

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$1.75 a copy; \$70 a year

© Entire contents copyright 1989 by
Crain Communications Inc. All rights reserved

Prop. 103 non-renewal provision
does not apply to commercial auto

LOS ANGELES—A Los Angeles County Superior Court judge ruled Friday that Proposition 103's restrictions on an insurer's ability to cancel or not renew automobile insurance does not apply to commercial auto policies.

Judge Miriam Vogel ruled in favor of National Indemnity Co. of Omaha, Neb., which had filed suit after the Insurance Department ruled in April that the insurer had not complied with Proposition 103 when it failed to renew commercial

Continued on next page



Drake Sorey

Attorneys general hope to change Judge Schwarzer's mind.

AGs still see win in antitrust case

By JUDY GREENWALD
and STACY ADLER

SAN FRANCISCO—State attorneys general say they still can win the massive antitrust litigation they filed against insurance industry defendants in federal court, despite a proposed order dismissing the case.

"We've got a good shot at getting the judge to look at the case in a different light," said Thomas Greene, deputy California attorney general, the lead plaintiffs' counsel in the case.

However, he acknowledged that to be successful, the 19 attorneys general who filed the litigation must persuade U.S. District Judge William Schwarzer to modify nearly all of his proposed rulings dismissing the lawsuits.

"We have to win them all," said Mr. Greene, who confirmed that

Continued on page 50

Captive premiums deductible: Court

Ruling is first major victory for captive insurers

By STACY ADLER

CINCINNATI—A federal appellate court ruling blasts a giant hole in federal tax case law, which in essence will allow corporations to deduct most of the premiums paid to their captive insurance company subsidiaries.

The 6th U.S. Circuit Court of Appeals on July 27 ruled that while parent corporations cannot deduct premiums they pay directly to their wholly owned insurance companies, their subsidiaries are entitled to tax deductions paid to the captive.

In a tax case fought for nine years by the hospital chain Humana Inc., the court found that the economic relationship between parent corporations and their captives bars tax deductions for premiums, but the relationship between sister corporations and captives

does not.

As a result, corporations can structure their operations so that captive premiums are paid by subsidiaries, rather than by the parent company, and enjoy sizable tax deductions, attorneys say.

Furthermore, corporations with premium payments that already meet the test will be able to seek tax refunds for the past three tax years from the Internal Revenue Service, attorneys point out.

As tax attorney Benedict J. Sciortino quipped: "The IRS got the stuffing kicked out of them."

An attorney for the IRS said the government has not decided whether it will ask the U.S. Supreme Court to review the decision, which is the first major victory for captive insurance company owners in their efforts to claim tax deductions for premiums paid to

Continued on page 49

Transit liquidator sues Clarendon for \$1 billion

By DOUGLAS McLEOD

LOS ANGELES—Clarendon America Insurance Co. is vigorously denying fraud charges leveled against it in a \$1 billion racketeering lawsuit filed by Transit Casualty Co.'s receiver.

In a complaint filed July 28 in U.S. District Court in Los Angeles, Transit's receiver charges that Clarendon America and Clarendon Insurance Co. (Bermuda) Ltd. wrote fraudulent reinsurance and surety bond coverages intended to artificially inflate Transit's surplus in the two years before Transit was ordered liquidated in December 1985.

The lawsuit, alleging violations of the federal Racketeer Influenced and Corrupt Organizations act, also names five former Transit officers, who are accused of

conspiring with the Clarendon companies in a fraudulent scheme to stave off Transit's insolvency.

The five former officers are William L. Gregory, a former president of Transit; George P. Bowie, former chairman and chief executive officer; Alex Steinhorn, former associate general counsel; Reginald L. Hsu, former executive vp; and Gerald S. DeGennaro, also a former Transit president.

Mr. Hsu is now an officer of Clarendon America while Mr. Gregory is an officer of Clarendon National Insurance Co., an affiliate.

The \$1 billion in damages sought in the complaint represents losses and other debt incurred by Transit in 1984 and 1985 on business that might not have been transacted if Transit's true condition had been re-

Continued on page 44

Filing fees proposed for benefit reports

By JERRY GEISEL

WASHINGTON—Legislation cleared by two congressional panels would pummel the nation's employers with hundreds of millions of dollars in unprecedented fees for filing federally required pension and welfare benefit plan forms.

Benefit experts are outraged by the proposed fees contained in portions of budget reconciliation bills approved last month by the Senate Labor and Human Resources Committee and the House Education and Labor Committee.

Imposing filing fees on employers with benefit plans is like asking taxpayers to pay for filing their tax returns, benefit experts say.

"This is no different than saying a taxpayer is going to

have to pay for filing a 1040," said Andy Anderson, a consultant with Hewitt Associates of Lincolnshire, Ill.

"It is obscene to require employers to pay for filing forms that are required but probably aren't even read," asserted Mark Ugoretz, executive director of the ERISA Industry Committee in Washington, D.C.

"It is beyond outrageous," said Howard Weizmann, executive director of the Washington, D.C.-based Assn. of Private Pension & Welfare Plans.

Under both bills, large employers with multiple benefit plans could easily pay tens of thousands of dollars in filing fees.

For example, the Senate bill would require employers to pay an annual \$1,000 fee for each Form 5500 they file with

the Internal Revenue Service. Form 5500, which employers are required to file under the Employee Retirement Income Security Act of 1974, contains financial information about employers' pension and welfare plans.

For small employers, the fees would be exorbitant compared with the size of their benefit programs.

For example, under the Senate committee bill, a two-employee company with a defined contribution pension plan would pay a \$250 filing fee, which could equal 10% or more of the total amount contributed to the plan.

These filing or user fees are in addition to other benefit fees and penalties tucked into the two bills.

For example, both bills would require employers to pay a

Continued on page 47

21 employers receive awards for excellence
in communicating employee benefit plans
Page 3

401(k) plan administrators attempt
to improve record-keeping speed, accuracy
Pages 33-44

Update

Insurer wins Prop. 103 ruling

Continued from page 1
auto policies (BI, July 31).

"This is a very positive development, and we will have to take some time to study it," said Forrest Krutter, the insurer's general counsel.

National Indemnity notified state regulators in October that it intended to withdraw from the commercial automobile insurance market in California by not renewing about 300 existing policies. However, Proposition 103, approved by voters in November, allows insurers to refuse to renew "automobile insurance policies" only for non-payment of premium, fraud or material misrepresentation affecting the policy or policyholder, or a substantial increase in the insured hazard.

The department contended the renewal section's language on "automobile insurance policies" did not exclude commercial auto policies. A department spokeswoman declined to comment on the ruling (see related story, page 2).

GTE wins damages in libel case

ST. PETERSBURG, Fla.—Home Shopping Network will appeal a Florida jury verdict that it must pay a \$100 million libel award to GTE Corp.

The case involved an April 1987 news release HSN issued charging that alleged malfunctions in GTE-manufactured telephone equipment cost HSN hundreds of millions of dollars in sales. HSN sued GTE in September 1987 for \$500 million in compensatory damages and \$1 billion in punitive damages.

GTE in turn sued HSN, claiming the news release was libelous.

The Pinellas County Circuit Court jury last week held HSN liable for \$20 million and HSN Chairman Roy M. Speer and President Lowell Paxton liable for \$40 million each.

An HSN spokeswoman said HSN had general liability and directors and officers liability insurance, but she declined to elaborate.

However, Dan Bailey, co-author of a text on D&O liability law and an attorney with the Columbus, Ohio, law firm Arter & Had-den, said D&O policies usually exclude libel and that the risk typically is covered under general liability policies.

Ohio restructures work comp

COLUMBUS, Ohio—Ohio's workers compensation system will be reorganized under a law signed last week by Gov. Richard Celeste.

The law limits the authority of the existing five-member Industrial Commission to deciding claims, and moves oversight of the state's non-adjudicatory operations to a new 12-member Workers Compensation Board composed of equal numbers of employers, labor and legislative representatives.

The law, which is effective Nov. 3, also creates new groups to resolve disputes between the board and the commission and to recommend ways to streamline procedures.

In other provisions, the law establishes a medical section within the state's Bureau of Workers' Compensation—which conducts non-adjudicatory operations—to assist in developing policies that medical providers must follow.

The law also entitles employers to reimbursement from the state's Surplus Fund when compensation has been paid for a claim that is subsequently disallowed either in whole or in part. It also requires employers that self-insure workers compensation risk to be assessed for state-mandated contributions to special funds on the basis of workers compensation payouts rather than payroll.

KAL must pay \$50 million: Jury

WASHINGTON—Korean Air Lines will ask a federal judge to set aside a jury's verdict that the airline must pay \$50 million in punitive damages to families of 137 passengers killed when KAL Flight 007 was shot down by Soviet fighter jets in 1983.

A federal court jury in Washington, D.C., last week found KAL guilty of willful misconduct, leaving the airline unprotected by the Warsaw Convention—which limits airlines' liability on international flights to \$75,000 per passenger—and opening the door for more lawsuits seeking compensatory and punitive damages. All 269 passengers and crew aboard were killed when the jet was shot down Sept. 1, 1983, after straying into Soviet airspace (BI, Sept. 5, 1983).

KAL plans to ask the judge in the case to set the verdict aside, said KAL attorney Desmond T. Barry Jr. with Condon & Forsyth in New York.

KAL's combined single-limit hull and liability coverage of \$400 million was written by Oriental Fire & Marine Insurance Co. Ltd. of Seoul, South Korea, but was almost entirely ceded to Lloyd's of London syndicates and British, French and U.S. aviation insurers.

AmEx to sell Fireman's stock

NOVATO, Calif.—Fireman's Fund Corp. will acquire the remaining 9.5 million shares of common stock held by its former parent, American Express Co., for an estimated \$342 million.

American Express announced last week that it will exchange the common shares, valued at \$36 per share, for 8.55 million shares of a new series of voting Fireman's Fund preferred stock.

American Express acquired Fireman's Fund in 1968 for \$350 million. In October 1985, it sold 35.2 million of its common shares in a

Continued on page 49

Errors and omissions

• Approximately 80% of Anistics Inc.'s mainframe RMIS clients have so far taken the company's recommendations to switch to either Corporate Systems or Risk Sciences Group Inc. Only 5% of the clients have chosen other vendors, gone in-house or are still deciding which direction to take. These percentages were misstated in the July 24 issue. The remaining 15% have chosen Anistics' personal computer RMIS.

Posgate pleads ignorant of misuse of premiums

By STACY SHAPIRO

LONDON—Flamboyant former Lloyd's of London underwriter Ian R. Posgate steadfastly denies that he knew that his syndicates' quota-share reinsurance premiums were used to fund the secret purchase of the Banque du Rhone et de la Tamise from Alexander Howden Group Ltd. by a group of Howden directors.

Mr. Posgate, himself a former Howden director, also denies that he knew that he owned 10% of the shares of the secret investment syndicate that bought 51% of the Banque du Rhone from Howden in 1980, despite signing a document that said he did know of the ownership.

Mr. Posgate is charged with two counts of conspiring to defraud Howden, his Lloyd's syndicates and their members. The judge in the case is expected to issue instruction to the jury this week (see story, page 45).

Mr. Posgate, who testified for five days in Southwark Crown Court, told the jury that he was told by former Howden Chairman Kenneth V. Grob, who is on trial with Mr. Posgate, that he would receive a share of the profits from the sale of the Banque du Rhone once it was sold by the secret syndicate.

"We'd discuss golden balls and chains while employed at Howden," said Mr. Posgate. And the share of the profit from the sale of the bank was "a golden ball" to entice him to stay on at Howden for the duration of a 10-year contract that was due to expire in 1985, the former underwriter said.

But Mr. Posgate denies prosecution charges that he conspired to steal from his syndicates' members by al-

lowing quota-share reinsurance premiums to be used by the then-Howden officials to purchase the bank.

The prosecution has introduced evidence showing that Mr. Posgate's syndicates' reinsurance premiums passed through Southern International Reinsurance S.A. in Panama to secret offshore trusts owned by four Howden executives, including Mr. Grob, to buy the bank.

But Mr. Posgate says that although he knew that syndicate reinsurance was placed with SIR on Mr. Grob's suggestion, he did not know that SIR was secretly owned by the four ex-Howden executives.

And Mr. Posgate said he did not recall ever discussing with Mr. Grob or the other Howden officials the use of his syndicates' reinsurance premiums to fund the purchase of the bank.

"I do not think there was any conversation with Mr. Grob where the Banque du Rhone, quota shares or SIR were discussed (together) on any occasion. There was no marriage (of those three items) on any occasion," he said.

Crown Prosecutor Michael Hill pointed out that Mr. Posgate had signed a document submitted to trustees of his Liechtenstein trust, which was managed by the Banque du Rhone, that said he had been informed of the intention to buy 51% of the share capital of the bank from Howden and to receive an option to buy the other 49%. The document said: "It is my advice to trustees to participate in this syndicate up to a total share of 10%."

But Mr. Posgate claims that he wrote those words

Continued on page 45

New pension regs widen eligibility for loan programs

By JERRY GEISEL

WASHINGTON—Final Labor Department regulations requiring employers with pension plan loan programs to offer those programs to all participants could further complicate plan administration.

However, benefits experts strongly doubt that the regulations will discourage employers from offering the increasingly popular loan provisions.

And, some provisions of the new regulations, designed to clarify Section 488(b)(1) of the Employee Retirement Income Security Act of 1974, are significant improvements over earlier proposed regulations, benefits experts say.

