.A. was not offset by a corresponding currency devaluation."

But despite this strong growth in U.S.-dollar terms, the region's share of the world insurance market still stands at less than 1%. The countries of Eastern Central Europe accounted for 65% of this.

In fact, Poland's 1993 premium volume of $1.7 billion, or 27% of the total, was by far the largest single market that year.

Swiss Re estimated that Russia last year surpassed Poland as the biggest single market in the region.

Although Russia's growth rate in national currency was only average compared with other countries in the region, "the above av-

See **Swiss Re** *on next page*



GRAPHIC BY MIKE GARVEY

Australian rates declining

Liability coverages lead way at popular June renewals

By KATE TILLEY

BRISBANE, Australia—With reinsurance abundant and the market very competitive, property/casualty insurance rates are heading downward in Australia.

Some liability rates fell 20% to 30% at midyear renewals, while property rates remained flat or fell by as much as 10%—or more for very large risks.

Rate increases during the country's most common renewal period were rare and isolated in the area of product liability and professional indemnity for particular industries and professionals.

Underwriters say this renewal period was more orderly than those of past years. Programs were finished early and there was no "mad scramble" to wrap things up before June 30, when most Australian companies end their fiscal year.

Still, some Australian companies have shifted away from the June renewals to avoid the rush and to achieve better rates (see related story).

Liability rates were "fairly soft," said Ken Gaunt, risk manager for Melbourne-based retailer Coles Myer Ltd. Insurers, he added, are starting to give credit to corporations with favorable loss experience, but the concept has been "slow to take off" in Australia.

At the most recent renewals, there was some "suicidal underwriting" in liability lines, said Kevin Kinsella, manager-commercial insurances with GIO Australia Holdings Ltd. in Sydney.

The insurer lost accounts to underwriters prepared to write the business at less than the previous year's rating level, he said.

GIO cut rates up to 20% for customers with good claims experience, though. "You had to meet the market, and there's a lot of capacity there," Mr. Kinsella said. "But there's still a lot of loyalty there," he said.

For hard-to-place liability risks, that loyalty was harder to come by during June renewals.

At Harbour Pacific Holdings Pty. Ltd. in Sydney, an underwriting agency specializing in such risks, the lapse rate more than doubled this season, said Peter O'Shea, managing director.

He blamed "uneducated capacity" and warned that newcomers to the market are writing long-tail risks at short-tail prices.

Rate cutting was especially prevalent for the largest accounts, but it was still "nothing like the crazy 1980s," said E. John Cloney, chief executive of Sydney-based QBE Insurance Group Ltd.

The cuts will continue, Mr. Cloney added, because there are always underwriters "without the guts and courage to quote what things are really worth."

Rate increases hit food companies especially hard during June renewals.

The insurance industry is anticipating big claims against Garibaldi Smallgoods Pty. Ltd., the Adelaide-based meat processing company whose products have been blamed for the food poison-

See **Renewal** *on page 37*

To some, timing is everything

BRISBANE, Australia—Switching renewal dates is helping some Australian companies secure better rates.

Australian Gas Light Co. has achieved significant savings in property/casualty lines since it shifted renewals to March 31 from June 30 several years ago, said Risk Manager Chris Spraggon.

"There's more capacity in the market and it's driving the prices down," he noted. Sydney-based AGL cut costs by restructuring policies and was able to renew with lower deductibles, increased limits and decreased premiums.

Sid R. Levett, risk manager for Melbourne, Australia-based paper and packaging corporation Amcor Ltd., said his company deliberately moved its renewal date to Oct. 31 to "get outside the June 30 shenanigans" and finish its program before the December renewal period. The later renewal date will be especially beneficial this year since rates are likely to continue softening, he said.

—By Kate Tilley

U.K. law on legal fees will spur injury suits

Could also encourage settlements

By SARAH GODDARD

LONDON—Fears that personal injury claims will flood the British courts are on the rise following last month's introduction of "conditional" fee arrangements for certain types of cases.

But the arrangements also could result in the earlier settlement of personal injury cases with the use of fewer lawyers—and consequently lower fees—according to Gerald Newman, deputy director of corporate and regional affairs at the Law Society in London, an association of U.K. legal professionals.

For those law firms that do accept cases and agree to take their fees as a portion of any award, new insurance products already are available that can minimize their exposure when they lose cases. Under the English system, the losing party in civil cases has to pay the winners' legal fees.

The fee system in the United Kingdom will differ from U.S.-style contingency fees in one important aspect: Because of the English rule, U.K. plaintiffs still can incur monetary liabilities if they lose and will therefore still have a strong disincentive to sue.

Conditional fees allow people to press claims that they could otherwise not afford to pursue. They will help "ordinary individuals and smaller enterprises. . .take legal action to protect their rights without fear of inadequate resources," said Brian Raincock, managing director of Litigation Protection Ltd. in London, which is offering law firms coverage for the risks related to the fees.

Five years ago, Parliament passed a law that laid the groundwork to allow conditional fees, but the arrangements could not actually be used until another statute was issued July 5 by the U.K. Lord Chancellor.

The Law Society recommends that the fees be set at 25% of the award. In the United States, some states limit the fees that can be charged and other times lawyers are free to set their own fees.

Besides personal injury cases, the arrangements will be allowed only in medical negligence suits, insolvency cases and applications to the European Community Court of Justice.

Two insurance products are already on the market for law firms that want to protect themselves from the risks associated with conditional fee arrangements.

See **Fees** *on page 37*

CU refocusing on marine market

Reinsurance competition cited in withdrawal from London non-marine market

By SARAH GODDARD

LONDON—The prospect of increased competition and larger players in the London non-marine reinsurance market is prompting U.K. multiline insurer Commercial Union Assurance Co. P.L.C. to withdraw from underwriting in most non-marine sectors.

The insurer recently undertook "very major review of the future of the London insurance market as a whole," explained Ray Morley, marketing services manager for the insurer in Croydon, England. CU scrutinized both London market insurers and Lloyd's of London in its assessment of the most appropriate structure for its operations.

"In our view, there is a very good future in the London market, particularly on the marine side," Mr. Morley said. However, he said, the research shows that unless an insurer is "a big player" in non-marine reinsurance, it is better to withdraw from the class.

As a result, CU's specialist reinsurance subsidiary, the British & European Reinsurance Co. Ltd., stopped writing new and renewal general reinsurance business on Aug. 4. CU said that B&E will honor all outstanding rate quotes.

B&E will continue to write life and marine reinsurance.

Two key changes in the London market, in particular, influenced the decision, Mr. Morley said.

First, recent changes at Lloyd's of London—particularly the introduction of limited liability corporate capital—will affect the wider market, he said, though he declined to elaborate.

Second, the introduction of electronic risk processing, or electronic placing support, which will be phased into the London market next year (*BI*, May 8), was a factor. This new system, said Mr. Morley, will increase the importance of the lead underwriter on any insurance placement.

Once EPS is in place, a broker generally will visit the lead underwriter in person, but following underwriters likely will receive

See **London** *on next page*

Ro-ro rating changes unlikely

Passenger ferry report does not raise new safety issues

By EDWIN UNSWORTH

LONDON—Marine insurers in London do not expect to review rates for roll-on/roll-off passenger ferries, despite a U.K. government report critical of the vessels' safety.

The report's key finding was that the design of the so-called ro-ro ferries makes them susceptible to rapid capsizing if seawater enters their interior decks.

However, marine underwriters are unlikely to raise rates or tighten coverage terms, said John Moloney, secretary of the Lloyd's Underwriters Assn., which represents marine underwriters in the Lloyd's of London insurance market. "I would very much doubt it," he said of any changes as a result of the report.

That sentiment was backed by Tony Nunn, government and international affairs adviser for the Institute of London Underwriters, which represents marine underwriters from the London company market.

Mr. Nunn said that the ILU supports any measures for improving ship safety, but doesn't believe insurers should pre-empt any action that might be taken by the regulatory authorities to boost safety.

The marine market executives were responding to a report, "Cross Channel Safety," published last month by the House of Commons Transport Committee, that claimed that 70% of ro-ro ferries using U.K. ports operate below recognized safety levels.

The committee's report follows the sinking in the Baltic Sea last September of the Estonia, an Estonian ro-ro ferry that claimed 990 lives (*BI*, Oct. 3, 1994). That disaster came seven years after a similar disaster, in which the British ferry Herald of Free Enterprise capsized in the English Channel in 1987 with the loss of 193 lives (*BI*, March 16, 1987). In addition, since 1991 there have been 36 collisions involving ferries in the English Channel.

While the LUA's Mr. Moloney said that underwriters "welcome anything that goes to improve the safety of these vessels," he added that "the record of British shipping, particularly since the Herald of Free Enterprise, has been first-rate." There is nothing in the report to cause a rethinking of insurance terms, he added.

Mr. Moloney also stressed that a House of Commons report does not carry the same weight as a full government ruling.

The key finding of the report is that ro-ro passenger ferries can overturn in minutes once water enters the vast open spaces of their interior car decks. Therefore, the report recommends that these vessels be fitted with bulkheads that would contain any water that enters the ship and prevent it from listing and capsizing.

However, the "lack of seaworthiness in one aspect of a vessel is only a very small part of the overall picture," Mr. Moloney emphasized. Ro-ro ship safety is very much dependent on the record of their owners and the quality of crew safety procedures, and these are all of a high standard that is already reflected in insurance rates, he added.

The ILU's Mr. Nunn said that while ro-ro safety should be reviewed, he added that underwriters are not knowledgeable enough about ro-ro vessel design to justify taking rating action before either the British government, the European Union or the International Maritime Organization had decided whether the vessels require modification.

The cost of installing bulkheads would be about £1 million ($1.6 million) per ship, equivalent to an additional £1 ($1.61) per passenger ticket, according to members of the parliamentary committee.

However, the U.K. Chamber of Shipping, which represents shipping interests, has claimed that the cost will range between £1 million and £5 million ($8 million) per ferry.

The transport committee argued that installing bulkheads might help prevent a ferry from sinking, or at least give passengers more time to disembark. While ferry companies claim that they could remove passengers and crew from a sinking ship in about 30 minutes, some capsizings have taken place in half that time.

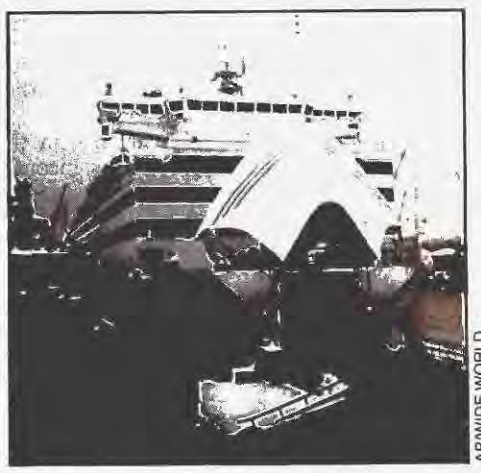
The Transport Committee's members also want ferries using British ports to be graded, such as with a rating of up to five stars to designate their degree of safety. However, few ships would make the grade, according to one committee member.

If a grading system was now in place, in which a five-star ship could evacuate all its passengers safely in the case of flooding, Paul Flynn, a committee member, has said that no vessels currently using a British port would merit more than one star.

The British government has said it will not act on the report until the International Maritime Organization, a London-based agency of the United Nations, makes its expected recommendations on ship safety standards in November.

Ferry operators have indicated that while they are concerned about the costs, they will carry out whatever safety modifications are eventually agreed upon by the IMO.

Meanwhile, Assuranceforeningen Skuld, the Norwegian protection and indemnity club that provided liability insurance for the Estonia, has paid out $51 million in compensation to survivors and relatives of those who died in the tragedy (*BI*, April 10; March 20; Jan. 16). The P&I club expects total compensation to reach about $75 million. BI



ARMADE WORLD

Vehicles can be driven directly onto roll-on/roll-off ferries like the Estonia.