Under the regulations, published in the July 20 issue of the Federal Register, companies will have to open up loan programs, which are often a key attraction of 401(k) and other defined contribution plans, to anyone with an active account balance, including retirees and other vested plan participants who have left the employer.

"From an administrative viewpoint, employers only want to offer

loan programs to active employees because loans can be repaid through payroll deduction. With non-active participants, employers will have to handle personal checks, which can be a hassle," explained Frank Roque, a consultant with Hewitt Associates in Lincolnshire, Ill.

"There is going to be an additional administrative burden," predicted Gary Blank, a consultant with The Wyatt Co. in San Francisco and chairman of Wyatt's defined contribution plan practice committee.

But, the added administrative burden on employers resulting from the expansion of loan programs to non-active participants should not be crushing.

For example, the overwhelming majority of employees take their 401(k) account balances with them when they terminate employment, benefit consultants note. Typically, employees roll over their account balances into an Individual Retirement Account to avoid the 10% excise and other taxes on their 401(k) distributions.

Continued on page 47

Prop. 103 refunds ordered

By GLENN HUNTLEY

SAN FRANCISCO—Seven property/casualty insurers must refund \$305 million in premiums to California policyholders under Proposition 103 or prove in public hearings why the premiums were justified.

The California Insurance Department last week ordered rollbacks ranging from 1% to 92.7% of the insurers' 1988 earned premium volume for selected personal and commercial lines of insurance for which the department determined the insurers' return on equity exceeded a benchmark 11.2% rate of return.

However, the department-ordered refunds, if upheld, would generally average far less than the reduction in insurance "charges" mandated by Proposition 103 (BI, Nov. 14, 1988).

Under Proposition 103, "charges" for most lines of property/casualty insurance

Continued on page 51

Inside

✓ Businesses must press for fair tax treatment for alternative risk financing mechanisms, says this week's editorial. **PAGE 8**

✓ A group of trial attorneys is urging state legislators to limit punitive damage awards. **PAGE 32**

✓ Employers and their 401(k) plan administrators report they are working to improve the speed and accuracy of plan record keeping and administration. **PAGE 33**

✓ Consumer advocate Ralph Nader says 10% to 15% would be "a fair and reasonable" rate of return for efficient property/casualty insurers in California. **PAGE 48**

✓ The Massachusetts Port Authority intends to appeal a federal judge's ruling that it must pay up to \$63 million in damages resulting from an airline disaster. **PAGE 51**

Departments

Advertiser index	40
Ask a benefit actuary	29
Classifieds	46
Insurance services guide	50
International issues	29
Legal briefs	30
Letters	8
Opinions	8
Perspectives	29
Ticker	51

Vol. 23, No. 32—Business Insurance (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1989 by Crain Communications Inc.

Employee Benefits Communication Awards

21 employers honored for excellence

The 17th annual *Business Insurance* Employee Benefits Communication Awards single out 21 employers for excellence in communicating employee benefit programs.

The 1989 competition attracted 175 entries in six categories: total benefits programs, personalized correspondence, multimedia programs, special projects, audio-visual presentation and booklets.

In total, 22 awards were presented to employers in this year's competition. One employer, Scott Paper Co., won two awards.

In addition, five employee benefits consultants were honored for their roles in preparing the winning entries.

Lincolnshire, Ill.-based Hewitt Associates consulted on 11 entries that won awards, more than any other consultant.

"The competition was keen this year. You can tell a great deal of effort went into each program submitted, from concept and design to final creative execution," explained Ronnie I. Drachman, *Business Insurance*

director of communications.

The entries were evaluated by a panel of 12 independent judges, all experts in different areas of communications.

The entries were scored on how well they fulfilled five basic criteria: the programs' objectives, strategy, content, presentation and effectiveness.

Articles on the winning benefits communication efforts begin on page 4. An article on the judging process and the judges appears on page 32.

TOTAL BENEFITS PROGRAM

1st
Metropolitan Life Insurance Co.
Hewitt Associates

2nd
Clarke Checks Inc.
TPF&C

3rd
Merck & Co. Inc.
The Wyatt Co.



PERSONALIZED CORRESPONDENCE

1st
Hallmark Cards Inc.
Hewitt Associates

2nd
Morgan Stanley & Co.
William M. Mercer Meidinger Hansen Inc.

3rd
Commonwealth Edison Co.
The Wyatt Co.



MULTI-MEDIA PROGRAM



1st
Eli Lilly & Co.
Hewitt Associates

2nd
Texaco Inc.
Hewitt Associates

3rd
Carolina Power & Light Co.

SPECIAL PROJECTS

1st
American Savings Bank
Hewitt Associates

2nd
Quantum Chemical Corp.
Hewitt Associates

3rd
Southern California Edison Co.
Hewitt Associates



4th
Budget Rent-A-Car Corp.
Buck Consultants Inc.

AUDIO-VISUAL PRESENTATION

1st
Towers, Perrin, Forster & Crosby Inc.
TPF&C

2nd
RJR Nabisco Inc.
Hewitt Associates

3rd
(tie)
Central Maine Power Co.
TPF&C
The Children's Hospital
Hewitt Associates



BOOKLETS

1st
Epic Healthcare Group
TPF&C

2nd
(tie)
Dayton Hudson Corp.
The Wyatt Co.
Scott Paper Co.
Hewitt Associates

3rd
Scott Paper Co.
Hewitt Associates

4th
La Quinta Motor Inns Inc.
TPF&C





Our retirement plans emphasize the growth of your fund, not your files.

With many group retirement funds, paperwork seems to accumulate faster than money. Not with Wausau.

You see, we administer our funds for our customers. We take care of the record-keeping details, including complicated IRS forms.

Each of our four funds — our *guaranteed income fund*, *short-term money market fund*, *equity fund*, and our *balanced fund* — can be incorporated into a 401(k), today's most popular retirement plan choice.

And because our regional benefit specialists sit down with each client to customize each program, your retirement fund fits your employees' needs and your objectives.

So, if you're interested in a group retirement plan that concentrates on gathering retirement savings, not paperwork, contact your local Wausau account representative, or Steve Foster at the address below.



Clarke, Merck programs win awards

The runners-up in the total benefits program category are:

- Second place: Clarke Checks Inc. in San Antonio, Texas.

Clarke distributed a burgundy-colored folder of information to employees to communicate its entire benefits program, including two new benefit options, and also to remind employees of the company philosophy.

The title of the package—"The Clarke Advantage"—is inscribed on the cover of the three-pocket folder in elegant silver script.

In the left pocket, each benefit option, including new flexible spending accounts and a new profit-sharing plan, is described in clear detail on single sheets of glossy, 8½-by-11-inch paper.

In the right pocket are sheets that describe time-off benefits, like vacations and sick pay; employee services,

such as a tuition assistance program; and the history of the company, its proclaimed values and an explanation of its "First in Service" logo.

Enrollment forms for the profit-sharing plan, medical and dental plans and the flexible spending accounts, are contained in the center pocket, along with instructions.

New employees receive the folder as an introduction to the company, explained Karen Glover-Magnus, support services manager.

The sleek, understated design reflected Clarke's commitment to high-quality printing, she added. The package was produced in-house in about four to six weeks using desktop publishing software.

"We were very pleased with the way it was received," she said.

Each page has a tab marked with each benefit's logo in blue or bur-

gundy, the company's colors.

"We wanted a logo (for each benefit) that they would recognize in future mailings," said Ms. Glover-Magnus.

Clarke used inserts because when the benefits program changes or expands, it will be "easier to print an insert rather than an entire book," said Marie Wheeler, communication unit leader at the Dallas office of TPF&C, a division of Towers, Perrin, Forster & Crosby Inc. Clarke hired TPF&C to help design, write and produce the package.

The folder cost approximately \$47,800 to produce and was distributed to 1,700 employees.

- Third place: Merck & Co. Inc. in Iselin, N.J.

As a major pharmaceutical manufacturer with employees worldwide, Merck wanted its benefits communi-

cations to emphasize the fast-moving, global nature of the company.

This theme is seen throughout the "Merck Benefit Improvements" booklet and video by way of futuristic graphics and images of clouds and sky, which are intended to "subtly convey the concept of the world," said Valerie Wedin, communication consultant with The Wyatt Co. in Washington, D.C., which helped design the project.

To introduce changes in its savings, retirement and dental plans, as well as "M-line," Merck's new hospitalization precertification hot line, the company produced a 16-page "improvement kit" and a 17-minute video.

The booklet is matte black with the words "M-line," "retirement" and "savings" printed in shiny black script on the front. A shiny black

slash and three colorful lines—fuscia, blue and rainbow-colored—are arranged across the front cover, and "Merck" is printed in block letters filled in by a sky photograph.

The back of the booklet is the same design as the cover, but the printing is in shiny black on the matte black background.

The "black on black" gave the book a "dramatic, rich" and "contemporary" feel, said Ms. Wedin.

"We wanted a high-tech, modern look that would get the employees' attention," said Jeffrey Turner, director of employee benefits.

The first page of the booklet is a heavy, translucent vellum page with "Merck" in block letters filled with a purple-tinted clouds-and-sky scene, which also fills both the front and back inside covers of the

Continued on next page

Metropolitan Life

Continued from page 4
puter graphics.

"The video was an attempt to communicate the same way that we did in print. Like the booklets, we wanted to get the same message across in a variety of ways," Mr. Bradford explained.

For example, the video begins by recreating the tedious task of buying a car and how different people select different kinds of cars. The video illustrates that, just as different people like different cars, people want different benefits offerings.

The video goes on to explain all of the options that employees can choose from in the Met Life Options Plus program.

After watching the video, employees used their Met Life Options Plus Decision Books to begin selecting their benefit options.

Each employee was given a personal calculator to ease calculations as the group took a trial run through enrollment.

The photo album-styled Decision Book provides employees with detailed descriptions of Metropolitan Life's flexible benefit plan.

For instance, Metropolitan Life employees can decide the level of medical, dental, life or disability coverage that fits their needs. Employee contributions to coverage costs vary with their benefit selections.

And, employees who want to set aside funds for expenses that are not covered by the plans can establish a health care or dependent care savings reimbursement account. Employees can set aside up to \$5,000 in pretax salary to fund each account.

"The daycare spending account is just another example of how employees can tailor their benefits to their needs," Mr. Heston said.

Employees have responded well to the flex plan, he noted. When Metropolitan Life conducted a follow-up survey in March 1989, 78% of employees rated their total benefits program either "good" or "very good," and 84% of employees said that they felt well-informed about their employee benefits.

Other follow-up survey findings showed that:

- Only 25% of the employees selected benefits that were identical to what they received under the former plan.

- Of the employees who altered their benefits, 50% made two or more significant changes.

- A scant 1% of Metropolitan Life's 35,000 eligible employees in 1,450 locations missed their 1989 enrollment deadline.

"We are very satisfied with the changes we have made, and our employees agree. When asked, 88% of our employees said that Met Life Options Plus was a positive step," Mr. Heston said. ■



Continued from preceding page booklet. The back page of the booklet is also vellum, with a three-dimensional yellow and black star radiating black lines.

The text describing plan improvements and changes is printed in purple type with black headings. Section headings—"Changes," "Savings," "Retirement," "M-Line," "Dental" and "Future"—are in black, ink-spattered script and run vertically on the left-hand pages.

The video, which began with a high-speed sequence of clouds moving rapidly across the sky, was made up of short segments explaining each improvement in the plan. An actor hired to narrate the video described plan changes in a clear manner, aided by graphics and charts.

Merck's primary concern in communicating the benefit changes was that employees would be hesitant to accept the new hospitalization precertification requirement.

The video introduced the M-line precertification program as a service

to employees as well as a requirement for full coverage. Nurses at Intracorp, the utilization review company hired to handle precertification and second surgical opinion calls from employees, explained how M-line works and described it as a service that prevents unnecessary hospitalization and provides medical advice.

Employees accepted the requirement very readily, said Mr. Turner.

"It was fairly anti-climactic," he said. "We've told employees in the past that cost containment measures, even though they're a nuisance, are necessary."

The video was shown at employee meetings at about 21 Merck locations throughout the United States. About 12,000 salaried and 600 non-union hourly employees received the booklet and saw the video.

The entire project, which included the video and two versions of the booklet for both salaried and non-union hourly employees, cost around \$250,000, said Ms. Wedin.

—By Monique Parsons

Hallmark sends best with benefit summary

By MONIQUE PARSONS

"Hallmark" usually conjures up thoughts of funny, warm and friendly greeting cards, while the words "benefits statement" bring to mind cold lists of numbers, percentages and premiums.

However, the creative minds at Kansas City, Mo.-based Hallmark Cards Inc. proved that it is possible to communicate benefits information in a warm, personal way.

Hallmark's 12-page personalized benefit statement, "Hallmark Career Rewards," captured first place in the personalized correspondence category of the 1989 Business Insurance Employee Benefits Communication Awards competition.

Most of the 1989 edition of the Hallmark booklet was designed and produced in-house for an estimated \$80,000, said Benefits Manager Tim Crouch.

Mr. Crouch looked at "hundreds of benefits statements" from other companies to find inspiration for Hallmark's booklet, he said.

Hallmark benefits staff, computer programmers, artists, creative staff and layout staff handled the writing, calculations, design and typesetting, while Hewitt Associates consultants fact-checked the statements and "filled in the gaps," said Phil Jensen, communications consultant with Lincolnshire, Ill.-based Hewitt.