Swiss Re

Continued from previous page

erage real appreciation of the rouble led its share of the overall total to increase from just under 9% in 1992 to 19% in 1993."

The report split the countries surveyed into three groups: Eastern Central Europe, made up of Poland, Slovakia, Slovenia, the Czech Republic and Hungary; Southeastern Europe, comprising Bulgaria and Romania; and the former Soviet states of Russia, Estonia and Ukraine.

The macroeconomic environment in which the insurance industry has operated in the separate countries has varied significantly. Eastern Central Europe, Southeastern Europe and the former Soviet Union increasingly have grown apart. In Eastern Central Europe, the economic situation began to stabilize in 1993. In the other countries, production continued to fall and inflation remained high. Gross domestic product in all the countries fell by 10% to 35% since the beginning of the reforms in 1994, and inflation remained high at over 20%.

Despite the economic problems during this period, premium volume rose in all of the countries. The regional average increase was 8%, compared with a world average of 6%.

"Apart from Poland and Slovenia, however, it has not yet been possible to make up for the sharp downturn in insurance activities which occurred in the first few years of the transition to a market economy. In Southeastern Europe and Russia in particular, the level of activity is still very low."

The recovery began first in the five Eastern Central European countries, which had an average growth rate of 4%. The growth was prompted largely by export demand from Western European countries.

By 1995, Poland is expected to be the first country in the region to have recovered from the economic downturn, with Slovenia and the Czech Republic following. "Hungary's growth prospects are limited in the short term by the urgent need to reduce the current account and budget deficits. For Slovakia, in view of the structural reforms still outstanding, the increase in economic activity seen in 1994 is not expected to continue at the same level," Swiss Re says.

The report says that the modest growth seen in the structurally weak countries of Romania and Bulgaria still stands on extremely shaky foundations. The decline was greatest in those countries, meaning that reconstruction had to start from a substantially lower level. Continuing high inflation will fall only slowly.

In the former Soviet Union, the economic downswing and accompanying high inflation is persisting.

"Clearly defined rights of ownership and privatisation of the economy are of the utmost importance for the insurance industry," the report says.

Throughout the region, the private sector's share of total gross domestic product rose to more than 50%—and climbed 60% in the case of the Czech Republic. The Czech Republic, Russia and Slovenia have made the most progress over the last two years, while even the privatization of small businesses is lagging in Bulgaria, Romania and Ukraine.

The Central European countries and Baltic States have probably achieved sustained real premium growth, the report said. Growth has been stronger in the life sector than the non-life sector, except for the Czech Republic and Slovakia.

Non-life growth was attributable mostly to premium increases in mandatory auto insurance and to the thriving marine insurance sector. Large increases in general third-party liability business are having little effect on the overall total because of their low starting point.

However, premium volume of the life sector is only 25% of the market as a whole, compared with 50% in the European Union market.

The structure of individual classes of insurance business is likely to change as growth continues, the report notes.

For instance, auto insurance generally shows a high level of growth early on in developing markets and generally does not decline until a high level of income has been achieved. This class should grow at 40% to 50% a year. Strong growth also should be registered in third-party liability, health and personal accident insurance.

Agricultural insurance volume has fallen off considerably since the reforms began and its importance looks set to decline further. Typical "starter" classes of business with very low income levels—as the example of Romania confirms—are marine and fire insurance. Compared with other classes of insurance, these tend to grow at below-average rates as the level of prosperity increases.

Regarding reinsurance, the proportion of gross premiums ceded to reinsurers is on the increase. This proportion in the non-life sector in particular is higher than in most industrialized countries, where it is an average of 17%. In 1993 non-life reinsurance in Central Europe stood at $670 million, equivalent to a cession rate of 22%.

Except for Slovenia, the countries do not subject foreign reinsurers to any restrictions.

In other regulatory policies the countries surveyed differ widely.

Poland has a highly deregulated system with an emphasis on financial control and solvency regulation in line with E.U. countries. Substantive supervision exists only for compulsory insurance: auto liability, agricultural liability and agricultural buildings. Insurance conditions are fixed by law and premium rates are unrestricted.

Hungary has substantive controls on all products where all prices and products must be approved by the supervisory authorities.

In Bulgaria, state insurers have a monopoly on compulsory insurance while in Russia both the suitability of rates and solvency of companies are supervised.

Overall in Central Europe and the Baltic States, legislators have been strongly influenced by E.U. directives when drafting insurance legislation. Differences exist above all in the licensing of foreign insurers. These are allowed to operate in most countries through shared holdings or subsidiaries, but not yet through agencies or the cross-border sale of services.

In Southeastern Europe and the former Soviet Union the regulatory situation continues to be unsatisfactory, the report says. "Tight regulation—that is to say the closing of legal loopholes, greater legal certainty and more effective implementation of existing legal provisions—is essential in these markets if the insurance industry is to be successfully restructured and a sustained recovery achieved."

The report concludes that in the countries of Central Europe, product and price competition will intensify and reinsurance will continue to show stronger growth than direct insurance. The countries of Southeastern Europe, the former Soviet Union and the Baltic States have an enormous potential for catching up. But the stimuli to insurance from economic growth are still very modest, while in Russia and Ukraine the fall in production continues.

"Growth will therefore be dependent on changes in regulatory policy, which are difficult to predict given the still widespread legal uncertainty."

Copies of "The Insurance Industry in Eastern Europe: Recovery has Begun" are available from Swiss Reinsurance Co., Economic Studies, P.O. 8022, Zurich, Switzerland.

London

Continued from previous page

electronic form of the risk over the London Insurance Market Network system.

In Mr. Morley's opinion, the lead underwriter will probably take a larger percentage of the risk than at present—one reason the size of insurers will become so important in the future.

"B&E will be too small to survive in the long term unless lots of capital is put behind it," explained Mr. Morley. "We felt such capital would be better used to expand our core marine business rather than trying to compete with the huge reinsurers."

With annual net premiums of £350 million ($560.9 million), CU is the second-largest marine insurer in London after Lloyd's marine syndicates. It is reorganizing its marine operations within the Institute of London Underwriters from its current set-up of four different companies—CU, Indemnity Marine Assurance Co. Ltd., Northern Assurance Co. Ltd. and Ocean Marine Insurance Co. Ltd.—into one of five different categories of business.

"We are going to concentrate our specialist underwriters from the four companies into units of expertise, which will be more beneficial for both the brokers and the company," said Mr. Morley.

For the foreseeable future, the underwriters will continue to write for their separate companies. No view had been taken about whether in the future the companies would amalgamate.

About one-third of the non-marine book, which currently has net premiums of about £85 million ($136.2 million), will continue to be written. Specialist classes—directors and officers liability, international oil insurers and the nuclear risk pool—and credit treaty reinsurance will be written from the ILU through the marine companies. CU's operation in the London Underwriting Centre will cease.

The new structure of the London market operations will be in place in time for the 1996 renewal season at the beginning of next year. BI

INTERNATIONAL

Fees

Continued from page 35

Beginning Monday, Johnson & Higgins and Lexington Insurance Co. of New York, a unit of American International Group Inc., will offer an insurance policy to 1,350 law firms that handle personal injury cases and belong to Accident Line, a division of the Law Society.

More than two-thirds of the eligible firms signed up before the product was even available, said Peter Brown, special projects director at J&H, who developed the product with the Law Society. These firms account for more than 100,000 personal injury cases each year, he said.

For a premium of £85 ($136) per case, the program would pay up to £100,000 ($159,930) toward expenses awarded against the plaintiff if they lose. Once a firm has signed up for the product, called Accident Line Protect, it must buy the coverage on all its future conditional fee cases.

Litigation Protection, an insurance program management firm, also has launched a product to cover all types of litigation subject to conditional fee arrangements. The product is underwritten by Isle of Man Assurance Ltd. It provides up to £100,000 cover for a plaintiff's legal costs in personal injury cases, but only up to £50,000 ($79,965) for other cases, including medical negligence.

Few personal injury plaintiffs fail to win damages, though, said Mr. Brown.

With conditional fees available, the number of personal injury lawsuits is expected to increase, though by how much is a matter of debate.

Some observers say the arrangements will level the playing field for poor individuals and small companies in personal injury suits. BI

Ebb in marine losses, rates

Higher standards anchor first-half improvement, ILU says

LONDON—Lower marine losses in the first half of the year are being attributed to more demanding ship surveys and classifications, coupled with greater pressure on shipowners and managers to ensure that their vessels are in good condition.

The latest figures from the Institute of London Underwriters, covering merchant ships that weigh more 500 gross tons, show that the number of vessels lost through fell 21%, to 38, from 46 in 1994.

But, some of the partial losses during the period eventually could become total losses, the ILU warned.

Notably absent from the loss figures are tanker losses. Three bulk carriers and 21 cargo vessels were lost in the first six months of the year, along with 225 people. The ILU does not provide monetary estimates of marine losses until it tallies all losses at the end of the year.

At the same time as the loss experience is improving, so are marine rates.

Speaking at the annual meeting of the Florida Surplus Lines Assn. in Boca Raton late last month, Tony Funnell, chief executive of the ILU, warned insurance buyers that although rates were softening, wholesale reductions were not necessarily being given.

The London marine market had been forced to contract and reshape after five years of losses from both natural and human causes from 1990 to 1994, said Mr. Funnell.

During that time, marine rates had increased between 20% and 40% per year, policy conditions had been more severe and deductibles had been raised.

Rates have reached a plateau, but shipowners with poor loss experience still were seeing their premiums increase, said Mr. Funnell. "What is needed is a stable market that can respond to clients' requirements and, most importantly, pay their claims," he said.

—By Sarah Goddard

Renewal

Continued from page 35

ing death of one child and injuries to 20 others. The company is in liquidation.

The company's product liability insurer, QBE, said it does not expect claims to be filed until after a formal inquest is completed.

The Garibaldi case and several food product recalls this year have made underwriters wary of the liability exposure of food companies and are expected to cause more rate increases.

Insurers can still make money in liability lines if they "stick to sound underwriting principles," said Philip R. Clairs, managing director of Melbourne-based Commercial Union Assurance Co. of Australia Ltd. "But, if you go for growth you must buy it, and you can then come unstuck."

In the recent renewals, Commercial Union took a "low-key approach" and offered policyholders rates similar to those in past renewals, he said.

Mr. Clairs said stability in the market has been influenced by the change in brokers' remuneration from commission to fees. For most larger brokers, revenues are no longer as depressed by the cyclical nature of the insurance market and therefore they have less of incentive to try to "talk the market up," he noted.

In contrast to casualty rates, property rates were fairly stable during renewals.

For some accounts, GIO cut rates 10%, said Mr. Kinsella. But GIO did not write much new property business, because it would have had to drop rates by 15% to 20% to win new accounts.

Similarly, FAI Insurance Ltd. in Sydney decided to focus on retaining property and liability business rather than getting new business, said Allan Reynolds, national commercial manager. "We had a policy that we wouldn't drop rates, so we lost some small accounts."

While rates have been flattening over the past three renewals, Mr. Reynolds said property rates at the June renewals were the lowest in three years. He attributed the softening to fewer natural disasters and lower reinsurance rates.

Rates for property and business interruption coverage were marginally lower this June than last, said Mr. Clairs.

He had anticipated a more difficult renewal season, with "keener participants with sharper pencils," but said many property insurers' memories of rate cutting of past years had not yet faded.

Some of the biggest rate increases at renewals came in the area of professional liability coverage for real estate appraisers, known in Australia as valuers.

Until February, Australian valuers were able to participate in a program underwritten by Melbourne-based Pacific Indemnity Underwriting Agency Pty. Ltd., a specialist professional indemnity agency owned by Commercial Union, QBE and Swiss Reinsurance Australia Ltd.

Despite past premium increases of 100% or more, the agency stopped writing the program because of bad claims experience, said Stewart Kennair, general manager. Pacific Indemnity now would only write coverage for individual valuers, but "we don't view them generally as a good risk," he noted.