Because a corporate benefits staff is usually "so isolated from the creative end" of the business, working with other Hallmark employees to produce the benefits statement is especially rewarding, Mr. Crouch said.

Creative designers usually come up with several color and pattern ideas for the booklet's cover, allowing the personnel and benefits staff to choose their favorite.

While each of the company's 20,050 employees annually receives the personalized statement, a booklet full of numbers can be anything but personal, Hallmark officials note.

Adding a human touch, the staff decorated the booklet pages with color photographs of Hallmark employees and their families.

"You've got to think of your culture," Mr. Jensen said. "If you're aiming at stockbrokers, give them the numbers." A company "in the warm message business," however, needs to communicate in a friendlier manner, he said.

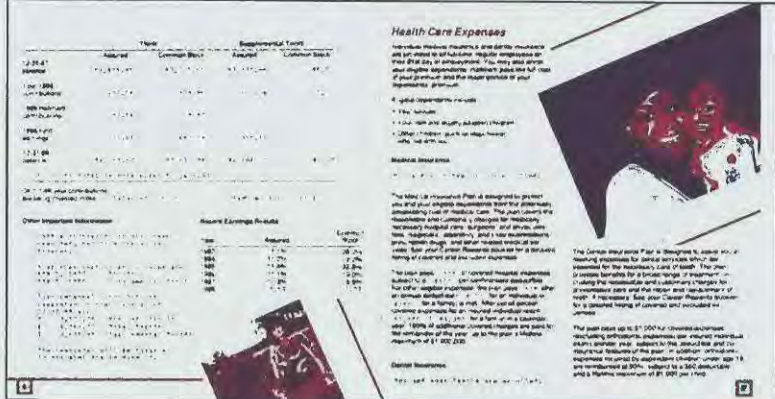
Featured photographs in the booklet include a group in front of the Eiffel Tower, a golfer, a grandmother and granddaughter, a woman petting a cougar, a little boy swimming, a boy standing before the family Christmas tree and several mothers holding babies.

"I think most people like the fact that we use personal pictures," said Mary Hofmeister, a Hallmark senior benefits analyst.

An announcement in the company bulletin invited employees to submit photos for the booklet, and Ms. Hofmeister expressed regret that many of the entries could not be used for the booklet. "The graphics people pick out the ones that will reproduce the best."

The cover of the 9-by-9-inch booklet is a photograph of two little girls fishing by a pine tree-edged river while their mother watches from nearby rocks. The photograph has a slightly grainy finish, giving it a sentimental feel, with a salmon pink border. A gray, marble-patterned box, inlaid on the photo, contains the booklet title in salmon pink lettering.

Continued on page 12



Our umbrella program is based on the same principle.

Long term commitment. With some companies you sign a contract and the relationship stops there. When you sign an Umbrella Program Liability contract with American Re, it's the beginning of a relationship that will last.

We'll work closely with you to understand your needs and construct a facility to meet them. Offer flexible guidelines for underwriting and pricing. Training programs. A manual for endorsements. Claims services. Even back-office assis-

tance. And we have over 20 years of professional experience in the Commercial Umbrella Program Liability business. Cali American Re. Because we believe in writing a relationship, not just a contract.

American Re-Insurance Company

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241. (609) 243-4200

Atlanta • Bogota • Boston • Cairo • Chicago • Columbus • Dallas • Hartford • Kansas City • London • Los Angeles • Melbourne • Minneapolis • Montreal • New York • Philadelphia • San Francisco • Santiago • Singapore • Sydney • Tokyo • Toronto



It's about time

AT LONG LAST, corporations employing captive insurance companies in their risk financing programs are getting some well-deserved fair treatment under the tax code.

A recent 6th U.S. Circuit Court of Appeals ruling knocks the wind out of the sails of the Internal Revenue Service's ill-conceived "economic family" theory. While agreeing that a parent company cannot take as a tax deduction premiums paid to a wholly owned captive insurance company, the court ruled that sister corporations of an insurance company are entitled to such tax deductions.

The 6th Circuit's ruling is grounded in two 1943 U.S. Supreme Court decisions: one holding that each corporate taxpayer is a separate entity for tax purposes, and another providing the test for defining insurance for federal tax purposes.

While the first ruling serves to grant tax deductions for premiums paid to a captive insurer, the second ruling precludes a parent company from receiving a tax deduction for premiums paid to its wholly owned captive (see story, page 1).

As such, the 6th Circuit's ruling is only a partial victory for those who have argued that captive insurers are an important risk financing tool that should be treated no differently from commercial insurance. However, as the 6th Circuit points out, corporations can easily structure their purchase of insurance from a captive to maximize the benefit of this ruling.

But, this ruling only holds in the 6th Circuit, which encompasses Kentucky, Michigan, Ohio and Tennessee.

Nonetheless, nearly 12 years after the IRS espoused its economic family theory, it's terrific to see at least one court shoot it down.

Furthermore, this ruling resurrects the issue of



fair tax treatment for alternative risk financing mechanisms compared with the purchase of commercial insurance.

While any tax code change that is going to reduce federal tax revenues is not going to be popular in Congress, we still think it is important for business groups to continue to press for equal tax treatment of premiums paid to captives, properly maintained self-funded loss reserves and the purchase of commercial insurance.

As we have said before, all of these risk financing methods—not only the purchase of commercial insurance—should afford a corporate taxpayer tax deductions as legitimate business expenses.

insidious effects of what we call "co-dependency in the workplace."

Kathryn Kassem
Monrovia, Calif.

Proposals threaten settlement process

To the editor: I wanted to bring to the attention of your readers three separate developments coming from three very different sources that may seriously undermine the ability of defendants to settle cases on a rational basis.

The first effort stems from the Assn. of Trial Lawyers of America. On July 17 the organization announced a nationwide effort to abolish sealed settlements. Sealed settlements are used to resolve cases and keep the amount of such settlements private and the facts disclosed in the course of discovery private. They do not, in any way, interfere with a future plaintiff's ability to obtain discovery of the same information.

Sealed settlements are worthwhile because they are one of the greatest practical engines we have that promote early resolution of cases. The principal argument against them is that they allow for "cover-ups" by corporations of important information about dangerous and defective products. If and when that situation does occur, the appropriate vehicles to extract such information are public regulatory agencies such as the Food and Drug Administration or the National Highway Traffic and Safety Administration, not plaintiffs' attorneys.

The second initiative that will compromise rational settlements comes from a very different source—the U.S. Department of Treasury. The Treasury Department has sought to repeal Section 130 of the Internal Revenue Code, which provides special tax treatment for annuities obtained in connection with structured

settlements. In a nutshell, Section 130 prevents a party that is setting up an annuity from declaring the total amount of payment it received in "income" in the year it received such payment. Again, in plain lay language, it allows that income to be dispersed over a number of years just like the actual payments that flow from the annuity.

In my practice, structured settlements have been a mainstay for the early and equitable resolution of cases. They are also fair and useful to injured persons who are not used to handling very large sums of money in a rational and reasonable way.

Fortunately, the move to delete Section 130 was struck from the House Ways and Means Committee chairman's proposed mark up bill by a vote of 14 to 11. Nevertheless, there is a possibility that it will resurface when the Senate Finance Committee considers tax legislation in September.

I think your readers should work to oppose the ATLA effort to undermine sealed settlements and also oppose efforts to repeal the current way structured settlements are treated under Section 130.

A third development also springs from the Treasury Department. It has recommended that Section 104 of the Internal Revenue Code be modified. That section, which has been in the law since 1917, provides that awards in personal injury cases are not subject to federal income tax. The proposed Treasury modification would limit Section 104 to damages for physical injury; damages for emotional harm, defamation or other non-physical injuries would not be included. The arguments put forth by the Treasury Department undermine the basic principle of Section 104.

If personal injury awards are subject to federal income tax, one can be certain that claimant demands in such cases

Continued on page 10

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

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

Managing Editor: James M. Burcke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

CHICAGO: Stacy Adler (Associate Editor)
Jeanne M. Bartels (Graphics Editor)
Kari Berman (Associate Editor)
Karen Brown (Assistant to the Editor)
Linda J. Collins (Agent/Broker Editor)
Meg Fletcher, A.R.M. (Associate Editor)
Mark A. Hofmann (Associate Editor)
Karen Huelsman (Copy Editor)
Marilou Jones (Directory Editor)
Jacqueline LaSota (Assistant Copy Editor)
Laura Mazzuca (Agent/Broker Topics Associate Editor)
Amy Palmer (Graphic Artist)
Roger Schillerstrom (Editorial Cartoonist)
Paul Winston (Copy Editor)
Joanne Wojcik (Copy Desk Chief)
Christine Woolsey (Associate Directory Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)
Carolyn Aldred (Associate Editor)

LOS ANGELES: Donna DiBlase (Bureau Chief)
Glenn Huntley (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)
Judy Greenwald (Associate Editor)
Collin Nash (Editorial Assistant)
Michael Schachner (Associate Editor)

WASHINGTON: Adrienne C. Locke (Associate Editor)
Deborah Shalowitz (Associate Editor)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/

Classified Sales)

Elmer Kerstowski (Production Manager)

Eastern Advertising Manager: Martin J. Ross (New York)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Kathryn Premetz (District Manager)

Cynthia Bykowski (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising Manager)

Director of Communications: Ronnie I. Drachman (New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 01-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

KEITH E. CRAIN

Vice chairman

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Senior Vp-operations

ROBERT C. ADAMS

Vice president-production

H.L. STEVENSON

Corporate editor

PENELOPE A. GEISMAR

Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611. Telex 6871241, Fax 312/280-3174, Cable CRAINCUM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. \$1.75 a copy. \$70 a year in U.S. Canada and all other foreign add \$32 for surface mail. Europe and Middle East only add \$72 for air delivery. First-class mail to U.S., add \$77; to Canada add \$87. Bermuda only, \$152 per year expedited delivery. WILLIAM STRONG, vp-circulation. SHEILA GORMLEY, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

BPA

Member of Business Publications Audit of Circulation

ABP

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

You don't want to buy a used car from Aetna.



**A little while back, John Barracato went out car shopping.
He bought ten.
Then he did something really unusual.
He torched them.**

You see, John happens to be one of America's leading arson experts. Not coincidentally, he also leads Aetna's Fire and Fraud Investigation Team. And because he burned those cars, law enforcement agencies nationwide can more easily detect the difference between accident and arson.

As a result, this research has had the beneficial effect of putting more arsonists behind bars.

More tangibly for Aetna's customers, John's team is saving millions every year by identifying attempted arson and prosecuting the criminals who attempt to profit from it.

No other insurance company that we know of goes to the sometimes extreme lengths that Aetna does to fight fraudulent claims.

But that works to the advantage of every customer who invests in one of our many insurance policies.

If not one of our many used cars.

AETNA. WE GIVE NEW MEANING TO THE WORD DILIGENT.



Letters

Continued from page 8
will rise.

While emotional harm claims were once remote, in today's world of toxic torts, they are becoming more "mainstream."

This proposed change in the law has passed through the House Ways and Means Committee and is likely to be in the vehicle considered for mark up by the Senate Commerce Committee right after Labor Day. It will be included in a tax rider on a reconciliation bill.

Business Insurance readers should contact members of the Senate Finance Committee and ask that a change so significant be subject to hearings and discussion—it should not be placed on a "midnight rider."

Victor E. Schwartz
Crowell & Moring
Washington, D.C.

Suit to benefit all SIIA members

To the editor: Your July 3 article, "TPAs Win Suit Against Florida Regs," may have created a major misunderstanding regarding the reasons behind the lawsuit. This misunderstanding was created in part by some of the third-party administrators interviewed and by the article's headline.

This legal action was brought by the Self-Insurance Institute of America Inc. on behalf of its members, which include not only TPAs but also employers and other suppliers of products and services to self-funding employers.

Conflicting state regulation works an onerous burden on multistate self-funded employee benefit plans. Thus, self-funded employers/plan sponsors and

stop-loss insurers are equally affected by the confusing and additional requirements of state regulation that are not in sync with the Employee Retirement Income Security Act.

SIIA is not opposed to state regulation of TPAs or any other legitimate subject. It is opposed to regulations that are in conflict with ERISA. ERISA pre-empted state regulation in part to provide self-funded employee benefit plans with a uniformity of regulation nationwide. What has developed in recent years is regulation by various states of self-funded employee benefit plans through regulation of TPAs and others. Much of this regulation by states not only conflicts with ERISA but with each other!

This leaves the self-funded employer/plan sponsor, the TPA, the stop-loss insurer and others facing costly, conflicting and unneeded

regulation. It serves no legitimate legislative or regulatory purpose for a self-funded employee benefit plan to face different rules and regulations for the operation of its benefit plan just because its employees happen to reside in Florida, Illinois, Michigan, etc.

The ERISA pre-emption exists to avoid such conflict. Let the states regulate those areas not in conflict with ERISA. Let everyone understand that regulation within one state that doesn't appear to be particularly burdensome to a TPA in that state is much more burdensome when plans have to meet many states' different and conflicting rules. Self-funded benefit plans were guaranteed this freedom by ERISA.

SIIA hopes that its efforts, along with those of others, will ultimately result in an atmosphere of regulation that both protects the

plans and beneficiaries and provides for rules that are understandable, fair and equitable.

James W. Duff
Director of Government
and Regulatory Matters
Self-Insurance Institute
of America Inc.
Santa Ana, Calif.

Innocent until proven guilty

To the editor: In the July 24 editorial, "Reject OSHA Pre-emption," *Business Insurance* has made a serious mistake relating to the rights of those subjected to criminal charges. You stated, "...and, employers, like any other criminal defendant, can prove their innocence in court."

It is a basic principal of U.S. jurisprudence that a defendant is presumed innocent until convicted. It is up to the prosecution to prove the guilt of the defendant. The defendant has the right, if he so chooses, to refute the evidence produced by the prosecution.

Your editorials will be more effective if they are faithful to basic legal principles.

William M. Lamey Jr.
Vp-Finance
DeSoto Inc.
Des Plaines, Ill.

'Hidden' features of Kennedy bill

To the editor: In addition to the developments associated with Section 89, businesses of all sizes must pay particular attention to Sen. Edward Kennedy's new bill, the Basic Health Benefits for All Americans Act.

Many employers were not aware that Section 89 was part of the Tax Reform Act of 1986. Likewise, the latest version of the mandated health care coverage bill does contain some alarming propositions that, if gone unnoticed or not criticized, could have a striking effect on American small businesses.

Among other things, the proposed bill includes the following:

- The Health and Human Services secretary would designate between six and eight insurance regions and assign certain insurance companies in each of the regions developed.
- Employers without existing health benefit plans would be required to use one of the designated "regional" insurers.
- Each regional insurer would be required to fix premiums under a community rating system for all employers, not taking into account age, gender or geographical location of the employer's employees.
- The HHS secretary would be responsible for evaluating the performance of each regional insurer.
- The HHS secretary would be able to restrict or terminate the insurer's certification based on retention rates.

Based upon the proposals included in this bill, it is painfully evident that there are areas of great concern for all—employers, insurance brokers and insurance companies, alike.

In order to protect our future and in the best interest of small business, we collectively cannot afford not to scrutinize the details of this and any other bill that could affect our livelihood and success as much as bills related to our current health care situation.

As I am sure my associates in the health care insurance industry will agree, our collective effort is needed to protect us all from the myriad problems and confusion this legislation could create, as did the Section 89 legislation.

David R. Stark
Diversified Insurance Services Inc.
Milwaukee

CAN YOUR ORGANIZATION SURVIVE A BREAK IN THE CHAIN OF COMMAND?



The unexpected. An accident. Death. It happens. And it happens to everyone. CEOs. Managers. Directors. Athletes. Key people in any arena.

And when it happens, it costs — Contacts, experience, plans, skills, insights, down time, reorganization, success, and more. Sometimes the cost can be survived; sometimes it can't. In any case, you'll either fall behind, or you'll fade away.

Unless you know us.

K&K Insurance Group's personal accident coverage helps you keep the edge, helps smooth over the rough times — buys you the breathing space you'll need when the unexpected happens. We are pleased to announce the creation



of this new high limit accidental death and disability facility. We can provide up to \$10,000,000 worth of confidence that your organization will do more than survive — It will never miss a step.

K&K, when the chain breaks, we hold it all together.



K&K INSURANCE GROUP, INC.

1712 Magnavox Way
P.O. Box 2338
Fort Wayne, IN 46801
(219) 427-3000
FAX: (219) 427-5866

An Affiliate of Lincoln National Corporation.

Our Miscellaneous E&O can add a whole lot to your bottom line.

Count up the diverse variety of professions and liability exposures in your community and you can see the potential for new business embodied in our Miscellaneous Errors & Omissions coverages.

In today's legal climate, liability insurance is available for such professions as claims adjusters, EDP specialists, printers, management consultants, as well as a whole list of professions from A to Z: auditors to advertising agents, credit bureau administrators to property managers, travel agents to zoo designers.

Because of our long experience in specialized professions liability, Shand Morahan can offer innovative and uniquely creative underwriting techniques that can address the needs of most exposures. For a complete list of acceptable classes of coverage, contact the Miscellaneous E&O department at Shand Morahan today.

SM Shand Morahan

Shand Morahan & Company Inc.

Shand Morahan Plaza

Evanston IL 60201 312 866-2800

Professional Liability and Specialty Insurance



Hallmark

Continued from page 7

A letter on the first page of the booklet from Lowell Mayone, Hallmark's vp of personnel, requests that employees study the material carefully.

The first section of the booklet lists the employee's balances in Hallmark's profit-sharing plan and a separate thrift plan.

And, the booklet projects the balance in the profit-sharing plan—assuming that Hallmark continued to contribute an amount equal to 9% of pay annually—at age 55, 62 and 65. And, the booklet projects the monthly benefit payable from Hallmark's defined benefit pension plan.

The projections are "the cornerstone of our (personalized benefits booklet) format," said Mr. Crouch. "We were convinced that people had no idea of what they were going to be worth as they approached retirement," he noted.

The booklet also explains other Hallmark benefits, including flexible spending accounts, disability benefits, life insurance benefits and vacation time.

Hallmark first produced an expanded personalized benefits booklet four years ago. Previously, its benefits statements were printed on a three-fold brochure.

Now, after four years of printing a 12-page statement, Hallmark may have to expand the book to include more personalized information, like savings and pension plan beneficiaries, Ms. Hoffmeister said.

A key to the success of the booklet over the last four years is its consistency, Mr. Jensen noted. The plan descriptions are laser printed on the same pages each year, with the employee-specific data added in a lighter, dot-matrix type style.

"Employees tend to keep their benefits statement, and so it's important to keep the numbers in the same place," he said. "You don't want to redesign the whole thing

from top to bottom each year."

Employees received the booklet during employee meetings at 21 locations of Hallmark Cards and subsidiaries Hallmark Marketing Corp., Graphics International, Crown Center Redevelopment Corp. and Halls Merchandising Inc. Field representatives were mailed the statement in a special envelope with the Hallmark logo and the booklet's title printed in salmon pink.

This year, personnel managers reported more discussion than in past years during the benefit meetings, which proves that more employees are reading the statement and working to understand their benefits, Mr. Crouch said.

Although it's a "universal problem" that many workers don't know enough about their benefits and that "most employees go straight to page three" to check their profit-sharing account balances, Mr. Crouch said he believes the booklet "made folks more aware" of their benefit plans and options. ■

Morgan Stanley, utility honored for statements

The runners-up in the personalized correspondence category are:

- Second place: Morgan Stanley & Co. Inc. in New York.

After upgrading its flexible benefits program earlier in the year, Morgan Stanley & Co. Inc. wanted its personalized benefit statement to reflect the crisp and clean theme that was used when communicating the benefit plan changes.

So, Morgan Stanley commissioned New York-based William M. Mercer Meidinger Hansen Inc. to help design the investment banker's 1989 personalized benefit

statement, which cost \$25,000 and was distributed to 5,000 employees in 11 locations.

Previously, Morgan Stanley employees annually received an accordion-style, fold-out benefit statement accented in conservative "Harvard crimson and Dartmouth green," explained Alan Turetz, a principal at Mercer.

"Morgan Stanley wanted a new book that presented their employees with the new benefit information in a progressive way. They changed their benefits and communication materials and they wanted to carry the new image into the annual statement," said Mr. Turetz.

Now, employees receive a stark white envelope that bears a simple blue-gray graphic diagonally crossing its center of the page.

The envelope contains a 12-page booklet with the same graphic that was used to distinguish the delivery envelope.

"It has the clean and sleek quality that Morgan Stanley & Co. wanted to portray to its employees," Mr. Turetz said.

"It looks great and makes a cohesive package. It carries the program's logo on the package and is easily identifiable to employees," said Bernadette Whitaker, manager-flexible benefits at Morgan Stanley & Co. Inc.

While maintaining the new program's theme was a priority, Morgan Stanley & Co. also emphasized making the statement as personalized as possible.

"We wanted our employees to feel special when they received their benefit statements and not feel as though they were one of the masses," Ms. Whitaker said.

To give its personalized correspondence an individual touch, Morgan Stanley decided to use impact printing instead of laser.

"They wanted employees to feel special so they avoided laser printing, which often gives the look of mass production," Mr. Turetz explained.

With the impact printing, employees receive a statement containing their personal information in a typeface that is different from the rest of the standard benefit information included in the booklet.

"It has the appearance of having been done especially for the individual," Mr. Turetz said.

And, the statement is both easy to read and understand because each benefit option is clearly marked by gray tabbed pages.

"It is easy for employees to find the information that they need because they simply look at the tabs and go to the important section," Mr. Turetz said.

Besides containing personalized information about various benefit options, including health insurance, life insurance, pension and disability benefits, the booklet contains information about other Morgan Stanley benefits, including an employee assistance program and a tuition assistance program.

- Third place: Commonwealth Edison Co. of Chicago.

Commonwealth Edison wanted to give its 20,000 employees a better understanding of the cost of their employee benefits, so it decided to redesign its personalized benefit statement to make it more comprehensive.

The electric utility's old annual benefit statement consisted of a single fold-out sheet that resembled a road map, said Victor Villanueva, a consultant in the Chi-

Continued on page 14

Before you blow it give us a whistle.

You can be sued whether or not you make an error. That's why E & O coverage is essential to today's insurance agent. Yet preventing claims and defending your agency are more important than ever.

We can help. We offer errors and omission insurance through SAFECO, a top "A" rated insurance company. And, we provide newsletters, videotapes, seminars and prevention counseling to help stop E & O claims before they start.

Remember: being sued can happen to anyone. Let us give you the tools to protect your agency.

Give us a whistle. For our latest newsletter plus an application to receive a quote, call us toll-free:

1-800-243-6836



E&O PROFESSIONALS

UNDERWRITING ADMINISTRATORS
A Division of Media/Professional Insurance, Inc.

Two Pershing Square, Suite 810 • 2300 Main
Kansas City, MO 64108 • 1-800-243-6836

AN ENLIGHTENED WAY TO MANAGE THE "GREY AREAS" OF HEALTH CARE.



Everyone knows that mental health and substance abuse present special health problems. They are more difficult to diagnose. They are more difficult to treat and monitor. And, consequently, they are far more expensive. That's why we call them the grey areas.

More and more employers and health care organizations are turning to MCC to help manage these grey areas.

The MCC approach to mental health and substance abuse care works. Studies consistently show high user satisfaction. The records show effective cost control. The reason for this success is that MCC, through its experience since 1974, is able to prescribe necessary treatment based on symptoms rather than on expediency or "customary practice."

MCC has developed a range of products that can deliver their cost-effective service according to your particular needs...including capitated "at-risk" arrangements for HMO's and PPO's, as well as employer-oriented products like Utilization Management Review, Case Management and Exclusive and Preferred Provider Programs.

We'd like to answer all your questions and discuss your specific needs. Call us at (612) 861-9500 or 1-800-433-5768 today.

It should be enlightening.



Two runners-up in multi-media category

The runners-up in the multi-media program category are:

• Second place: Texaco Inc. in White Plains, N.Y.

Because of the diverse makeup of its workforce, Texaco knew that not every employee would have an equal understanding of changes to the company's thrift plan, explained Peter J. Stathis, manager of benefit plans.

To effectively communicate changes in the thrift plan—which included the addition of an employee stock ownership plan feature, among other things—Texaco produced a booklet, a video and a personal computer program that employees could use to calculate the savings and investment strategies that would best serve their needs, Mr. Stathis said.

Texaco turned to the Rowayton, Conn., office of Hewitt Associates to help with the benefit communication

effort.

"This was a real departure from what we'd done before," Mr. Stathis said of the program. Although videos and brochures had been previously used to convey employee benefit features and changes, this was the first time the company made an effort to use creativity and humor in its benefit communication materials. And, it was the first time the company included a computer software program in its communications effort.

Employees responded very favorably to the "light, funny and human" sketches and skits in the booklet and video, said Al Schlachtmeyer, a Hewitt consultant in Rowayton, Conn.

The theme of the communication effort is that the thrift plan is "Yours to Build," which is adapted from the company's overall employee commu-

nication theme, "Texaco is Ours to Build."

The 12-page, colorful booklet features illustrations of cartoon construction workers involved in various activities related to building savings under the thrift plan. These illustrations include scenes of workers building the pyramid that appears on a dollar bill, building a \$500 million bill and carrying stacks of pennies into a bank.

Included in the booklet are enrollment forms for the various investment options and an eight-inch "calculator wheel" that employees could use to project their tax savings and account growth, based on their annual contribution to the thrift plan.

In addition to the booklet, Texaco used a 12-minute video to convey broader aspects of its thrift plan.

The video begins with a shot of a

high-performance race car sponsored by Texaco, while a narrator compares building a winning car to building a successful future.

"We're very involved in promoting the car. We've taken it around the company and (Texaco) people identify with it," Mr. Stathis said.

The video then featured actors in a series of brief, humorous skits. In one segment, a man dressed as a money bag runs after a Texaco employee who has left the company, illustrating that "you can take it with you." Other skits emphasized tax savings, investment choices and the "Yours to Build" theme.

Most workers saw the video in benefit meetings, although copies were available for home viewing.

Texaco also included a software program that employees could use to calculate the impact of various

thrift plan decisions. The program, which can be run on personal computers in the office, contains simple instructions for loading the program, followed by on-screen instructions for obtaining information from a handful of menus.

Although he originally feared that the software would only be accessible to corporate and office staff, Mr. Schlachtmeyer said that many other employees were able to use it.