Over the five years it ran the program, Pacific Indemnity paid out $2 to $5 for every premium dollar it took in, said Mr. Kennair. Most claims related to property overvaluations in the 1980s.

Other underwriters also are charging much higher premiums or refusing to write the coverage.

Some appraisers have had no choice but to "run bare," said Allan C. Brown, professional indemnity underwriter in the Melbourne office of HIH Casualty & General (Professional Liability) Pty. Ltd., a unit of Heath International Holdings Ltd.

"We look at them on a very selective basis," he said. "We have always felt the premium is inadequate for the exposures." BI

Retirees

Continued from page 2

HMOs wherever practical. Where HMOs are offered, the company also will offer another plan that would let participants choose outside providers.

Beneficiaries need not use the increased pension funds to buy the health care coverage.

"This is an excellent settlement," said plaintiffs' attorney George Snyder, of counsel to Rossbacher & Associates in Los Angeles.

The settlement offer, which was announced earlier this month, would end litigation that was triggered by the company's 1992 move to eliminate retiree health care benefits.

At the time, McDonnell Douglas said it would give retirees a one-time pension supplement of about $18,000 before taxes to prepay health coverage for 1993 through 1996 and then would drop health benefits for non-union retirees (*BI*, Oct. 19, 1992). The money for the supplement, estimated at $300 million, was taken out of McDonnell Douglas' pension plan, which at that time had a $2.2 billion surplus. At the end of 1994, according to documents filed with the Securities and Exchange Commission, the plan had a $1.5 billion surplus.

At the time it offered its supplemental pension benefit, McDonnell Douglas said the four-year period was chosen because that "was a solid length of time to give retirees assurance that their medical benefits would be paid for."

Some observers, though, speculated that the company was counting on the federal government to set up a universal health care program within four years. In fact, under the Clinton plan that died in Congress last year, the government would have paid 80% of health care premiums for retirees between age 55 and 64.

While some benefit consultants praised McDonnell Douglas for its unusual plan, retirees felt betrayed.

'I can't see anything that ever has approached this in size,' says attorney Nancy G. Ross.

Several suits were filed, including a class action suit in Los Angeles on behalf of about 8,000 retired workers (*BI*, Dec. 7, 1992). That suit charged that by terminating retiree coverage, McDonnell Douglas was "reneging on its promise to provide basic retiree health care benefits for the remainder of plaintiffs' and their spouses' lives."

A federal judge dismissed that suit in January, but the ruling was on appeal to the 9th U.S. Circuit Court of Appeals. Suits also are pending in other courts. The proposed settlement would end all litigation over the termination of the retiree health care plan.

Mr. Snyder, the plaintiffs' attorney, said benefit experts estimate that the settlement would generate between $450 million and $500 million in additional pension benefits to retirees and survivors. But, since benefits would be paid over many years, the present value of the settlement would be about $275 million.

The settlement is the largest ever over retiree health care benefits.

"I can't see anything that ever has approached this in size," said Nancy G. Ross, a partner with McDermott, Will & Emery in Chicago, which has negotiated numerous retiree health care settlements.

Both employers and retirees like this type of settlement, said Ms. Ross. It lets companies substitute a fixed and fairly predictable cost for the uncertain costs of future retiree health benefits. And it gives retirees increased pension benefits that cannot be taken away.

In this particular case, because McDonnell Douglas' pension plan was so overfunded, a settlement will not affect its cash flow.

"It is not like the company has to come up with new money," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"McDonnell Douglas is in the enviable position of having this kind of surplus in its pension plan," said William J. Miner, a consultant and actuary at Watson Wyatt Worldwide in Chicago. He noted that the large surpluses that many companies had in their pension plans in the early 1980s gradually have eroded.

While not part of the settlement, McDonnell Douglas also is enhancing its pension formula for future retirees. Details were unavailable last week. BI

Chartwell strikes deal

Reinsurer merger precedes public offering

By SALLY ROBERTS

STAMFORD, Conn.—The proposed merger of The Reinsurance Corp. of New York into Chartwell Re Corp. will diversify and expand Chartwell's book of business and boost policyholder surplus to about $180 million.

Under terms of the definitive agreement announced last week, RECO will become a subsidiary of Chartwell's treaty reinsurance underwriting unit, Chartwell Reinsurance Co. RECO is currently a unit of Piedmont Management Co.

The merged entity will retain the Chartwell Re Corp. name and its Stamford, Conn., headquarters. Chartwell Re said it plans to complete the merger in the fourth quarter and then go public. The former NWNL Cos. unit now is controlled by investment firm Wand Partners Inc. and a group led by Michigan National Insurance Co. Chartwell put off a planned IPO in 1993.

The deal is subject to the approval of stockholders, bondholders, regulators and banks.

In the proposed deal, Piedmont shareholders will receive newly issued Chartwell common stock and ultimately own 45.25% of the outstanding Chartwell shares.

As part of the deal, RECO's loss reserves will be increased by $25 million on incurred-but-not-reported claims. Also, Piedmont shareholders will receive notes due in 2006, the returns of which depend on loss development from old RECO business. The notes could be worth up to $57 million at maturity. To protect Chartwell, the reinsurer will be allowed to redeem those notes for stock or cash in the event of losses on old RECO business.

Both Chartwell and RECO reported net losses in 1994: Chartwell's was $3.9 million on net written premiums of $114 million; RECO's was $3.2 million on net written premiums of $142 million.

With the merger, Chartwell expects its policyholder surplus to rise to $180 million from $115 million as of June 30, said Steven J. Bensinger, president of Chartwell. RECO, a treaty and facultative reinsurer that writes primarily property coverage, will complement Chartwell's surety reinsurance business, expand its marine reinsurance business and develop a new book of business in the primary market, Mr. Bensinger said.

Chartwell intends to reorganize its business into two operations, primary program insurance and reinsurance, following the merger, he said. RECO, to be renamed later, will write select property/casualty program business in the primary market, while Chartwell Reinsurance Co. will write reinsurance business.

Four Piedmont directors, including its president and chief executive officer, Robert M. DeMichele, will become Chartwell directors upon completion of the merger, but no Piedmont executive will join Chartwell's management team, Mr. Bensinger said. Mr. DeMichele will head Piedmont's asset management subsidiary, Lexington Management Corp., which is being spun off with Piedmont's other asset management operations prior to the merger. BI

Disaster

Continued from page 1

from the U.S. Treasury Department at market rates.

Much of the legislation, though, deals with how the proposed Natural Disaster Insurance Corp. would provide homeowners' catastrophe insurance. Among other things, the bills would exempt the corporation from state and federal rate regulation of any sort regarding homeowners catastrophe rates, which would be set by an appointed board of actuaries.

Because of the bills' emphasis on homeowners insurance, risk managers have not been active participants in the debate so far, and the New York-based Risk & Insurance Management Society Inc. has not taken a position on the legislation.

The property/casualty insurance industry generally has closed ranks behind the measures, though some lobbyists foresee certain portions of the legislation as potentially troublesome.

However, one major insurer, Columbus, Ohio-based Nationwide Insurance Group, withdrew from the Natural Disaster Coalition, an insurer-backed group that promotes the legislation, even before the bills were introduced.

In a letter to Franklin W. Nutter, the chairman of the coalition, Nationwide said the bills "have relied too strongly on federal solutions and have not given serious consideration to limited federal involvement, rate adequacy and decentralization alternatives."

This free-market critique is shared by others as well.

"It's impossible for legislation of this kind to be designed and implemented without politicizing insurance rates," said Ben Zycher, vp-research for the Milken Institute for Job & Capital Formation, a Santa Monica, Calif.-based research institute chaired by former junk bond king Michael Milken. Mr. Zycher questioned whether Congress even had the constitutional power to approve such an arrangement.

"The argument that the insurance sector will wind up better off when it gets in bed with the federal government is just naive," he added. "Congress does not hand out favors for free."

Mr. Zycher predicted that consumers likely would pay more for coverage because of "whatever Congress demands in return in the form of direct and indirect taxes" to support the catastrophe coverage program.

Another group that has the attention of the Republican-dominated 104th Congress also has weighed in against the proposals.

"If passed, such legislation will bring more government intervention in an area well served by U.S. and global capital markets. It would replace major segments of the private-sector reinsurance industry, endangering sources of risk capital and new financial techniques that would efficiently insure against losses from major natural disasters in the United States," wrote David Keating, executive vp of the National Taxpayers Union in Washington, in a letter to lawmakers. "This legislation could also cause enormous increases in taxes, debt or both."

Backers of the legislation contend that the subsidy argument is a red herring.

"The first perception everybody has until they read the legislation is that it's some sort of bailout for insurance companies, but we can overcome that with education efforts," said John Lobert, senior vp-government relations for the National Assn. of Independent Insurers in Washington.

The potential cost to the federal government is "probably the biggest issue" raised on Capitol Hill, agreed Melissa Wolford, director-federal affairs at the American Insurance Assn. in Washington.

'The argument that the insurance sector will wind up better off when it gets in bed with the federal government is just naive,' says researcher Ben Zycher.

In addition, comparisons between the government's potential role in catastrophe reinsurance with the savings and loan bailout do not hold up, she stressed. If insurer premiums don't cover the cost of a 12-month run of catastrophes, the law allows only "a capped loan at non-subsidized rates," she said. "So it's not an industry bailout."

The proposed pre-emption of states' right to regulate rates creates "potential problems,' acknowledged Tom O'Day, associate vp in the Alliance of American Insurers' Washington office. Even insurers have had "to swallow hard" on that provision, given their longstanding commitment to state regulation of insurance, he said.

Mr. O'Day argued that the pre-emption would be justified to prevent the type of cross-subsidization feared by House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa. Rep. Shuster has sought assurances from the bills' backers that policyholders in states like Pennsylvania will not pay inflated rates to provide cheaper insurance for people in catastrophe-prone states like

See **Disaster** *on next page*

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Continued from previous page
California and Florida.

Mr. O'Day also said that the pre-emption is needed because state insurance regulators would be hard pressed not to seek the lowest possible rates for their constituents.

A spokesman for Florida Insurance Commissioner Bill Nelson, who chairs that National Assn. of Insurance Commissioners' Catastrophe Insurance Working Group of the Personal Lines-P&C Insurance Committee, said that while the NAIC hasn't taken a position on the legislation, the commissioner is a "strong supporter" of the bills.

In fact, Mr. Nelson, a former congressman, has been seeking the support of former colleagues for the bills. The spokesman added that the Florida commissioner doesn't view the bills' pre-emption of state rate regulation as an unjustified intrusion into state regulation because of the magnitude of the exposure.

"I'm not overly concerned about those pre-emption issues. We recognize that there are easy cheap shots that can be taken against this," said Joel Wood, vp-government affairs for the Council of Insurance Agents & Brokers in Washington.

According to Mr. Wood, such "cheap shots" include opposition to limited pre-emption of state rate-setting laws, charges that the bills would create another big federal program and fears that "Uncle Sam is having a say over local building codes."

"There are no red flags that haven't already been fully anticipated," said Mr. Wood.

He added that the legislation's supporters recognize "that there's a fine balance between the GOP notion of dealing with disasters before they happen as opposed to after and the difficulties of fitting that into the ideology of states' rights."

Reinsurers also support the bills.

"The RAA has long supported the notion that the federal government needs to assist in financing the truly catastrophic event. We disagree with the views of some that hurricanes and earthquakes are uninsurable perils. We really remain committed to a bill that encourages mitigation and provides every insurance mechanism for a mega-event," said the Natural Disaster Coalition's Mr. Nutter, who is also president of the Reinsurance Assn. of America in Washington.

Speaking as chairman of the Natural Disaster Coalition, he said: "We're encouraged by the broad sponsorship that the bills received and we look forward to the open debate that's going to follow." He cautioned, however, that additional voices would have to be heard—those of risk managers, consumers, state insurance regulators and emergency management officials—"before we can determine if this bill is viable."

Proponents also may get an unexpected—and unwanted—ally in the catastrophes the measure is designed to mitigate.

"Depending on whether the Big One hits this year, this legislation could move a lot faster than any of us anticipates," said the AIA's Ms. Wolford. BI

Cops shoot videotapes to limit loss

By ROBERTO CENICEROS

LOS ANGELES—The Los Angeles County Sheriff's Department hopes that video cameras it now has installed in supervisors' patrol cars will help prevent losses like the record $15.9 million compensatory award against the department over its handling of a disturbance at a 1989 bridal shower.

Officials for the self-insured county plan to seek a new trial or appeal the Los Angeles Superior Court jury's Aug. 7 award to 36 people who were brutalized or falsely arrested after 25 deputies responded to a disturbance in Cerritos, Calif.

Jurors saw a home videotape of the incident depicting beatings by the deputies.

"The video was important because otherwise it was their word against ours," said a spokesman for one of the lawyers who represented the plaintiffs.

Deputies maintain they were pelted with rocks and bottles when they arrived to investigate a report of fighting in the street. But criminal charges were quickly dropped against 34 people while a jury acquitted others charged with rioting and assaulting deputies.

Following the melee, the department installed video cameras in supervisors' cars, said Lt. Dennis Burns of the Sheriff's Risk Management Bureau. He could not say whether the sheriff's department has taken other loss control measures.

The $15.9 million award was for civil rights violations, malicious prosecution and assault. Jurors will assess punitive damages against the sheriff's department in another phase of the trial. BI

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For the Record

Regulators, business must find 'partnership'

WASHINGTON—Congress should continue prodding regulators to work in partnership with the businesses they regulate, according to a key Republican lawmaker.

House Whip Tom DeLay, R-Texas, laid out his vision for regulatory reform recently in an address to the GOP-backed National Policy Forum in Washington. He noted the House voted to cut funding for the Environmental Protection Agency's enforcement efforts last month as a step to foster such a partnership.

"The intent is to encourage a 'compliance assistance' philosophy, where EPA works with states and industries to resolve problems rather than simply handing down fines and sending people to jail," he said.

Rep. DeLay also called on Congress to take an "active role in overseeing and reviewing the promulgation of regulations, rather than abdicating its responsibility by passing 'feel-good' legislation" and leaving the details of implementing the new laws to the regulatory agencies.

North Carolina passes two civil justice laws

RALEIGH, N.C.—Two major tort law changes will take effect in North Carolina on Jan. 1, 1996.

Lawmakers approved legislation reforming the state's punitive damage and product liability laws in the final hours of the General Assembly's 1995 session late last month. The measures automatically became law because the state constitution does not give the governor a veto.

The new punitive damage law caps damages at three times compensatory damages or $250,000, whichever is greater. To receive punitive damages, the plaintiff must prove by "clear and convincing" evidence that fraud, malice or wanton or willful misconduct occurred. The new law also abolishes vicarious liability unless the defendant condoned or participated in the conduct that caused the claim.

Among other things, the product liability reforms abolish strict liability in product liability tort actions, hold there is no duty to warn of obvious and open risks and give drug manufacturers a "learned intermediary" defense whereby a manufacturer cannot be held liable under product liability law if it gave adequate warnings to the health care professional prescribing its product.

The General Assembly earlier approved a bill spelling out the qualifications for expert witnesses in medical malpractice cases. Lawmakers are expected to take up bills dealing with frivolous lawsuits and collateral source reform when the Legislature reconvenes next year.

N.J. Blue adjusts rates for deliveries

NEWARK, N.J.—In an effort to reduce the number of unnecessary caesarean births among its members, Blue Cross & Blue Shield of New Jersey is restructuring the fee schedule it uses to pay obstetricians.

Under the new reimbursement policy, the Newark, N.J.-based plan will increase fees for obstetricians who perform vaginal deliveries and reduce fees for those performing C-section deliveries. In addition, the plan will pay an additional $100 to physicians who perform vaginal deliveries for women who have had a prior C-section delivery.

The Blues plan says the reimbursement strategy, effective immediately, is an attempt to reduce the average C-section rate among its members from 27.5% closer to the national average of 22%.

The move is not a "quick fix," but should improve the plan's C-section rate, said Dr. Michael McGarvey, senior vp of health industry services. The plan will closely monitor the new fee arrangement to measure its effectiveness, he added.

BC/BS of New Jersey is the state's largest health insurer, providing indemnity and managed care coverage to 1.86 million people.

Nevada law limits hotels' liability

CARSON CITY, Nev.—A new law in Nevada will make it more difficult for guests to sue owners of hotels, motels and lodging houses for negligence.

The law bars civil liability against owners in cases of death or injury of a patron or other person on the premises caused by someone other than an employee. However, litigation would not be prohibited if there is "clear and convincing evidence" that the owner did not use ordinary care. The law also places limits on punitive damages.

The legislation, dubbed locally as the "Tailhook bill," had contained a retroactivity clause that was removed from the bill by a committee in the Assembly. The clause would have wiped out the $5.2 million verdict against the Las Vegas Hilton, where former Navy Lt. Paula Coughlin was assaulted during a 1991 Navy Tailhook convention, because the judgment was being appealed and therefore was not final (*BI*, Nov. 7, 1994).

Experimental coverage

Civil rights law is latest twist in cancer treatment fight

EUGENE, Ore.—A health insurer must cover the cost of a contentious breast cancer treatment for a woman who claims that the insurer's coverage exclusion violates federal civil rights law.

The ruling by a U.S. district judge came late last month in a case that tests one of the newest arguments that women with breast cancer have pursued recently in their battles with health insurers for coverage of high-dose chemical therapy with autologous bone marrow transplant.

The treatment involves attacking a patient's breast cancer with doses of chemotherapy that are much higher than those traditionally used. That treatment also kills the patient's bone marrow, so doctors must inject the patient with her own, previously drawn marrow after the chemotherapy is completed.

Many doctors believe the treatment is effective in treating breast cancer at certain stages.

But, the National Cancer Institute still is studying whether HDC/ABMT is any more effective than conventional therapies. Some health insurers, including Blue Cross & Blue Shield of Oregon, will not cover the cost of the treatment for breast cancer patients.

However, it and other insurers do cover HDC/ABMT in other cancer cases for which the NCI does not consider the treatment experimental.

Steven C. Yates, an independent attorney in Oregon for Marcia Linker, argued that a coverage exclusion in a BC/BS of Oregon personal lines policy violated a federal civil rights act. He argued that the policy approves the treatment only for cancers that occur predominantly in men.

The law, known as the Ku Klux Klan act, bars individuals in the private sector from conspiring to discriminate against others on the basis of race or ethnicity.

Mr. Yates explained that he believes the law also protects the rights that individuals have under state statutes and that the law bars other types of discrimination.

U.S. District Court Judge Michael Hogan in Eugene, Ore., ordered BC/BS of Oregon on July 28 to cover the cost of the treatment, which will range between $150,000 and $200,000, Mr. Yates estimated.

The insurer has asked for a rehearing, but Ms. Linker nearly has completed the treatment already, Mr. Yates said.

The order was part of a preliminary injunction against the insurer in the early stages of the litigation between Ms. Linker and the Blues plan.

The case is not expected to go to trial until next year.

The Blues plan's attorney, Chrys Martin of Bullivant, Houser, Bailey, Pendergrass & Hoffman of Portland, Ore., could not be reached for comment.

—By Dave Lenckus

Insecticide makers not liable, court says

SAN FRANCISCO—The state government, not private companies, is responsible for warning the public of possible hazards from emergency insecticide spraying, the California Supreme Court has ruled.

In a July 17 ruling, the court dismissed manufacturers and distributors of malathion—which was used in state efforts to eradicate the Medfly—from a suit by a boy who contends he went blind after being sprayed with it.

In a 6-1 decision, the court ruled that because the spraying came under a state of emergency, the companies were not obligated to warn the public. Had they tried to do so, they might have interfered with the state's ability to handle the emergency. "It was the state's responsibility to design and implement an informational protocol, and that responsibility as we have seen cannot as a practical or prudential matter be divided during an emergency," the justices wrote.

Defendants included the state, American Cyanamid Co., Platte Chemical Co., United Agri Products and San Juan Helicopter Co.

Juan "Johnny" Macias, then 14, contends that he was blinded shortly after the 1990 spraying of his Los Angeles neighborhood. His suit against the state is expected to go to trial early next year.

The justices noted the state repeatedly declared the pesticide safe, contradicting an Environmental Protection Agency warning advising residents to wash and seek medical help immediately if they came in contact with malathion.

Florida passes law on workplace illness

TALLAHASSEE, Fla.—Beginning next year, any emergency rescue or public safety worker who develops hepatitis, meningococcal meningitis or tuberculosis will be assumed to have contracted the illness on the job, unless the worker's employer proves otherwise, according to a new Florida law.

H.B. 67, which became law June 14, applies to firefighters, paramedics, emergency medical technicians, law enforcement officers and correctional officers throughout the state. It does not apply to public hospital employees.

Under the law, public safety and emergency rescue workers may be required to undergo a pre-employment physical or submit to other tests proving they are not infected with any of the diseases. And, after infection, workers must declare in writing that they have not been exposed to anyone with the disease.

Public employers may require these workers to become immunized or take other preventive measures unless the worker's physician objects. All Florida public entities with eligible workers must maintain records of any known or suspected exposures of employees to these diseases. Employers also must notify the employee immediately of such exposure.

The law applies to conditions diagnosed on or after Jan. 1, 1996.

HSI to acquire HMO in Pennsylvania

WOODLAND HILLS, Calif.—Health Systems International Inc. is following through on its strategy to expand into the Northeast with a planned acquisition of a 98,000-member health maintenance organization in Pennsylvania.

Woodland Hills, Calif.-based HSI signed a definitive agreement July 11 to acquire G.H. Holding Corp. and most of its for-profit subsidiaries from Graduate Health System Inc. of Philadelphia for $100 million in cash and promissory notes.

The cornerstone of the transaction is Greater Atlantic Health Service Inc., an HMO serving Philadelphia and southern New Jersey. Greater Atlantic provides services to 57,000 commercial HMO members, 30,000 Medicaid HMO members and 11,000 Medicare HMO members.

As part of the transaction, HSI also will acquire Philadelphia Health Associates, which provides medical services to many of the HMO's members.

In addition, HSI will create a hospital management company to manage seven non-profit Philadelphia-area hospitals in the Great Atlantic network. HSI also will acquire Founders Health Care Inc., which manages primary care physician practices; GHS Home Medical Services Inc.; and other businesses.

In April, HSI merged with WellPoint Health Networks Inc., creating one of the nation's largest managed care companies with 4.4 million members in California and seven other states (*BI*, April 10; April 3).

Information in brief

The state of Michigan received a $225 million payment to close the sale of its **state-run workers compensation fund** to Blue Cross & Blue Shield of Michigan. . . .A new Ohio law requires employers that want to **insure an employee's life with the company as beneficiary** to first obtain the employee's written permission (*BI*, June 5). . . .Dan R. Carmichael, former president and chief executive officer Of Shelby, Ohio-based Anthem Casualty Insurance Group, has been named president and CEO of the **Insurance Value Added Network Services** in Greenwich, Conn., replacing Robert Y. Barham Jr., who died May 29. Replacing Mr. Carmichael at Anthem is J. John Wortman, former president and CEO of Detroit-based Michigan Mutual Insurance Co. BI

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44RSA

UFG

Continued from page 1

penses (*BI*, July 24).

Business Insurance has learned that UFG's business ally in some of its proposed deals—an Irish insurance group that initially provided the Kwajalein guarantees—had ties to Michael Arthur Strauss, a three-time convicted felon in a series of frauds.

None of UFG's dealings with Dublin-based Underwriters Insurance Group P.L.C. has resulted in charges of wrongdoing. Units of the Irish company in the United States and Bermuda have since collapsed for reasons unrelated to UFG; and UIG itself is in the process of being struck by the Irish government from its register of companies.