For example, the manager of a rural oil distribution center in Oklahoma rented a personal computer for Texaco employees in the field. "It was a hit among the drivers," too, said Mr. Schlachtmeyer.

Approximately 22,000 salaried employees received the booklet and "a good percentage" saw the video, said Mr. Stathis.

The entire package was produced in about three months, though cost figures are not yet available.

• Third place: Carolina Power & Light Co. in Raleigh, N.C.

To keep costs down while communicating the company's new Flex Care flexible spending program, the utility's benefits department teamed up with CP&L's own communications staff.

Employees first learned about the FSAs through an article in the company's monthly in-house magazine, Spotlight, which is mailed to all 8,900 CP&L employees. The two-page article described the new FSAs for unreimbursed dependent care and health care costs, defined new terms associated with the FSAs and alerted employees to the upcoming distribution of the Flex Care booklet and enrollment kit.

"Seeing benefits information regularly and casually in our monthly magazine makes it more real," said Donna Tompkins, a CP&L communications specialist. "When there's a lot of fanfare, it's not as accessible."

In addition, a four-minute video about the Flex Care program was incorporated into the company's monthly video newsmagazine, which is shown in employee lounges at all CP&L locations. The narrator explains the tax advantages of financing health care and dependent care expenditures through the FSAs, while the video shows a woman working on her income tax in her kitchen, a woman visiting the eye doctor and a view of babies in a day-care center.

"We did not have employee meetings, and since this was being introduced in the middle of the year, we felt we had to communicate this in as many ways as possible," said Elizabeth Morrison, director of employee benefits.

In addition to the magazine article and the video, a 16-page information booklet was distributed to all employees.

The booklet has a solid blue cover with silver lettering. Inside, both dependent care and health care accounts are explained in clear detail, with blue headlines and boxes emphasizing key points and ample blank space for notes.

The "clean, easy-to-read" booklet was "not intimidating," Ms. Morrison said.

After the booklet and enrollment kit were released, an article answering general questions about Flex Care appeared in the next issue of "Spotlight," and all employees received a "paycheck stuffer" reminding them of enrollment deadlines.

CP&L employees responded favorably to the new benefit and the communication effort: They met the company's goals of 3% participation in the dependent care accounts and 14% participation in the health care accounts.

A team of eight CP&L employees completed the project in about five months at a cost of approximately \$14,000.

—By Monique Parsons

Listen.

It's what an employee benefits manager does. You listen to employees asking for a health plan with lower co-payments and better benefits. You listen to management asking for cost control. Then you try and please everybody.

That's when you need to start talking—to EQUICOR. EQUICOR offers a complete range of employee benefit options—all we need to formulate your benefit plan is to hear from you.

Tell us the numbers you're working with, your priorities, management's budgetary goals, and every other important factor to be considered. Then let EQUICOR design a unique, customized benefit package for your company based on good hard listening.

Next time someone gives you an earful, think of EQUICOR. And remember: whenever you need to talk about a benefits plan, you've got our ear.

EQUICOR

The Good Listener.

For information, call (212) 618-4020

EQUICOR is a joint venture of The Equitable Life Assurance Society and Hospital Corporation of America.

EQUICOR Health Plan, Inc. is a licensed health maintenance organization in various states. Insured coverages are underwritten by The Equitable Life Assurance Society of the United States. ©EQUICOR 1989

EVERY YEAR THERE'S ANOTHER SOLUTION TO THE HEALTH CARE CRISIS. SIMPLE. EASY. WRONG.

It's a rare crisis that responds to a small fix. Yet, year after year, that's exactly what's been offered: cost-containment programs that were effective in the areas they targeted but not broad enough to truly slow surging medical costs.

At the CIGNA companies, we believe what's needed is a whole new framework for offering health care. And so we've created one:

Integrated Managed Care.

Simply put, we form a long-term partnership with each of our client companies and with local providers of medical services.

A partnership where each member is committed to two simultaneous goals: ensuring quality medical care and containing costs.

Then, drawing from a broad array of managed care products and services, we design health care programs to meet each client's short- and long-term objectives. And we

implement them in a way that lets clients move at their own pace.

What does this mean for your company?

That at last there are health care programs that can help you contain escalating medical costs.

And what does it mean for your employees?

That they have access to quality medical care through the health care delivery system that's best suited to their needs.

To learn more about programs already benefiting companies nationwide, write the CIGNA Companies, Dept. R2, 1600 Arch Street, Philadelphia, Pennsylvania 19103.

And discover a long-term health care solution that may not be simple or easy, but does have one important thing going for it.

It's right.

The CIGNA logo consists of the word "CIGNA" in a bold, white, sans-serif font, centered within a solid black rectangular box.

S&L increases interest in 401(k) plan

By KARI BERMAN

IRVINE, Calif.—A benefit communication program launched by American Savings Bank heightens awareness of the savings and loan's 401(k) plan while reassuring employees that plan assets are secure.

American Savings Bank's previous attempt to launch the 401(k) savings plan was not well-received by employees, who were consumed with concerns about the company's financial troubles.

American Savings Bank was created last year when Fort Worth, Texas-based Bass Group purchased assets from the federal government following the insolvency of Los Angeles-based Financial Corp. of America.

"There was a lot of company turmoil, and employees weren't thinking in terms of the future because they were too busy worrying about the present," said Nancy Armstrong, vp of employee benefits at Irvine, Calif.-based American Savings Bank.

In addition, many of the eligible employees have salaries less than \$14,000 per year and were not familiar with concepts of saving and investing.

So, only a small percentage of the S&L's 5,500 employees opted to participate in the 401(k) plan when it was introduced in January 1988.

Ms. Armstrong explained that while some employees avoided the 401(k) plan because of skepticism about the S&L's financial problems, others might not have participated because the concept of a 401(k) plan was not communicated effectively and employees did not understand it.

"We introduced a new flexible benefits plan at the same time that

we introduced our 401(k) plan, and the 401(k) got lost in the shuffle," Ms. Armstrong said.

In an effort to stop history from repeating itself during 1989 enrollment, American Savings Bank commissioned the help of Lincolnshire, Ill.-based Hewitt Associates.

American Savings Bank and Hewitt consultants Peter La Barba and Aleta O'Shea of the Santa Ana, Calif., office joined forces and decided on a stand-alone campaign approach that would highlight and clearly explain the 401(k) plan.

The program, which cost \$46,000 and took about seven weeks to design and implement, won first place in the special projects category of the 1989 Business Insurance Employee Benefits Communication Awards competition.

The goal of the program was to increase employee participation by communicating the advantages of participating in the 401(k) plan in an unthreatening and easy-to-understand fashion.

The most important messages that American Savings Bank wanted to send to its employees include:

- That employees can afford to participate in the plan. The S&L wanted employees to understand that it is easy to accumulate money by putting a little from each paycheck aside in a 401(k) plan.

- Assuaging any fears about the security of their money while stressing that the S&L will contribute 25 cents to the plan for every dollar contributed by employees.

- That employees do not pay tax on 401(k) funds until they are withdrawn.

- How quickly employees' funds can increase due to investment earn-

ings and the S&L's contributions.

Ms. O'Shea managed to summarize all of these points in a checklist on the outside of an envelope containing the communications material. The headline on the envelope reads: "Why Should You Save in the Select Savings Plan."

For example, the first point on the list informs employees that "You probably won't miss the money."

"The packet became a communication piece within itself because it was summarizing the information within," Ms. O'Shea said.

However, the S&L was concerned that this message would not be enough to attract employees' attention.

"We needed an attention grabber that would make employees curious about the program," Ms. Armstrong said.

So, the packet was printed in bright red, with a contrasting yellow headline. And, if employees were not lured by the blinding shades of color, they certainly succumbed to the stark white comic book declaration of "Wow!" that was positioned in the upper left corner of the envelope.

"We wanted a really bright Andy Warhol-like look that was eye-catching," Ms. O'Shea said.

The comic strip theme, which also shows up in the accompanying booklet, was selected because it is easily recognizable to people of various ethnic backgrounds.

"American Savings Bank's employees represent many different backgrounds and many of them speak English as a second language. The comic strip is a universal language that uses short words and concepts and is easy to understand," Ms. O'Shea said.

The booklet features cartoons of



fictional American Savings Bank employees that illustrate how they should save their money in a 401(k) plan instead of wasting it elsewhere.

For instance, one profile depicts a young woman with an annual salary of \$14,000 as she dreams of winning a fortune by playing the lottery. The message at the bottom of the page explains that if she would have invested money she spent on lottery tickets in the 401(k) plan instead, she "would have had her pot of gold."

"The inspiration for the characters came from real people and situations that the American Savings Bank employees could relate to. Everyone is always talking about winning the lottery and spending money trying to do it," Ms. O'Shea said.

In addition to the comic strip theme of the booklet, management officials helped announce the new savings plan by wearing buttons, illustrated in a comic strip-like manner, that showed employees who were displeased because they forgot to join the savings plan.

"The buttons were a zany attention-getter that would spark conver-

sation and raise levels of curiosity so that the employees would come to the meetings," Ms. O'Shea explained.

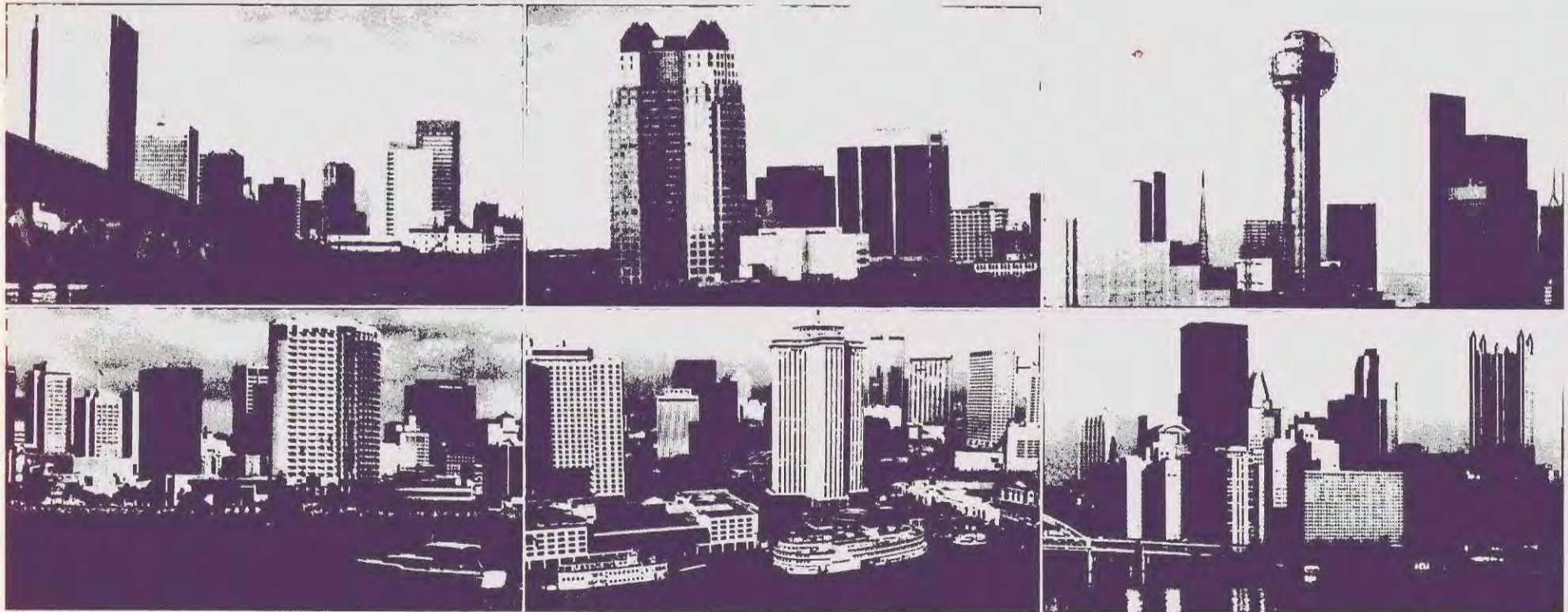
Making employees feel comfortable with asking questions was also important to American Savings Bank, so employee meetings were designed to include a maximum of seven employees at a time.

During these meetings, employees received the information packet containing both the fold-out comic book and a personal savings calculator wheel.

"We created a calculator wheel that allowed employees to see how much that could save by matching up their salary with their tax savings and the company copayment," Ms. O'Shea said.

The program was a success: Enrollment in the plan nearly doubled in 1989 compared with 1988.

Although, Ms. Armstrong would not say how many employees currently participate in the 401(k) plan, "We are very, very satisfied with the results of the special program and hope that participation will continue to increase."



Hilb, Rogal And Hamilton Company. The Best Insurance Agency In The City, No Matter What City We're In.

With offices all across America, Hilb, Rogal and Hamilton has become one of the largest insurance agencies in the country.

Each agency offers a wide range of insurance services and products, including property, casualty, marine, aviation and employee

benefits insurance, with many different carriers and underwriters. HRH also has the resources to provide professional risk management advice, loss control consultation, and claims administration. For any kind of Commercial or Personal Coverage, look for the Hilb, Rogal

and Hamilton name. And you'll know you're getting the best in coverage and service. No matter what city you're in.