After years of reporting severe liquidity problems, UFG's troubles reached a crisis point earlier this summer.

The broker notified its staff of roughly 60 people in late June that it might not make its next payroll, according to a former UFG employee who spoke on the condition of anonymity.

Many employees kept working for a week waiting to see what happened and found themselves without paychecks at the end of the month.

"The office quickly looked like a fire drill that no one came back from," the ex-employee said.

More bad news for UFG employees followed: A company official notified workers last month that the firm had bounced its June premium payment to Sanus Health Plan for employee medical coverage and that Hartford Life Insurance Co. had suspended processing 401(k) distributions for non-payment of its administration charges.

The news for UFG clients wasn't much better: Chairman Donald Ferrarini notified wholesale brokers in late June that UFG was unable to remit client premiums "due to financial difficulties."

The number of clients and the amount of premium involved are unknown. One insurer, a unit of American International Group Inc., has already sued UFG for bouncing a June premium payment due on behalf of one policyholder.

The New York Insurance Department, which is investigating UFG along with the Securities and Exchange Commission, has warned insurers not to cancel policies on which UFG received but did not remit premiums.

On Aug. 4, the American Stock Exchange delisted UFG's stock, after suspending trading of UFG shares in April.

One of UFG's larger creditors is likely to be Reliance Group Holdings, whose insurance units ceded long-haul trucking and other business to International General Insurance Co. Ltd., UFG's Cayman Islands underwriting unit.

Reliance commuted its treaties last December in return for a $1.4 million promissory note from International General Insurance, payable in $30,000 monthly installments beginning in January 1995. International General Insurance has already defaulted on the note, which was guaranteed by UFG and secured by 1.4 million shares of UFG stock. A Reliance spokesman said the insurer will take "appropriate steps" to try to recoup its money.

UFG's Mr. Ferrarini has not returned numerous calls seeking comment, and UFG's lawyer declined to comment.

UFG was apparently hoping to avoid problems like these in 1992, when, already facing financial difficulties, it formed an alliance with Dublin-based UIG to mount an insurance acquisition campaign, SEC documents show.

Like UFG, the Irish company hardly seems a likely candidate for a merger-and-acquisition powerhouse: Formed in April 1991, UIG was the parent company of Mid Atlantic Insurance Brokers Inc., a Washington-based brokerage that sought Chapter 11 bankruptcy protection in October 1991 and was ordered liquidated two years later. Mid Atlantic in turn owned Covent Insurance Co. Ltd., a Bermuda reinsurer that was ordered into liquidation May 26, 1995.

Mid Atlantic's bankruptcy was closed last December after a trustee reported that the company had no identifiable assets and after a bankruptcy judge imposed $6.6 million in fines against Mid Atlantic for failing to produce documents over a two-year period.

Despite the failure of its subsidiaries, UIG itself is still in business, according to Andres Romero, a UIG shareholder and the former president of Mid Atlantic and Covent.

The Irish government, however, is in the process of striking UIG from its companies register for failing to file any annual returns since its formation, a government official in Dublin said.

Meanwhile, UIG and its subsidiaries also had ties to Michael Arthur Strauss, a three-time convicted felon on state and federal fraud charges spanning from the late 1960s to 1981, *Business Insurance* has learned.

Mid Atlantic's corporate secretary—and the only person besides Mr. Romero to sign many of its legal agreements—was Jan K. McDaniel, identified by regulatory sources as Mr. Strauss' wife.

Mid Atlantic's bankruptcy records report that Covent was getting financial advice from Underwriters Capital Corp., a company for which Mr. Strauss, using the name Arthur Strauss, acted as an agent. Mr. Strauss appeared as a Covent consultant in the Mid Atlantic bankruptcy proceedings, according to a lawyer involved in the case who identified Mr. Strauss from a photograph.

'The office quickly looked like a fire drill that no one came back from,' says an ex-UFG employee.

Describing UCC isn't easy.

Mr. Romero said it is a UIG subsidiary.

However, in a 1990 agreement between UCC and Ruston bank that was signed by Mr. Romero, UCC was described as a District of Columbia corporation formerly known as Mid Atlantic. Incorporation records in Washington show no company by UCC's name.

In another set of agreements among UCC, UIG and B.R.I. in 1992, UCC is described as the "doing business as" name for Financial Security Trust Co., which itself is described as an Irish corporation. An Irish government official, however, said neither Financial Security Trust nor UCC is registered as a corporation there. Ms. McDaniel signed these documents as an "authorized officer" of UCC.

During 1993, UCC also operated from an office suite in Washington that accepts mail and phone messages for dozens of companies. An official of the firm that manages the suite said that while UCC was not a client, Mid Atlantic, represented by Michael A. Strauss, was.

UCC letterhead also gave the firm's address as the New York offices of UFG. Mr. Romero confirmed that UIG and UCC both operated from vacant space within UFG's offices in 1993.

Neither Mr. Strauss nor Ms. McDaniel could be reached. A man answering a Virginia phone number previously used by UCC said the company was no longer there. The man, who refused to identify himself, took a message for Mr. Strauss, who he said was traveling.

Robert J. Flynn Jr., a Washington lawyer for UIG and Mid Atlantic, said he didn't know if Mr. Strauss worked for the companies and said he never met "Arthur Strauss."

In early 1992, UIG joined forces with privately held B.R.I., which was looking for financial backing for an ambitious expansion program. The broker had suffered a net operating loss the previous year and had reported a net worth of negative $3.9 million.

The firm struck a deal with UIG in which B.R.I. would locate and manage insurance acquisitions that UIG would finance with debentures backed by $132 million in Kwajalein guarantees. The guarantees purportedly represented assignments of land-use payments owed by the U.S. government to landowners on the Kwajalein atoll in the Marshall Islands for use of their property for military purposes, according to UFG's SEC filings.

UIG obtained the guarantees from William Stehl, a Henderson, Nev., businessman, who in turn got them from a Marshall Islands senator with a purported power of attorney for the landowners.

In offering material for a 1991 Kwajalein-backed debenture issue in New York, UIG included an opinion letter from its lawyer, Mr. Flynn, that based on facts at hand the guarantees were "valid, legal and enforceable."

However, an official of the Marshall Islands Ministry of Foreign Affairs said in 1993 that he did not believe the senator had authority to pledge the land-use payments. In 1991, the Ministry had labeled as "suspect" a power of attorney purportedly giving the senator control over a bank account into which land-use payments were deposited (*BI*, Sept. 27, 1993).

SEC filings show that one of the first takeover targets of the B.R.I./UIG partnership was Frank B. Hall, which the two firms planned to acquire from Reliance Group using an undisclosed amount of the Kwajalein-backed debentures.

The plan went nowhere, and in July 1992 Reliance sold its interest in Hall to Aon Corp. for $475 million (*BI*, July 27, 1992).

While initially supporting the takeover effort, Mr. Romero said UIG eventually opposed it because Hall "had too many offices all over the world," and B.R.I. "did not have the expertise to run such a huge conglomerate."

In August 1992, UIG and B.R.I. hit on a new plan: The two would reorganize themselves as a public company by jointly acquiring Chippewa Resources Inc., a Denver-based oil and gas company, for stock and Kwajalein guarantees.

The surviving company would divest its oil and gas assets and act as a holding company for both firms' insurance operations, which would then use another $97 million in Kwajalein guarantees to finance acquisitions.

This plan fell apart within weeks, though: Charging that UIG had failed to live up to promises to obtain financing, B.R.I. went ahead on its own with the Chippewa acquisition, using $35 million in Kwajalein guarantees it obtained from Mr. Stehl.

The acquisition was completed in late 1992, and B.R.I. became the publicly traded UFG.

UIG later sued UFG for allegedly tampering with its exclusive right to the Kwajalein guarantees and eventually settled its dispute for a block of UFG stock.

Despite their falling out over the Chippewa deal, UFG and UIG continued to do business.

In 1993, UFG's Cayman subsidiary, International General Insurance, entered a loss portfolio transfer agreement ceding the bulk of the business it had assumed from Reliance to Covent, whose parent Mid Atlantic was then in bankruptcy, according to UFG's SEC filings. International General Insurance canceled this agreement at the end of last year and then commuted its treaties with Reliance.

In March 1994, UFG and UIG also joined with Century Industries, a small Virginia-based steel fabricator, in a plan to acquire now-defunct Prestige Casualty of Illinois. Convicted insurance con man John V. Goepfert had previously helped run Prestige as a consultant to the insurer's owners (*BI*, Aug. 16, 1993).

Century proposed to take control of Prestige by contributing $5 million in 10-year notes issued by UIG but held by Century, according to a receivership official. Century Chairman Richard Campanaro would have headed the insurer and James Sweitzer, a UFG officer, would have managed underwriting, the official said.

Century dispatched a team to examine the insurer that included Mr. Romero, Mr. Sweitzer and two other UFG officials, but they arrived on the day Illinois regulators placed Prestige in receivership. The insurer was ordered liquidated in July 1994.

UFG independently pursued a number of other acquisition plans as its financial condition worsened, including proposed takeovers of Christiania General, a New York-based unit of UNI Storebrand Group of Norway; New York-based Kalvin-Miller International Inc., the 29th largest broker of U.S. business based on 1994 revenues; and Lawrence Agency Corp., the 18th largest broker of U.S. business based on 1993 revenues.

UFG planned to pay $55 million for Lawrence and another firm, financed with senior notes and preferred stock to be issued by UFG and a newly formed UFG holding company, according to an investment memorandum obtained by *Business Insurance*.

None of these takeovers ever went through, and officials familiar with the offers said none ever reached the point of serious negotiation.

Meanwhile, just before it collapsed, UFG had formed a brokerage alliance with U.S. Insurance Brokers Inc., a recently incorporated Washington firm whose representatives include officials of UIG companies and Theodore Schwartzbeck, a Century Industries officer.

USIB was incorporated in April with Patrick Strauss as its registered agent and Basilio Garcia, UIG's treasurer, as its authorized representative for property/casualty insurance business, according to public filings.

Mr. Romero confirmed that he also acts as a producer for USIB, and Mr. Flynn, USIB's lawyer, confirmed that Mr. Schwartzbeck, also known as Ted Beck, is an officer.

Mr. Flynn refused to disclose the names of other directors or officers, explaining that USIB is negotiating an acquisition of a company traded on the New York Stock Exchange and he cannot comment on any aspect of the firm's operations.

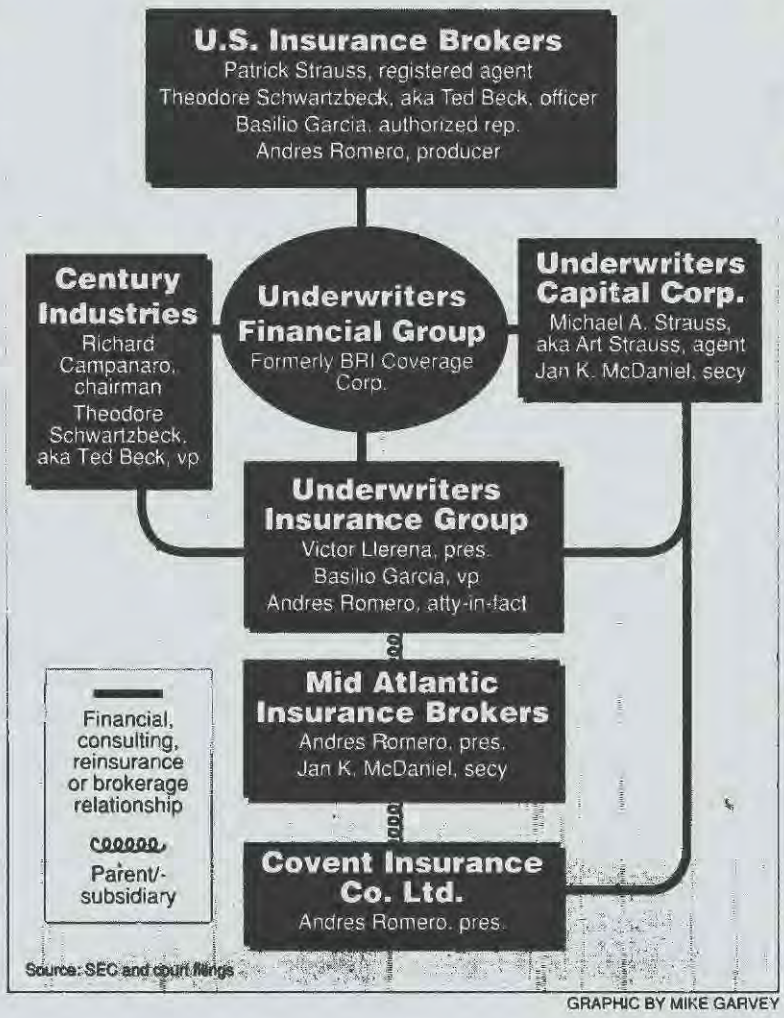
Patrick Strauss declined to say whether he is related to Michael Strauss, and Mr. Flynn said Michael Strauss is not a director or officer of USIB.

Although Mr. Flynn said that he did not know if Michael Strauss performs any work for USIB, he added: "It's not impossible that he would come in here and offer gratuitous advice."

Both Patrick Strauss and USIB's receptionist took messages for Michael Strauss, saying that he was not in the USIB office but would be later.

USIB and UFG had planned to jointly market a personal lines program underwritten by General Accident Insurance Co. of America.

Since UFG's collapse, though, USIB has forged another alliance with a New Jersey broker on the program. BI



GRAPHIC BY MIKE GARVEY

LTD

Continued from page 1

What's more, "a lot of companies that are already in LTD want to increase market share, and that includes those companies that have looked at LTD as a secondary or tertiary line and are now trying to increase their presence," said Bob Taylor, senior vp of John Hewitt & Associates, a Portland, Maine-based actuarial and marketing consulting firm specializing in disability.

"Much of that is being driven by the changes in the health care market," he said. "As companies get out of the health care business, they want to stay in the group business and they're placing more emphasis on ancillary lines of coverage."

As increased competition has cut into insurer profit margins (see chart), so have increased losses on claims in new areas like psychological problems, carpal tunnel syndrome and chronic fatigue.

Market leader UNUM Life Insurance Co. for instance, had a 42% increase in the number of mental and nervous claims filed in 1994 vs. 1993, while back strain claims increased almost 40%, said John S. Roberts, senior vp, long-term disability, for the Portland, Maine-based insurer.

Changing social mores have also depressed insurer returns. "It's becoming more socially acceptable to be disabled," said Mr. Taylor.

In addition, downsizing and corporate restructuring have encouraged disabled employees who might otherwise have stayed on the job to file disability claims, say observers.

Nor are these factors expected to diminish. "I think that the general wisdom is that we appear to have reached sort of a new level of incidence," that is 20% to 25% higher than it was two years ago, said Richard Lewis, vp of Mount Prospect, Ill.-based Met DisAbility, a Metropolitan Life Insurance Co. unit. "It's not just a spike, but it appears to be sustained," said Mr. Lewis.

Loss experience has been particularly poor among doctors and lawyers groups, as those professions have both hit tough times. Observers note that claims are particularly high, for instance, among doctors in California and southern Florida, where managed care is entrenched.

One of the characteristics of the business is that claims are relatively few but very expensive, noted Peter Carroll, vp, disability & accident, for CNA Insurance Cos. in Chicago. An increase from just three to four claims per 1,000 employees can have a dramatic impact on experience.

Also playing a role in insurers' results have been declining interest rates, which are an "important component of the financial equation," said Judy Tilbor, assistant vp, marketing and product services, for the employee benefits division of ITT Hartford Life Insurance Cos. in Simsbury, Conn.

Many disability insurers are losing money on the line. In fact, 14 of the 23 large companies surveyed last year by John C. Antliff, a Falmouth, Maine-based independent consultant and actuary, posted underwriting losses in 1994.

But Sedgwick's Mr. Doerr said rates remain low, despite the underwriting losses. "We have witnessed some situations where the proposals that we've received can't be supported by the claims experience that the account has produced. Some carriers are still buying market share."

LTD insurers, though, say rates are increasing, albeit selectively. "I'd classify the market as soft, but with slight hardening—clearly not as quickly as we would like," said Matthew Byrne, assistant vp at CIGNA Corp. in Philadelphia.

Rates are either going up significantly or not at all, depending upon the class of business, said Ed Muldoon, president, group life and disability operations, for Prudential Insurance Co. of America in Newark, N.J. Overall, there might be a 5% to 10% increase, "but for some selected segments of the market it could be much higher, depending upon what your market is," he said.

Especially in the smaller group market, rates moved up quite a bit in the first half of 1995, said UNUM's Mr. Roberts. "Now it seems like almost all of the carriers are taking some sort of corrective action in the way of price." But Mr. Roberts added the market for groups of more than 1,000 people "still remains very competitive year over year.'

Met's Mr. Lewis made a distinction between new and renewal business. Even as insurers aggressively pursue new business, he said, "there's been some recognition in the marketplace that because of continued increased incidence, there has to be some more reality in the rates, and I'm seeing that in particular on renewals."

Helping to hold rates down are aggressive entrants in the market, which are not encumbered by existing books of business, said Tom Klett, national issue leader for disability for Towers Perrin in Boston. That "doesn't bode well for an industry that's having profitability concerns."

Tighter underwriting standards, though, are being introduced, say observers, as the bells and whistles of a few years ago disappear. "The sales strategy is moving away from selling a potpourri of unusual features and they're going back to standard LTD plans focusing on good risk selection, sound plan design and excellent claims management," said John Hewitt's Mr. Taylor.

"Certainly a lot of carriers, ourselves, included, have become more cautious from an underwriting perspective," said Mark Andruss, director-product development for Fortis Benefits Insurance Co., who is based in Kansas City, Mo. "A lot of carriers in the 1980s competed aggressively for market share through liberal plan design," he said. As a result, "a lot of carriers are struggling with their experience now."

The tighter underwriting standards are also at least partly in response to customer demand, said UNUM's Mr. Roberts. Employers are becoming increasingly aware of the "hidden costs" of disability beyond paying LTD insurance, such as the expense of retraining, absenteeism and hiring, and are offering lower benefits to discourage employees from taking advantage of the benefit.

Meanwhile, observers say significant progress has been made in integrating long- and short-term disability benefits, though integration with both managed health care and workers comp is generally still on the distant horizon.

"That's where the workplace is going," said Susan Cassidy, medical director of disability products at Aetna Life & Casualty Co. in Hartford, Conn. The insurer now has a pilot project under way with participating Aetna employees that integrates management of occupational and non-occupational disability.

There has been a big focus on integrated programs among plan sponsors, noted Randall Abbott, managing director for the Alexander & Alexander Consulting Group in Lyndhurst, N.J. "We're seeing burgeoning interest among the large plan sponsors and the midsize plan sponsors" who are trying to explore it, he said.

There are potential snags, however. Met Life's Mr. Lewis said one of the possible problems in integrating group health with disability is the group health provider in managed care will tend to focus on providing the most conservative treatment at the lowest cost—even if this is not necessarily the fastest way to get the employee back on the job.

For instance, a patient with a bad back may be told by a group health provider to rest for four weeks and take aspirin, while from a disability perspective, it might be better to prescribe costlier physical therapy to get him back on the job in only two weeks. There is a "lot of work to do with managed care organizations to change that mind-set," said Mr. Lewis.

In the workers comp area in particular, potential barriers include differing state regulations and organizational challenges related to the fact that workers comp and long-term disability are generally the separate responsibilities of the risk and benefit managers.

"I think we are seeing some situations where the risk manager and benefit manager are looking at these situations together," said Maryann Sullivan, executive vp, group market, for Liberty Mutual Insurance Co. in Boston.

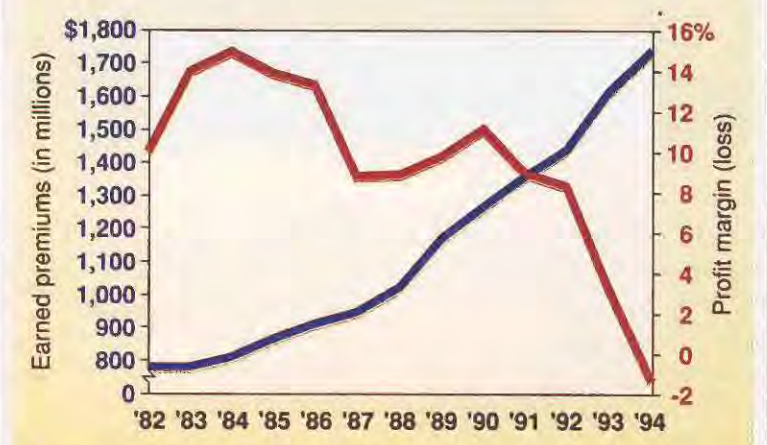
If insurers can demonstrate to companies that integration holds a concrete benefit for them, "then companies will see that and begin to organize their companies accordingly," said Ms. Sullivan.

However, for now, "I think there is more discussion than there is movement in the marketplace," said Sedgwick's Mr. Doerr.

Steve Ogaard, vp-employee benefits, for Chattanooga, Tenn.-based Provident Life & Accident Insurance Co., agreed. "I think the potential is more or less recognized, but there's not a whole lot of execution yet."

Said Hartford's Ms. Tilbor: "I think it's only a matter of time." BI

Competitive LTD market



Source: Survey of 23 insurers by John C. Antliff, F.S.A.

GRAPHIC BY MIKE GARVEY

Updates

Korean satellite loss possible

LONDON—Koreasat 1, South Korea's first communications satellite, may be a total loss due to an improper orbit altitude.

Delayed by two days because of Hurricane Erin, the satellite was launched from Cape Canaveral, Fla., Aug. 5 on a McDonnell Douglas Delta 2 rocket, which left it in an orbit almost 4,000 miles too low. McDonnell Douglas is investigating the incident.

The Lockheed Martin-built satellite's onboard engine was used on Aug. 10 to try to push it into the correct orbit, which initially appeared to be successful.

But burning the South Korean satellite's own fuel could well shorten its 10-year life, and if more than half of the fuel is used, Koreasat 1's life expectancy will become so short as to be a total loss.

Other possibilities for rescuing the satellite are being investigated at the moment, said a market source.

The South Korean government has $150 million in launch coverage for the satellite from insurers in the international market. In London, the coverage is led by the Marham Space Consortium, which writes $11.7 million of the risk.

Job restoration top FMLA gripe

WASHINGTON—The most common complaint by employees about the Family and Medical Leave Act is that employers did not restore them to an equivalent position following family leave, the U.S. Labor Department found in a review of complaints filed under the law.

Other common complaints are that leave was improperly denied and that employers did not continue group health benefits, as required.

The Labor Department said earlier this month that it has resolved 90% of the 1,784 complaints it received from Aug. 5, 1993, to June 30, 1995, that contained actual FMLA violations. Another 1,232 complaints did not involve violations of the 1993 law.

Product liability action call

WASHINGTON—Lawmakers and business groups are urging the leaders of the House and Senate to convene a conference as soon as possible to work out differences between product liability bills passed earlier this year by the House and Senate.

In separate letters to House Speaker Newt Gingrich, R-Ga., 75 GOP House members and 14 of their Democratic colleagues called on Rep. Gingrich to begin the conference process immediately. "Every day we delay in moving forward with this vital legislation costs America jobs and hurts our international competitiveness," wrote the Republicans. "A failure to move promptly to a conference will place in jeopardy the significant progress made to date and also endanger the likelihood of further reform," according to the Democrats.

Rep. Gingrich has said he would like to keep the matter alive until next year, when it could be used as a campaign issue (*BI*, May 22).