Hilb, Rogal And Hamilton Company

Corporate Headquarters: Richmond, Virginia (804) 289-5300; Alabama—Birmingham, Mobile; California—San Diego; Connecticut—Hartford; Florida—Daytona Beach, Ft. Myers, Gainesville, Orlando, Tampa, Clearwater; Georgia—Atlanta, Gainesville, Savannah; Louisiana—New Orleans; Maryland—Baltimore; Michigan—Jackson, Grand Rapids; Ohio—Dayton; Pennsylvania—Pittsburgh; Texas—Dallas, Victoria, Houston, Port Lavaca, Cuero; Virginia—Fredericksburg, Charlottesville, Chesapeake, Richmond.

You Don't Always Get What You Pay For



Aeromedical Transports:

They are risky and expensive... that they often mean the difference between life and death.
Far too many times, some aeromedical transport companies don't recognize this difference, and patient safety becomes secondary to making a profit.

At Medjet International we do things differently. We emphasize patient safety while providing, dollar for dollar, the most cost-efficient I.C.U. transport service available anywhere. Our clients, whether an insurance company, a medical center, or a foreign embassy, know that Medjet is the best choice available.

Because you should always get what you pay for



"Worldwide Critical Care Transports"

They know this because Medjet is:

- **Conducting Intensive Care in Flight**
Transporting patients and medical staff through the air from any hospital to any location with safety, stability and speed.
- **FDA Certified**
To operate in the continental United States, Alaska, and Hawaii, as well as in 135 countries.
- **Staffed by Specialists**
Each Medjet transport is accompanied by a team qualified in managing the special problems of the patient. The team includes a physician, an intensive care nurse and a respiratory therapist.
- **Technologically Advanced Medical Equipment**
Medjet's British Aerospace Hawker has been permanently configured to duplicate the capabilities of a hospital's I.C.U. in order to provide full-function intensive care.

Quality Value and Experience

MEDJet
INTERNATIONAL

4 special projects rate as runners-up

The runners-up in the special projects category are:

• Second place: Quantum Chemical Corp. in New York.

Before Quantum combined 27 separate retiree health care plans into a unified Retiree Medical Plan, the company mailed thick gray marble-patterned folders to all 4,000 eligible retirees.

Inside the folder, a 44-page booklet, also covered with the gray marble pattern, summarized the plan. Another 24-page booklet—this one with a white cover and light gray marbled pages—summarized plan highlights and contained worksheets that allowed retirees to calculate benefits.

Quantum chose the marble pattern to have a "design that was kind of classy and would have some substance" to attract the retirees, said Thomas Hauser, communication consultant with the Rowayton, Conn., office of Hewitt Associates, which helped produce the folder.

In addition to the printed material, a cassette tape was inserted in the folder. The cassette's purpose was to "walk them through" the printed material "page by page," Mr. Hauser explained.

"We didn't want to overwhelm them" with too much reading material, said Harold Bell, Quantum's director of benefits and compensation. "We thought the tape would facilitate their going through the workbook."

To give the packet a personal touch, a letter from three Quantum retirees, two of whom had worked in Quantum's employee benefits department, was placed on the inside flap of the folder, along with the three men's photographs.

Employees were invited to call the

three "advisers" toll-free during a 12-day time span to ask questions about the new plan.

The advisers received more than 500 phone calls, Mr. Bell said, adding that nearly 100% of the retirees returned the enrollment forms that were also in the folder.

"We made the introduction a letter from them, and not the CEO, just to personalize it a little more," said Mr. Hauser. The three men also spoke during the introduction of the cassette tape, though most of the voice-over on the cassette was done by a professional narrator.

The project was completed in about three months and cost approximately \$150,000.

• Third place: Southern California Edison Co. in Rosemead, Calif.

Benefit managers at Southern California Edison faced the paradoxical challenge of effectively promoting a new feature in its retiree health care program without attracting too much attention.

The utility's "austerity program" in communicating its benefits required that Terri Craig, supervisor of health care communications, keep the promotion simple and inexpensive. Customers and employees consider elaborate, flashy brochures and presentations a misuse of company dollars, Ms. Craig said.

To fulfill this objective, announcements and enrollment kits for the utility's new "Generation" retiree health care option were printed on simple gray paper along with the plan's small diamond-shaped logo. Silhouettes of a retirement-aged couple were printed in maroon at the top of most pages.

"It was very simple but it looked classy," said Ms. Craig.

SCE designed and produced the communication project with the help of Susan Liming, a consultant with Hewitt Associates in Los Angeles. The entire project cost less than \$10,000, Ms. Craig said.

The Generation program enables SCE retirees and their spouses who are covered by the company's PrimeCare retiree health plan to use one of the company-sponsored health care centers, which is staffed with geriatric experts. The program promises more responsive health care for retirees, while reducing the company's retiree medical costs.

"We wanted to provide our geriatric population with something more than just health care," explained Ms. Craig. SCE's medical staff will emphasize preventive care, home safety and the "psycho-social well-being" of the retirees, she said.

The communications program began in April, when nearly 500 retirees who live near the SCE's Santa Ana Health Care Center received through the mail an announcement brochure as well as an invitation to attend an open house at the health center.

The letter-sized, three-fold brochure explained eligibility, summarized the plan and explained how it would cut health care costs for both the retiree and the company.

At the open house, each person received an enrollment kit with a 19-page questionnaire to determine the mental and physical well-being and needs of each enrollee.

Those who did not attend the open house, or who attended but did not enroll, received single-page follow-up letters in the mail in early May. Those who enrolled received a welcome letter and a sticker with the

"Generation" logo to affix to their PrimeCare membership cards.

Enrollees also received large white plastic draw-string "medicine bags," which were printed with the logo and instructions to bring all regularly used medicine and vitamins to their first appointment at the SCE health center.

Of the 710 people who were eligible, 213 retirees and dependents—30%—have enrolled in the program so far.

The "Generation" program will probably be expanded to all eight SCE health care centers, said Ms. Craig.

• Fourth place: Budget Rent-a-Car Corp. in Chicago.

Trying to shake a negative employee perception of the company's existing SavingsPlus Plan, a 401(k) plan that offered little access to savings until retirement, Budget added new loan and flexible investment features and launched the "New SavingsPlus Plan."

"We wanted to up enrollment," said Richard Maduzia, manager of employee benefits for Budget. "By far, the bulk of our people are very young. The average age is 30 or less. They're not interested in retirement."

To get the message across, Budget designed the SavingsPlus Plan Re-enrollment Program in conjunction with Mary Page, manager of communication services at Buck Consultants Inc. in Chicago. The communications project, which included an announcement brochure, a "SavingsPlus Kit" with enrollment forms, a paycheck "stuffer" announcement and a slide show, cost approximately \$48,000.

The communication effort's logo, money stuffed into a blue jeans

pocket with a "SavingsPlus" label, and the slogan, "Put More Money in Your Pocket Today," attracted the interest of younger employees and promoted the plan's new loan feature, Mr. Maduzia said.

In addition to slogans and a recognizable logo, the company promoted the plan through a contest in which employees could win free air travel and hotel stays. It also offered a free penlight to all enrollees.

Employees first received a three-fold announcement brochure in the mail that highlighted plan changes and upcoming enrollment meetings. In large type on the back of the flier were the questions "Are you saving enough money for the future?" beside a drawing of a safe; "Could you use more cash right now?" beside a stack of dollar bills; and "Has your pocket felt a little empty lately?" beside the jeans-pocket logo.

At company meetings, employees received a colorful "SavingsPlus Kit" with enrollment forms, contest entry forms and summarized explanations of the plan, as well as projections of how much employees could save based on their salary.

To enter the contest, employees had to pass a crossword puzzle-like quiz about the plan.

Approximately 2,500 non-union employees were eligible for the plan. Nearly 1,000 employees entered the contest, and enrollment in the plan increased from 40% in 1988 to nearly 79% participation by the spring of 1989, Ms. Page said.

"This was very successful, especially when you consider the age of the audience," said Ms. Page. "They're very reluctant to save."

—By Monique Parsons

The Berkshire Hathaway Group Is Searching For An Underwriting Vice President

The Berkshire Hathaway Group of insurance companies has consolidated policyholders' surplus in excess of \$4 billion. Our largest division, located in Omaha, Nebraska, has been providing insurance coverage for transportation and non-standard general liability risks for almost fifty years through managing general agents.

We are looking for an outstanding individual to manage the underwriting function. The successful candidate will manage an experienced eighty person staff. This individual will be responsible for all of the underwriting activities including underwriting policies and procedures, selection and pricing of individual risks, and development of new products and programs. As the Vice President of Underwriting this individual will report to the President and will also serve on the Company's senior management committee.

Candidates for this position should have a minimum of fifteen years experience in casualty underwriting with at least five years of proven managerial experience. We also require an individual with strong quantitative aptitude, communication skills, leadership ability and the sound business judgment consistent with the responsibilities of this senior managerial position.

If you meet these qualifications and would like to be considered for this position please send your resume including salary history to:

Tyson T. Cross
Vice President
National Indemnity Company
3024 Harney Street
Omaha, NE 68131

BERKSHIRE HATHAWAY GROUP

National Indemnity Company • Columbia Insurance Company • Continental Divide Insurance Company
Cornhusker Casualty Company • Cypress Insurance Company • Kansas Fire & Casualty Company
National Fire & Marine Insurance Company • National Indemnity Company of Florida
National Indemnity Company of Minnesota • National Liability & Fire Insurance Company
Redwood Fire & Casualty Company • Wesco-Financial Insurance Company

Broadway tunes hit a chord with tough customers

By KARI BERMAN

HOUSTON—Towers, Perrin, Forster & Crosby Inc. faced what could be described as the ultimate employee benefit consulting challenge.

How could Towers, Perrin, whose subsidiaries include employee benefit consultant TPF&C and other management consulting operations, communicate its new flexible benefit plan to its 3,500 employees?

"We realized that we had to be incredibly creative to stimulate an audience so well-versed on the material, and we decided that we needed a video to build excitement," said Mark Schumann, a former consultant with TPF&C in Houston who was responsible for the first-place entry in the audio-visual category of the *Business Insurance* Employee Benefits Communication Awards competition.

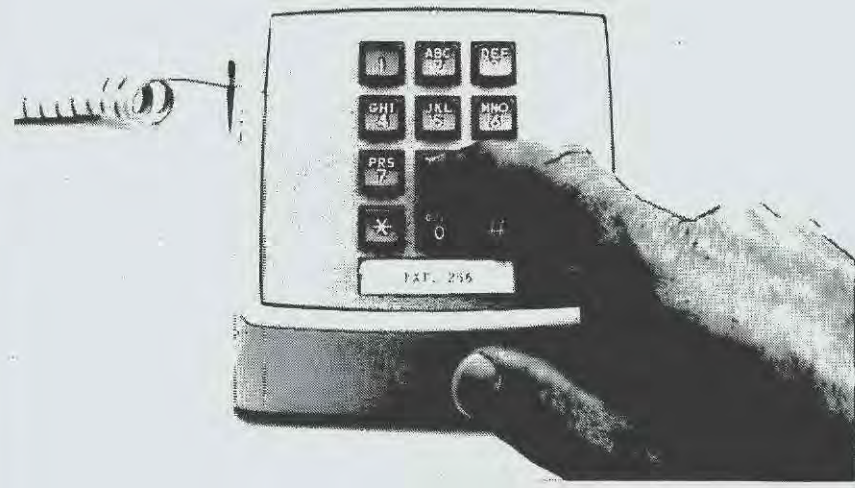
Mr. Schumann explained that while many TPF&C employees spend hours composing catchy themes to lure their clients' employees to employee benefit meetings, these consultants ironically

better understanding of the personal and work-related views that the employees typically shared.

"Our research told us about the features of the Towers, Perrin culture that were blocking a successful introduction of our flexible benefits program. A bit stuffy. Perhaps too serious, too work-oriented. Certainly demanding," Mr. Schumann said.

Then Mr. Schumann arrived at a solution: "Sting the culture and break down the barriers by laugh-
Continued on next page

One Call Solves Your Claims Backlog Problem.



Providing Temporary Claims Adjustors Nationwide.

Workers' Comp, Medical Property/Casualty, L&H Offices Coast to Coast

(800) 552-5246



There Are Still A Few Places Where We Don't Have An Office



Tikikluk in the Artic Circle is one of them. But at the rate we're growing we could be sledding in there any day. Over the past 5 years our business has tripled. And so we're constantly expanding. Adding more convenient locations. Topnotch people, too.

Send For A Free Directory Of Our Offices

Our network of offices stretches from the Atlantic to the Pacific. The Great

Lakes to the Gulf of Mexico. And points in between. We'll be glad to send you a free directory of our locations if you call or write our Marketing and Sales Department.

Today Toledo, Tomorrow Tikikluk We're growing quickly because we have a reputation for giving our customers exactly what they need. And we'll be happy to tailor a program that's just right for you.

Doing It The Right Way. Your Way.

GAY & TAYLOR

INSURANCE ADJUSTERS & RISK SERVICES

P.O. Box 25626 • Winston-Salem, NC 27114-5626 • (919) 760-3300 • Fax: (919) 760-4446



don't want to be bothered when it comes to learning about their own benefit programs.

It didn't take long for TPF&C officials responsible for introducing flexible benefits to their peers to realize that it was going to take more than an announcement to get all of Towers, Perrin's employees to benefit meetings.

"In our surveys of 300 employees, 91% said that they would not attend meetings because they were too busy with work and deadlines," Mr. Schumann said.

"We knew that we had to create a draw" that would make Towers, Perrin employees put aside their work and come to a meeting about their new flexible benefits.