Risk-based capital at Lloyd's

LONDON—The evolution of Lloyd's of London continues with the planned introduction next year of risk-based capital.

Lloyd's sees the new system providing benefits not only to capital providers and agents, but also to policyholders, according to a report by a working party led by underwriter Mark Brockbank (*BI*, July 17)

The system will create a "risk profile" for different classes of business to identify the amount of capital required to support underwriting portfolios. Credit will be given based on the spread of risk in the classes of business written and for underwriting on syndicates managed by more than one agency.

The system will be put into use next year for corporate capital providers and for unlimited liability names in 1997.

Briefly noted

Saul P. Steinberg, chairman and CEO of Reliance Group Holdings Inc., is recuperating at home following a mild stroke in late June, the company disclosed last week. Mr. Steinberg, who is 55, is expected to recover fully and be back in his office after Labor Day. . . .S. 1107, introduced by Senate Minority Leader Tom Daschle, D-S.D., would require employers that substantially reduce or eliminate health benefits for early retirees to offer **COBRA coverage**, regardless of age, until retirees are eligible for Medicare. . . .**USI Insurance Services Corp.** completed the acquisition of Thomas E. Wood Inc. (*BI*, May 22). . . .H.R. 2256, recently introduced by Rep. Bill Zeliff, R-N.H., would create a **"hazardous substance revolving fund"** designed to help ensure that Superfund fees and taxes are used solely for cleanup and not transaction costs. . . Members of **Feltrim Underwriting Agencies Ltd.** syndicates 540/542 and 847 for the 1987, 1988 and 1989 years of account, who won a negligence suit against underwriters and members agents (*BI*, March 13), received a favorable High Court decision on damages last week. Justice Phillips ruled that damages would not be limited to amounts in excess of the annual capacity of each syndicate. This decision increases potential damages available, which will be decided in court in October, by more than £150 million ($238.6 million). . . .A federal appeals court panel in St. Louis voted 2-1 to reinstate fraud and conspiracy convictions against former Bel-Aire Insurance Co. owner **Arthur A. Blumeyer III** and co-defendant John W. Peckham Jr. On grounds of juror misconduct, a lower court had thrown out Mr. Blumeyer's convictions on 27 conspiracy, fraud and money laundering charges for using a series of bogus insurers to defraud policyholders of more than $43.5 million (*BI*, Feb. 14, 1994). . . .A jury will decide whether victims and survivors of a cafeteria **shooting spree by a former Fireman's Fund Insurance Co. employee** in January 1993 are eligible for punitive damages from Allstate Insurance Co., the gunman's previous employer, which did not warn about his instability, a state court judge in Tampa, Fla., ruled last week. The trial is set for November.

Bells

Continued from page 1

of equal value for the second and third years of the contract.

Pacific Telesis

Pacific Telesis Group's tentative agreement with CWA officials calls for a 14% increase in pension benefits for current employees.

Monthly increases for retirees will range from 10% for those who retired before 1970 to 1% for those who retired in 1994.

The approximately 34,000 union employees of PacTel's Pacific Bell and Nevada Bell units are expected to ratify the three-year contract with the San Francisco-based company by Sept. 25.

The agreement also includes voluntary early-retirement incentives that add four years of age and service to the formula for calculating retirement benefits, as well as a 30% increase in monthly pension benefits for employees retiring before age 63.

In health care, PacTel will introduce a "Centers of Excellence" hospital network for employees who fall outside the managed care network and need organ transplants or cardiac surgeries, a spokeswoman said. Otherwise, PacTel employees will see no change in their health care plans, which include four commercial health maintenance organization and a PPO.

CWA members at PacTel will also see an increase in family-related benefits. The groups agreed to form a joint advisory board to develop onsite child care facilities. Employees now also will be able to take vacation time in two-hour increments instead of a full-day basis. That way, workers do not have to use a full day of vacaction to handle small family matters.

Other changes in the contract include a 10.5% wage increase over the next three years, a $16 million investment in increased job training and a host of options for employees whose jobs are affected by downsizing, including a severance enhancement that continues full employee health care benefit. The company would not say for how long the health benefit would continue.

Southwestern Bell

Southwestern Bell Telephone Co. will introduce a flexible spending account for its 37,000 CWA employees under a tentative agreement reached last Monday on a new three-year contract.

The agreement—subject to member ratification by Sept. 20—also includes additional health care benefits and programs to help workers of the St. Louis-based company manage their family needs.

The FSA will be used to cover copayments and deductibles for medical, dental, vision and prescription drug services, the company said.

The pact will also give employees more flexibility in scheduling vacation time, which will assist workers in meeting their family needs.

Other features of the agreement include: an 11% wage increase over the three-year contract; and a variable pay plan that would offer incentives for employees for improved performance.

Both union and company officials were unable to provide further details.

Ameritech

In tentative agreements reached Thursday with IBEW and CWA negotiators, Chicago-based Ameritech has guaranteed that during the three-year term of the new contract, health care premiums will remain unchanged for employees and retirees.

Ameritech employees now can choose between a health care network administered by Blue Cross & Blue Shield of Illinois, which offers very low or no employee copayments and low deductibles for most services, and an HMO, according to a spokesman for the communications company.

The new agreement will guarantee the same coverage for retirees.

CWA, IBEW and company officials will also continue discussions over retiree health care benefits in the future.

Under the tentative agreement, future retirees will also receive increases ranging from 12% to 15% in their monthly pension benefits.

The tenative agreements also call for other benefit changes, including vision and dental care plans. As of Friday morning, further details were unavailable.

Other terms of the agreements, which affect the 11,500 employees represented by IBEW and 28,800 represented by CWA, include: a wage increase of up to 10.9% over the three-year contract; a $500 lump sum bonus per employee upon ratification; and an increase in a success-sharing incentive plan that includes a minimum guaranteed annual payout of $300 in Ameritech stock.

The CWA agreement also calls for further employment security for employees subject to involuntary layoffs. Further details were unavailable.

Both agreements are subject to union member ratification in the next 30 days.

Meanwhile, Philadelphia-based Bell Atlantic and CWA officials were still in negotiations as of Friday.

"We are certainly hoping there is not a work stoppage," said a spokesman for Bell Atlantic. "The two sides are moving in the right direction, but are moving very slowly," the spokesman added.

Key stumbling blocks for the agreement include company proposals to cap retiree health benefits and implementation of a four-day work week, the spokesman said.

As of Thursday afternoon, Denver-based US West was still negotiating for a settlement before its current contract with the CWA expired on Saturday, Aug. 12. The contract affects approximately 33,000 union employees, a spokeswoman said.

Irving, Texas-based GTE Southwest was also negotiating with CWA. The current contract, which affects just under 5,000 employees, expires Aug. 15. BI

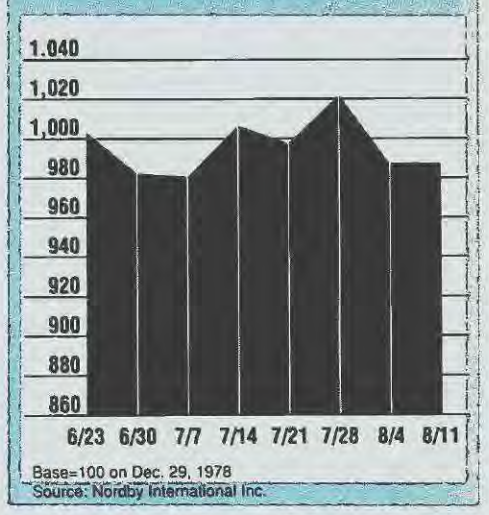
PBGC in deal with retailer

WASHINGTON—The Pension Benefit Guaranty Corp. last week reached an agreement with Woodward & Lothrop Inc., a bankrupt Washington retailer, that will protect the benefits of 10,530 participants.

Under the agreement, Woodward & Lothrop Chairman A. Alfred Taubman, through The Taubman Investment Co. L.P., will fully fund the Woodward & Lothrop pension plan, which has $30 million in unfunded liabilities. Woodward & Lothrop Inc., a well-known department store chain that operates in the Washington metropolitan area, filed for Chapter 11 last year. Its assets were purchased last week by May Department Stores Co. and J.C. Penney Co.

Once the pension plan is fully funded, it will be terminated and participants will receive vested benefits in either a lump sum or in monthly annuities.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

Catastrophe insurance option call spreads

As of Aug. 4

Call spread	Price bid/ask	Rate on line %	Call spread	Price bid/ask	Rate on line %
Eastern September 1995			Eastern September 1995		
10/30	10/—	50/—	50/80	—/8.4	—/28
30/50	8.2/—	41/—	100/120	—/2	—/11
35/55	7.8/—	39/—	20p	3.0/5.0	—/—
45/65	5.5/7.0	27.5/35	50p	—/16	—/—
50/70	5.5/5.7	27.5/28.5	70p	30.5/—	—/—

Total volume: 361 Total open interest: 2,265

For quotes, call the CBOT trading floor at 312-341-3342. For general information, call 312-435-3674.

British Issues

Aug. 10 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Commi Union	623	12.5	33.0	5.3	643—623
Genl Accident	625	9.2	36.3	5.8	639—625
Gdn Royal Exch	226	N/M	10.3	4.6	229—226
Independent	322	8.9	11.9	3.7	322—309
Royal	346	6.6	15.0	4.3	346—337
Sun Alliance	348	11.7	19.7	5.7	371—348
Brokers					
Bradstock	57	6.4	7.1	12.4	57—57
Fenchurch	145	10.1	10.0	6.9	145—144
CE Heath	213	13.4	20.0	9.4	213—213
JIB Group	124	10.8	9.4	7.6	124—124
Lloyd Thmpson	164	11.4	9.8	6.0	167—164
Lowndes Lmbrt	181	10.1	10.3	5.7	185—181
Nelson Hurst	142	11.0	8.3	5.8	142—142
PWS Holdings	16	N/M	0.8	5.0	16—16
Sedgwick Grp	137	12.4	8.1	5.9	138—137
Steel Brl Jones	104	12.2	11.3	10.9	112—104
Willis Corroon	147	N/M	8.3	5.6	149—147