Because of his previous experience with successful audio-visual presentations, Mr. Schumann was asked to take a shot at creating a video that would spark overall employee interest and capture the attention of even the most seasoned benefit consultant.

"We knew that we could not do anything that resembled anything that we did before because if it reminded them of something else, it would be like warmed-over toast. If you asked them for five things that they expected to see, it couldn't be one of those mentioned," said Mr. Schumann.

When brainstorming about ideas for the video, Mr. Schumann turned to the survey results from Towers, Perrin employees to gain a

7-17-89

\$25,000,000
(Surplus)

Midwest Employers Casualty Co.

Has completed new financing which increased its surplus to \$25,000,000.

Providing
Excess Worker's Compensation for Self-Insured Employers

11457 Olde Cabin Road • St. Louis, Missouri
(314) 567-4575

Edifice Complex



An obsession with buildings—big, expensive buildings in grandiose settings. The classic case is characterized by a preoccupation with superficial “premiums” like atriums, rolling meadows, ponds.

Edifice Complex is especially common among providers of mental health and chemical dependency treatment, who tend to emphasize the *whereabouts* of treatment instead of the treatment.

What all this equals is extravagant extras that don't enhance or even contribute to treatment. What they do is increase costs. Your costs. Unfortunately, your employees aren't guaranteed effective treatment, nor is their recovery

accelerated. Instead you're footing the bill for fluff.

There is an alternative. We're a company that doesn't tolerate Edifice Complex or its costly implications. Why should you?

Call 1-800-44 MENTA


THE MENTA GROUP
Managed Mental Health Alternatives
900 Jorie Boulevard, Suite 59
Oak Brook, Illinois 60521
312.990.7767
FAX 312.990.1726

Broadway tunes

Continued from previous page
ing at ourselves.”

So, he took a chance, ignored the teasing of his peers and did what everyone told him couldn't be done. He created a 10-minute, Broadway-like musical revue to launch Towers, Perrin's new flex plan into stardom.

“We called it Total Pay Revue and we created a musical comedy, complete with real Broadway play performers, in order to get people to meetings. It was a video so fun, so different, so contrary to what people would expect from a Towers, Perrin corporate video that it motivated people to come to the meetings just to watch,” Mr. Schumann said.

The video's plot, characters and lyrics were all based on information from employees.

“I just started writing new words to well-known Broadway tunes, telling the story of the Towers, Perrin employees' busy days and sleepless nights as they try to make their deadlines,” he said.

For example, the show begins with frantic Towers, Perrin employees scurrying to complete their work as one employee sings “I Should Have Worked All Night” in place of the Broadway original version of “I Could Have Danced All Night” from “My Fair Lady.”

Another employee representing Tillinghast, the risk management consulting division, expresses her feelings to the tune of “I'm a Yankee Doodle Dandy” as she sings, “A real risk taker do or die. I worked on the 4th of July.”

The musical tongue-in-cheek tribute to the TPF&C corporate culture continues with “Just No Time,” set to the music of “Just in Time” from “Bells Are Ringing.” Similarly, “76 Trombones” from “The Music Man” is retitled “76 Deadlines,” while Evita's “Don't Cry For Me, Argentina,” becomes “Don't Cry For Me, Old ERISA.”

Originally, Mr. Schumann created about 100 songs and then selected 26 for the production.

“The songs had to be quasi-well-known and the parody had to be clear and closely linked to the original song,” he explained.

“A video is a wonderful way to tell a story and the story is of them. I wanted them to see themselves through the magical transformation of a video,” he said.

And they did see themselves when they came to the meeting and were often able to laugh along with the video as it poked fun at the seriousness of the Towers, Perrin culture.

Mr. Schumann recalled one reoc-

curing scene that embarrassed more than a few Towers, Perrin employees who reluctantly attended the employee benefit meetings.

“There is a scene in the video when employees angrily come to the meeting with their files, singing ‘Tomorrow. Why can't we meet Tomorrow? It's only a day away,’ to the song from ‘Annie.’ Then the meeting leader kicks their work out of their hands. Often, employees who did bring their work with them would quickly hide it under their chairs and pay attention” he said.

After the word got out, employees began flocking to the meetings, anxious to get a glimpse of the video that had quickly become hot office gossip.

In fact, Towers, Perrin employees liked their Broadway revue so much that 48% asked to take it home to show it to their family and friends.

In the end, 92% of Towers, Perrin's employees attended the meetings, and 84% said it was out of curiosity about the video.

And, 98% of the employees who saw the video said that it was “very fun to watch.”

“It showed fellow consultants that you can do crazy things and be effective,” Mr. Schumann said.

While the bulk of the video poked fun at the company and its employees to generate interest in the new flexible benefits plan, the video did contain a brief overview of the plan and encouraged employees to call a benefits hot line if they had questions about the plan after reading printed material.

This tie-in was successful as well, according to Mr. Schumann, who reported that 89% of the employees read the accompanying employee benefit booklets, 62% called the benefits hot line and 60% used an explanatory computer diskette to help plan their benefit choices.

“It was a great change to do something so different. It was the hardest work I have ever done, but it was worth it because everyone loved the result,” Mr. Schumann said.

A TPF&C spokeswoman would not comment on the cost of the video.

Mr. Schumann, who has since resigned from TPF&C to become principal and communications practice leader at William M. Mercer Meidinger Hansen Inc. in Dallas, would not discuss costs, though he said “we stayed within the budget. It didn't cost as much as it appears to have cost. We shot it in two days and cut corners where necessary.”

Financial writer helps to explain 401(k) changes

The runners-up in the audio-visual presentation category are:

• Second place: RJR Nabisco, Inc. in Atlanta.

Syndicated personal finance columnist Jane Bryant Quinn stars in RJR Nabisco's benefits communication video, lending an authoritative voice to support the company's recently revised section 401(k) Capital Accumulation Plan.

“We thought that a recognized spokesperson would be better received than a talking head—a paid actor,” said Michael L. McKelvy, RJR Nabisco's director of benefits operations. “Also, she's excellent in front of the camera.”

The 16-minute video alternates between Ms. Quinn, who explains features of the CAP program from a study lined with books, and short

“commercials,” in which actors communicate the plan through punchy, narrated skits.

“We wanted to illustrate key points visually in a humorous way,” said Kathryn Collura, communication consultant at the Atlanta office of Hewitt Associates, who designed the video.

Ms. Collura had worked with RJR Nabisco and Ms. Quinn on a previous benefits video, which was “very well-received,” said Mr. McKelvy. They chose Ms. Quinn to explain the key points of the CAP changes because she has advocated participation in 401(k) plans in her syndicated columns in recent years.

To highlight CAP's new loan feature, one “commercial” shows a

Continued on next page

Continued from previous page
man waiting in a long line to apply for a bank loan. When he finally reaches the very gruff loan officer, he is asked a series of aggravating questions, such as "How many house pets did you have in 1965?" In the next scene, a loan shark wearing a pin-striped suit and carrying a violin case offers him a loan at 8% interest—8% per hour, that is. When he finally turns to CAP, a large check literally falls right into his lap.

Another skit highlights the flexible investment options in the CAP plan. One man runs in and out of the facade of a bank, shifting his investments among the five available funds. Another man enters the bank only a few times, preferring to keep his money in one fund. Both men leave the bank dressed as old men, the first taking a bucket full of small golden eggs home for retirement, while the second carries a bucket filled with one very large golden egg.

RJR Nabisco and Hewitt worked on the video for nearly four months. Mr. McKelvy declined to reveal the production cost.

Approximately 38,000 employees of the corporate staff, Nabisco Inc., Nabisco Brands Inc., Del Monte Corp. and R.J. Reynolds Tobacco Co. are eligible to enroll in CAP.

"The reaction we got was very positive," Mr. McKelvy said. He believes that employees appreciated that "the company went to the trouble to produce a first-class video."

• Third place: A tie between Central Maine Power Co. in Augusta, Maine, and The Children's Hospital in Denver.

efit option, appeared during the narration.

The stamp logo also appeared throughout the "Choice" benefit booklet, continuing the theme of "personalizing" and "putting your own stamp on benefits," said Ms. Hart.

Approximately 1,100 non-union employees in five locations in Maine saw the video at enrollment meetings. Hearing the "upbeat song" and recognizing co-workers in the video "sent a positive atmosphere into the room" full of people who were initially wary of flexible benefits, said Ms. Hart.

The video had a positive effect. About 900 people signed up for a new dental plan option, more than 1,000 selected a new dependent life insurance option and more than 300 enrolled in the new flexible reimbursement accounts, said Ms. Bishop.

The video was produced in about two months at a cost of about \$40,000.

The Children's Hospital in Denver used a similar tactic to introduce its new flexible benefits plan and to increase participation in reimbursement spending accounts and tax-sheltered annuity programs.

The 10-minute video was filmed in the hospital and featured TCH employees and their children. Besides employee testimonials, an actress narrated and described plan features, while the children played around her in a hospital playroom.

"You know what they say about advertising," said Christa Sorenson, communications consultant with the Lincolnshire, Ill., office of Hewitt Associates. "Children and puppies sell well."

Ms. Sorenson worked with Linda Hauser and Anne Nordhaus-Bike of Hewitt, TCH Benefits Specialist Julie Tedder and other TCH staff members to produce the video.

The children auditioned for the video, but Ms. Sorenson said they accepted "basically any kid who

wasn't afraid of the camera and who didn't cry."

Employee testimonials are effective communications tools, she said, because they "hold more weight" than if a "stranger" were to advocate the plan.

"It's always fun to see children of employees or people you work next to," said Sandy Horst, TCH's associate director of human resources.

The theme, "Take Charge," and crayon-colored building blocks emphasized that employees could build their own benefit packages through the new flexible plan.

To make the video useable for several years despite program changes, Hewitt writers kept to broad themes and concepts rather than specific details, which were outlined in a booklet.

Many of the 1,650 workers eligible for the plan came to meetings where the video was shown.

"I would expect they came to see the kids, but that's fine," said Ms.

Sorenson. "Whatever gets them in."

Details of flexible plan enrollment participation were not available, but participation in the spending accounts and annuity programs increased dramatically, Ms. Horst said. Participation in the health and dependent care spending accounts increased to 564 employees in 1989 from 150 employees in 1988. Participation in the annuity program increased to 1,022 employees this year from 295 employees in 1988.

The video cost about \$30,000 to produce. Although most employees reacted favorably to the presentation, it was "perceived as glossy" by a few employees who believed the project was too elaborate for a non-profit hospital, Ms. Horst said.

"By and large, our employees liked it," she said. "We were kicking off a whole new benefit plan. We wanted it to be educational."

—By Monique Parsons

When your exposure requires a coverage of a different color.

'We wanted to have employees identify with the employees in the video,' says Kathleen Bishop.



Errors and omissions risks are seldom black or white. For all the hues in between, it takes a seasoned master like Media/Professional to sort out exposures and solutions.

As America's leading E & O underwriter, we have the practical experience, the professional staff and the underwriting authority to create one-of-a-kind coverages for businesses with unique E & O problems. Our policies are backed by A-rated companies, knowledgeable reinsurers and in-house attorneys to supervise claims.

Our approach encourages long-term cooperative relationships between carriers and clients. That translates into pricing stability, continuity of market, loss prevention and a professional response when the big claim hits.

If your client needs specialized errors and omissions coverage, then talk to us. We'll analyze their exposures and develop a spectrum of E & O options. However you color it, Media/Professional has the perfect touch for all the shades of gray.



Media/Professional Insurance, Inc.
Two Pershing Square, Suite 800 • 2300 Main Street
Kansas City, Missouri 64108 • 816-471-6118

America's E & O Authority

When employees at Central Maine Power began to hear rumors of a new flexible benefits program, many of them were skeptical, fearing a benefits cut or cost increases, said Kathleen Bishop, director of employee benefits.

To help alleviate those concerns, the company prepared a 15-minute video titled "Choice Benefits: For the Way You Do the Things You Do," which consists almost entirely of interviews with CMP employees who understood and favored the plan.

"Early on there was a tremendous negative reaction" to the flex plan, said Ms. Bishop. "We wanted to have employees identify with the employees in the video in order to gain a level of acceptance."

Local managers nominated the employees to be interviewed, said Ms. Bishop, emphasizing that it was "not a corporate decision."

"The employees seemed to have a real good time working on it," said Deborah Hart, communications associate with benefit consultant TPF&C, a division of Towers, Perrin, Forster & Crosby Inc., in Boston, which produced the video in conjunction with CMP staff.

The video's theme song, "The Way You Do the Things You Do," emphasized that each CMP employee is unique and therefore has different benefit needs. In the interviews, employees described their coverage needs based on their health, marital status, number of children and age. All said they favored flexible benefits over a plan that gave the same benefits to all employees.

Between the interviews, a narrator described the new benefit options while graphics listed the plan's highlights. "Choice" logos, colorful drawings of postage stamps with symbols for each ben-

ESOP booklet stresses worker ownership pride

By KARI BERMAN

DALLAS—Epic Healthcare Group may be the nation's third-largest employee-owned company, but many of the hospital holding company's 10,000 "employee-owners" did not know what that means.

Epic was established in September 1988 when it purchased 36 for-profit hospitals from American Medical International Inc. of Beverly Hills, Calif., through a leveraged employee stock ownership plan. The ESOP now owns 24.5 million shares of Epic stock.