Source: Philip Olsen, London

BI Industry Stock Report AUG. 7, 1995, THROUGH AUG. 11, 1995

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	28.88	-0.02	-13.81	34.50	25.50	46	0.72	2.49	14	13.24	2.18
Alexander & Alexander	NYS	23.25	-1.06	25.68	26.44	18.50	202	0.10	0.43	-15	6.08	3.82
E.W. Blanch Holdings Inc.	NYS	16.50	0.00	-20.00	23.00	16.50	224	0.40	2.42	13	4.55	3.63
Gallagher Arthur J. & Co.	NYS	36.88	-0.34	15.23	38.00	29.63	25	1.00	2.71	16	6.48	5.69
Hilb, Rogal & Hamilton	NYS	12.50	0.00	3.09	13.13	10.50	276	0.56	4.48	15	4.72	2.65
Marsh & McLennan	NYS	79.75	0.15	0.63	86.25	71.25	644	2.90	3.64	15	19.40	4.11
Poe & Brown	NDQ	24.25	4.30	11.49	24.50	19.50	11	0.48	1.98	15	4.49	5.40
BROKERS	AVERAGE		0.4	3.2					2.6	10		
INSURERS/REINSURERS												
ACE Ltd.	NYS	29.38	-0.02	25.67	31.38	20.75	208	0.56	1.91	7	22.45	1.31
Acceptance Insurance Cos.	NYS	15.63	0.81	4.17	18.00	12.63	77	0.00	0.00	9	9.83	1.59
AEGON N.V.	NYS	35.63	-0.35	40.26	37.25	22.09	96	3.60	10.11	14	43.84	0.81
Aetna Life & Casualty	NYS	62.88	0.60	33.42	64.88	42.25	2611	2.76	4.39	46	57.21	1.10
AFLAC Inc.	NYS	41.38	0.60	29.30	44.75	31.63	2255	0.52	1.26	13	57.21	0.72
Allied Group Inc.	NDQ	28.75	-1.71	16.16	31.00	22.00	205	0.68	2.37	6	23.43	1.23
Allmerica Prop. & Casualty	NYS	22.88	-0.02	35.56	23.38	14.63	96	0.16	0.70	9	19.45	1.18
Allstate Corp.	NYS	30.63	-0.02	28.95	33.38	22.63	8480	0.78	2.55	10	19.60	1.56
American Financial Group	NYS	25.75	0.00	22.62	27.63	21.63	387	1.00	3.88	12	36.30	0.71
American General	NYS	34.88	-0.73	23.45	36.88	25.63	1420	1.24	3.56	13	20.39	1.71
American Heritage Life Ins.	NYS	20.00	-1.23	5.26	21.50	16.25	20	0.72	3.60	11	12.42	1.61
American Indemnity/Fin'l	NDQ	9.06	0.03	-10.49	12.75	9.00	38	0.28	3.09	6	15.92	0.57
American International	NYS	74.38	-0.34	-24.11	79.66	58.41	4563	0.34	0.46	15	49.75	1.49
American Re Corp.	NYS	38.13	0.33	18.22	39.88	25.25	162	0.32	0.84	15	16.85	2.26
Aon Corp.	NYS	37.63	-0.01	17.58	39.00	29.25	617	1.36	3.61	11	21.96	1.71
Argonaut Group	NDQ	30.50	0.00	7.96	32.50	27.50	10	1.32	4.33	11	29.80	1.02
AVEMCO Corp.	NYS	16.38	-0.03	6.50	18.25	13.38	11	0.44	2.69	14	6.30	2.60
Baldwin & Lyons Inc.	NDQ	15.00	0.00	1.69	17.63	14.50	229	0.32	2.13	12	13.56	1.11
Berkley W.R. Corp.	NDQ	39.88	-0.93	6.33	39.88	32.50	307	0.48	1.20	19	36.47	1.09
Berkshire Hathaway Inc.	NYS	24350.00	0.41	19.36	24350.00	1474.00	1	0.00	0.00	-99	9157.79	2.66
Capital RE Corporation	NYS	27.13	-0.02	-0.91	27.38	20.50	32	0.20	0.74	10	21.48	1.26
Capsure Holdings Corp.	NYS	14.75	0.00	0.65	14.88	12.13	16	0.00	0.00	14	13.72	1.08
Chubb Corp.	NYS	84.88	-0.30	9.69	85.38	68.63	934	1.96	2.31	12	48.40	1.75
CIGNA Corp.	NYS	90.00	1.12	41.45	90.13	59.00	2248	3.04	3.38	8	80.98	1.11
CNA Financial Corp.	NYS	91.25	0.00	40.66	94.00	60.00	196	0.00	0.00	10	73.83	1.24
EMC Insurance Group Inc.	NDQ	12.75	2.00	34.21	13.00	8.63	21	0.52	4.08	8	10.77	N.A.
Emphesys Financial Gr. Inc.	NYS	27.00	0.45	-14.96	39.50	22.63	325	0.60	2.22	8	N.A.	N.A.
EXEL Ltd.	NYS	52.38	-0.01	32.59	53.75	36.88	239	1.32	2.52	14	31.62	1.66
Fremont General Corp.	NYS	27.38	-0.02	17.11	27.38	17.16	89	0.80	2.92	8	22.90	1.20
Frontier Insurance Group	NYS	28.00	0.00	28.00	35.00	16.75	31	0.48	1.71	21	14.94	1.87
Gainsco Inc.	ASE	9.13	1.39	10.61	11.00	7.38	422	0.04	0.44	12	3.79	2.41
General RE Corp.	NYS	132.00	-0.10	6.88	138.38	104.50	780	1.96	1.48	15	57.17	2.31
Guaranty National Corp.	NYS	16.50	0.00	-10.20	19.00	15.13	155	0.48	2.91	9	11.84	1.39
Harleysville Group	NDQ	25.00	0.00	3.09	26.50	20.25	38	0.68	2.72	9	20.18	1.24
Hartford Steam Boiler	NYS	45.38	0.54	13.79	46.00	35.88	127	2.28	5.02	17	14.62	3.10
HCC Insurance Holdings	NYS	26.00	0.46	23.81	27.88	18.50	52	0.00	0.00	15	11.76	2.21
ITT (Hartford Group)	NYS	118.75	0.21	33.99	121.88	77.00	2321	1.98	1.67	10	49.95	2.38
Lincoln National	NYS	40.75	0.00	16.43	46.25	34.63	1137	1.72	4.22	10	31.99	1.27
Markel Corp.	NDQ	65.50	0.00	57.83	65.50	40.25	82	0.00	0.00	15	25.15	2.60
Mid Ocean Ltd.	NDQ	33.00	1.54	21.10	34.63	22.25	242	1.00	3.03	9	20.24	1.63
Mutual Risk Mgmt. Ltd.	NYS	34.75	0.00	32.38	36.38	24.13	87	0.32	0.92	19	9.11	3.81
NAC Re Corp.	NDQ	35.88	-0.35	7.09	37.00	24.25	120	0.20	0.56	14	19.75	1.82
National Re Corp.	NYS	33.75	0.00	28.57	34.38	22.25	59	0.16	0.47	19	17.31	1.95
Navigators Group	NDQ	14.25	0.00	-1.72	19.75	12.75	31	0.00	0.00	-18	10.21	1.40
Nobel Insurance Ltd.	NDQ	10.25	0.00	24.24	10.50	7.75	17	0.20	1.95	4	6.84	1.50
Ohio Casualty Corp.	NDQ	32.50	-1.52	15.04	34.25	27.00	153	1.52	4.68	13	24.68	1.32
Old Republic Int'l	NYS	26.38	-0.96	24.12	26.75	18.88	145	0.52	1.97	10	24.60	1.07
Orion Capital Corp.	NYS	41.00	-0.61	16.31	42.50	28.13	90	0.80	1.95	9	25.86	1.59
Partner Re Ltd.	NDQ	25.75	0.47	24.10	26.25	18.50	1033	0.48	1.86	7	N.A.	N.A.
Penn-America Group Inc.	NDQ	10.25	0.00	38.98	11.25	6.50	18	0.12	1.17	10	6.2[illegible]	1.65
Philadelphia Cons. Holding	NDQ	15.38	-0.03	25.51	16.00	10.25	4	0.00	0.00	14	8.4[illegible]	1.82
Phoenix RE Corp.	NDQ	26.25	0.00	-7.08	29.00	21.00	145	0.60	2.29	5	22.66	1.15
Provident Life	NYS	23.13	-0.02	6.32	29.88	20.50	80	0.72	3.11	10	27.05	0.85
Reliance Group Holdings	NYS	6.63	-0.08	27.71	6.75	4.88	612	0.32	4.83	11	3.48	1.90
Reliastar Financial Corp.	NYS	37.50	-1.00	29.31	39.63	27.00	212	1.00	2.67	10	24.81	1.51
RLI Corp.	NYS	22.38	-0.02	36.43	23.63	15.91	10	0.52	2.32	11	20.51	1.09
St. Paul Companies	NYS	49.13	-0.01	9.78	51.88	39.38	2929	1.60	3.26	9	31.88	1.54
SAFECO Corp.	NDQ	58.63	-0.01	12.74	59.88	46.75	828	2.12	3.62	12	46.94	1.25
SCOR U.S. Corp.	NYS	10.63	-0.05	26.87	12.25	7.50	19	0.20	1.88	13	13.60	0.78
Seibels Bruce Group	NDQ	1.00	0.00	-60.00	3.50	0.75	20	0.00	0.00	-1	1.05	0.95
Selective Ins. Group	NDQ	31.75	0.00	25.74	33.75	23.25	115	1.12	3.53	10	23.36	1.36
Sphere Drake Holdings	NYS	17.00	0.00	22.52	17.38	10.75	48	0.16	0.94	7	13.15	1.29
TIG Holdings	NYS	25.25	0.00	34.67	25.38	17.00	534	0.20	0.79	20	17.25	1.46
Titan Holdings, Inc.	NYS	12.00	-1.07	23.08	12.88	7.84	43	0.24	2.00	9	9.31	1.29
Tokio Marine & Fire	NDQ	58.88	-0.01	-3.09	64.13	49.88	10	0.46	0.78	-	57.72	1.02
Torchmark Corp.	NYS	38.75	0.00	12.32	44.50	32.38	551	1.16	2.99	10	17.49	2.22
Transatlantic Holdings	NYS	66.75	0.00	19.46	66.75	47.75	160	0.40	0.60	13	32.43	2.06
Transnational Re Corp.	NDQ	21.00	0.00	-10.64	24.00	18.75	57	0.00	0.00	7	N.A.	N.A.
Travelers Corp.	NYS	47.13	-0.26	45.56	47.88	30.38	3419	0.80	1.70	11	24.26	1.94
Trenwick Group Inc.	NDQ	46.38	1.37	9.44	47.25	36.50	39	1.12	2.42	12	29.20	1.59
United Fire & Casualty	NDQ	29.00	0.00	4.82	31.00	26.25	1	0.80	2.76	8	28.96	1.00
Unitrin	NDQ	48.38	-0.65	12.50	51.50	41.50	431	2.00	4.13	13	38.64	1.25
UNUM Corp.	NYS	48.75	0.25	29.14	50.00	35.13	507	1.06	2.17	24	27.78	1.75
US Facilities Corp.	NDQ	18.19	-0.34	81.88	18.38	9.13	829	0.20	1.10	9	13.71	1.64
USF&G Corp.	NYS	17.50	0.00	29.63	17.50	12.63	4761	0.20	1.14	8	10.04	1.74
USLIFE Corp.	NYS	41.88	-0.30	20.07	42.50	30.88	130	1.40	3.34	10	40.82	1.03
Washington National	NYS	21.38	-0.02	12.50	22.88	17.75	81	1.08	5.05	8	23.61	0.91
Zenith National Ins.	NYS	22.00	-0.59	-3.30	27.38	19.38	52	1.00	4.55	12	17.54	1.25
Zurich Reinsurance Centr.	NYS	28.25	0.00	-2.16	30.88	25.00	52	0.00	0.00	-39	22.26	1.27
INSURERS/REINSURERS	AVERAGE		-0.0	17.6					2.3	9.6		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	23.56	0.78	-8.50	31.00	19.50	2258	0.00	0.00	13	12.22	1.93
Humana Inc.	NYS	18.00	-0.72	-20.44	27.13	17.00	12889	0.00	0.00	15	6.04	2.98
PacifiCare Health Sys.	NDQ	53.25	1.43	-18.23	79.50	44.50	612	0.00	0.00	-	14.21	3.75
Safeguard Health Enter.	NDQ	11.00	3.48	18.92	13.25	8.25	15	0.00	0.00	65	6.16	1.79
Sierra Health Services	NYS	26.13	0.48	-17.39	33.63	22.13	346	0.00	0.00	14	6.04	4.33
United Healthcare Corp.	NYS	41.00	-1.20	-9.14	55.38	34.13	9594	0.03	0.07	21	6.57	6.24
U.S. Healthcare	NDQ	30.63	-0.83	-25.76	49.00	26.50	6032	1.00	3.27	12	5.04	6.08
Wellpoint Health Networks	NYS	28.63	-0.43	-1.72	39.00	24.25	186	0.00	0.00	13	12.73	2.25
HMOs	AVERAGE		0.4	-10.3					0.4	17		
ALL COMPANIES	AVERAGE		0.3	3.5					2.5	12		

Top advancing issues: Poe & Brown, Safeguard Health Enterprises, EMC Insurance Group. Leading decliners: Allied Group Inc., Ohio Casualty Corp., American Heritage Life Insurance. Most active issue: Humana Inc. The BI Index was unchanged; the Dow Jones 30 Industrials fell 1.4%; the S&P 500 fell 0.7% and the NYSE Composite fell 0.7%.

System design: Nordby International Inc.

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