Although all employees are referred to by the company as employee-owners, most did not understand how the ESOP worked and even fewer felt the pride that an owner of a company typically experiences, company officials noted.

So, Epic set out to explain the advantages of employee ownership to the employee-owners through a communications program that ultimately won first place in the book-

let category of the 1989 *Business Insurance* Employee Benefits Communication Awards competition.

"We wanted to change the culture so that the employee-owners really felt that they were the owners of the company. In order to do that, we had to make sure that they understood how an ESOP works," said John LaGreca, director of benefits at Epic.

He explained that the company opted for a booklet so that employees could easily keep it with them at all times as a reference material.

In fact, "some employees punched holes in the binding so that they could put it in their employee benefit folder," Mr. LaGreca said.

"Our key goal in the project was to educate all levels of employees from the top management to the janitorial staff. They needed to understand that their position in the company did not matter in terms of ownership because everyone is an employee-owner," added Judith Griffey, a communication consultant in the Dallas office of TPF&C. Epic hired TPF&C, a unit of Towers, Perrin, Forster & Crosby Inc., to consult on the communications program.

The cover of the booklet reflects the company's philosophy of equality among employee-owners.

"We used examples of employees at different levels to quickly make the point of equality. There is an administrator, a janitor and a nurse talking about the ESOP," Ms. Griffey explained.

The janitor is questioning the whole ESOP concept, asking the other employee-owners "What do you mean we own the company?"

"We selected that phrase for the cover because it was a common response among the employees who we surveyed about their role in the company," Ms. Griffey said.

The booklet's cover, designed in Epic's corporate colors of royal blue, red and white also includes the company logo at the bottom of the page.

"The entire cover promotes a picture of togetherness and unity among employees," Ms. Griffey said.

When the employee-owner opens the booklet, which cost \$22,000 to design and produce, he or she is greeted by the bright red exclamation,

"Congratulations!" Beneath is a "certificate of ownership"—signed by the company's chief executive officer—certifying that the worker is "an employee-owner of Epic Healthcare Group."

"Later, we gave each employee-owner a real certificate of ownership that they could frame and hang in their home," Mr. LaGreca said.

Keeping the feeling of unity alive throughout the booklet was a primary concern, so Ms. Griffey opted to write the dialogue in the booklet in first-person plural, using the pronoun "we" rather than "you."

"We wanted the booklet to sound as though it was one employee talking to another about the benefits of an ESOP," she said.

Following a warm introduction to the basics of how an ESOP works, the booklet explains specifically how stock will be distributed to employees, the rate at which they vest in the shares distributed and when they can cash in their shares.

Along the way, the booklet points out that the success of an employee-owned company—and hence the value of the ESOP to the employee-owners—hinges upon the effort of the employees.

For example: "unlike the ESOPs most other companies offer, our ESOP gives us majority ownership of the company. With it, we will be dividing up 24.5 million shares of stock over the next 10 years. If we do better than planned and improve our company, we could pay off the loan faster and get our stock sooner. Now that's something to work for," the booklet explains.

"We have been very satisfied with the results of the booklet. Our employee-owners now realize that they are important to the success of the company and that their good work means more benefits for them through the ESOP," Mr. LaGreca said.

And, now that they understand how the ESOP works, they are showing signs of assuming more responsibilities for its management.

"Most employee-owners want to play a more active role in the company" and some are forming groups of workers "to promote more unity and better results for the company," he added. ■

Scott programs win two awards

The runners-up in the booklets category are:

• Second place: A tie between Dayton Hudson Corp. in Minneapolis and Scott Paper Co. in Philadelphia.

To persuade a diverse group of young employees to read about changes in Dayton Hudson's defined benefit pension plan and defined contribution savings plan, Dayton Hudson created an entertaining, six-color booklet with a Hollywood theme.

"Communication is always the tough battle in any kind of a benefit because you've got to reach so many different kinds of people," said Fred Hamacher, vp of compensation and benefits at Dayton Hudson.

The cover of the 10-page, 8½-by-11-inch booklet, depicts the inside of a movie theater. A still frame from "The Wizard of Oz" is shown on the "screen," with Dorothy, the Tin Man and the Scarecrow looking open-

mouthing down the yellow brick road. The caption beneath them—and the theme of the booklet—is "What Are You Doing Friday night?"

"We've got a pretty young population, and to get them halfway into reading anything about benefits is a challenge," said Mr. Hamacher.

With the premise that younger people—the average age of Dayton Hudson's employees is 28—are more concerned about Friday night plans than a distant retirement, the booklet explained planning for retirement and contributing to the savings plan is the best way to ensure enjoyable Fridays after retirement.

The Wyatt Co. was hired to assist with the concept, design and booklet production.

"We didn't want to put anything about retirement on the cover," said Betty Barnett, a consultant in Wyatt's Minneapolis office. "We wanted them to open up and see

Continued on page 31



UNDERSTANDING OUR
EMPLOYEE STOCK
OWNERSHIP PLAN

Epic Healthcare Group
The Employee-Owned Company

NEW

NEW

POLICE PROFESSIONAL LIABILITY

- A Wide Range of Limits of Liability
- A Wide Range of Deductible Options
- A Highly Respected Insuror
- A Broad Definition of Insured
- Jail Facilities Coverage Optional
- Full Civil Rights Coverage Optional
- First-Aid Coverage Included
- Insureds Right to Select Legal Counsel
- Insureds Right to Reject Settlement
- Realistic, Yet Competitive Pricing
- Prompt Quotations
- Retroactive Rates Available for Claims-Made Policies

Our long years of experience and research and development in this class of business assures you a quality product. Our professional underwriting and claims staff assures you of service both before and after the sale. Here's another opportunity to . . .

be the competition . . . come to Cover X



For further information or applications call or write . . .

COVER X CORPORATION
P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010
Facsimile: (313) 358-2459

COVERAGE MAY NOT BE AVAILABLE IN ALL STATES

Setting the stage

Europeans adapt laws to 1992 market realities

By Douglas N. Smith

WHILE THE WORLD waits, the European Community is inching its way toward 1992. And, as "cross-frontier" fever infects member states, moves are afoot to legislate changes that will allow insurers to compete more effectively in the single European market.

Let's take a look at some of the changes taking place in EC member nations:

• **United Kingdom.**

The United Kingdom is nearing the Oct. 1 implementation date for the Control of Substances Hazardous to Health regulations. COSHH, which is modeled after the European Commission's Directive 80/1107/EEC, seeks to protect workers from exposure risks related to chemical, physical and biological agents in the workplace.

COSHH applies to all substances considered to be hazardous to health, including microorganisms and dust of any kind when substantial concentrations are present in the air. COSHH does not apply to asbestos,

International issues

lead, ionizing radiations, respirable dust in mines and flammable, explosive and pressure risks, all of which are subject to existing regulations. Nor does it apply to substances used in the course of medical or dental exams or care.

Under COSHH, any firm that is subject to the U.K. Health and Safety at Work Act must assess its risk; that is, identify and provide data by Jan. 1, 1990, about all of the substances that it handles or manufactures. From that date, possession of a listed substance that has not been properly assessed becomes an offense.

An initial penalty may take the form of a warning letter from an environmental health office but can escalate to a prohibition order on the business and, if the case goes to court, a heavy fine. Also, manslaughter charges could be brought against a firm if a fatal accident were to occur while a prohibition order was in place.

• **Ireland.**

In Ireland, the Confederation of

Irish Industry is calling for a 30%-40% reduction in employers liability premiums. Currently, premiums total 2.5% of payroll, compared with 0.3% in the United Kingdom.

The high cost of employers liability insurance hurts business because it adds to the cost of goods made in Ireland, making them uncompetitive with goods produced in other EC member countries.

Why does employers liability insurance cost so much in the Emerald Isle?

Blame is usually placed on court awards for on-the-job injuries, now frequently called "rewards" instead of compensation. In addition, the bureaucratic structure of Irish trade unions has helped to centralize the legal process in Ireland. One solicitor often facilitates a large amount of minor claims by handling them as one job lot. This tends to encourage small claims, and it is often alleged that workers deliberately inflict minor injuries on themselves to jump on this

bandwagon. Employers risk a strike by workers if they dismiss an employee that is suspected of deliberately injuring himself.

In contrast to employers liability, insurer competition has led to severe rate-cutting for automobile liability insurance. Although the industry has taken recent steps to reduce claims costs, improve pretrial procedures and eliminate uninsured driving, rates are being cut in advance of improved underwriting results.

Irish insurers fear that imprudent underwriting practices both for employers liability and auto liability coverage will tarnish their image within the EC at a time when they are gearing up to provide free "cross-frontier" services, as proscribed by the Single European Act, effective July 1, 1990.

• **France.**

There are two recent legislative changes affecting insurance practices in France. First, the government significantly reduced premium tax rates earlier this year to ensure that

Continued on next page

ASK A BENEFITS ACTUARY

Early retirement benefits require compliance care

Q

Can an offset pension plan provide unreduced early retirement benefits?

A

This question comes from the benefit manager of a company that has amended its offset pension plan with the intention of complying with the proposed integration regulations under Internal Revenue Code Section 401(l). The benefit manager has

heard that the IRS issued a new regulation regarding unreduced early retirement benefits under an offset plan.

The benefit manager's company sponsors a plan that provides a benefit commencing at or after age 65 equal to:

- The product of years of service up to 30.
- And, the difference of 1.6% of highest five-year average earnings and 0.65% of final average compensation not in excess of covered compensation. Final average compensation and covered compensation are amounts that are calculated in accordance with proposed integration regulations.

For retirement after age 60 and with 30 years of service, a participant can receive a benefit starting at age 60, and equal to the product of:

- Years of service up to 30.
- And, the difference of 1.6% of highest five-year average earnings, and a percentage of final average compensation not in excess of covered

compensation.

The percentages, which vary by age at benefit commencement, are as follows:

- At age 60, 0.4%.
- At age 61, 0.45%.
- At age 62, 0.5%.
- At age 63, 0.55%.
- At age 64, 0.6%.

Notice 89-70, recently issued by the IRS, indicates that there are two problems with the unreduced early retirement benefit described above. First, the early retirement benefit commencing immediately is greater than the benefit commencing at age 65, which is a violation of IRC Section 411 benefit accrual rules.

For example, consider an employee retiring at age 60 in 1989 with 30 years of service. This employee has the following earnings amounts:

- Highest five-year average earnings, \$60,000 per year.
- Final average compensation, \$43,600 per year.
- Covered compensation, \$21,292 per year.

If the retiree starts payments immediately, the annual pension is \$26,244.96. If, however, the retiree defers commencement of his pension until age 65, the annual pension is \$24,648.06. This decrease is prohibited by Section 411.

Secondly, Notice 89-70 indicates that in order for this plan to meet the integration or "permitted disparity" requirements for early retirement benefits, the early retirement reduction applied to the "gross" benefit (the benefit ignoring any offset) must be coordinated with the early retirement reduction in the offset. For this plan, this means that the percentage of highest five-year average earnings used in the early retirement benefit must be reduced by at least the decrease in the offset allowance.

For example, for an employee retiring at age 62, the offset allowance decreases by 0.15% to 0.5% (if benefits commence at age 62) from 0.65% (if benefits commence at age 65). Consequently, the percentage

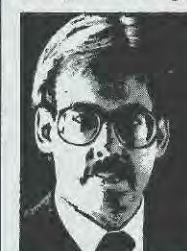
of highest five-year average earnings used in the early retirement benefit must decrease from 1.6% to a percentage not to exceed 1.45% (1.6% minus 0.15%).

Similar adjustments are required to the percentage of highest five-year average earnings for other benefit commencements before age 65.

Because of Notice 89-70, plans that have been administered or amended to comply with the proposed integration regulations now may have difficulty in maintaining unreduced early retirement benefits. A change in benefit formula may now be required.

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.

Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.



Mr. Miner

This month's column on actuarial issues in the benefits field is written by William J. Miner, an actuary with The Wyatt Co. in Chicago. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions. And, Joseph W. Duva, director of employee benefits at Allied-Signal

Inc. in Morristown, N.J., answers benefits management questions.

Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's and Ms. Werner's columns appear alternately on the second Monday of each month. Mr. Miner's next column will appear in October.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

1992 market

Continued from previous page

French underwriters will be competitive with other EC underwriters after July 1, 1990.

For example, property damage and business interruption policies covering all business exposures—including municipal, industrial and commercial activities—formerly were subject to premium taxes ranging from 8.75% to 18%. They now are subject to a 7% tax rate. In addition, the tax rates applying to air, inland and marine cargo; marine hull; and public carrier liability have been annulled.

Second, recent French legislation requires that any individual or corporation engaged in conducting biomedical experiments on humans must guarantee total compensation to "injured" patients or volunteers via a public liability policy.

In effect, the law imposes no-fault liability as a cause of action against sponsors of biomedical research that has no direct therapeutic aim; i.e., experiments conducted on healthy persons. However, the "injured" patient or volunteer must prove negligence on the part of the sponsor when the biomedical research has a direct therapeutic aim. In any case, the sponsor cannot oppose either third-party fault or the spontaneous withdrawal of a patient or volunteer from testing.

Any individual or corporation that fails to secure proper insurance coverage may be subject to one or both of the following penalties:

Imprisonment for a period of one to six months and/or a fine ranging from 6,000 francs (\$937.80 at current exchange rate) to 100,000 francs (\$15,630).

- West Germany.

During the first half of 1989, insurance practices in West Germany underwent several major changes.

First, the premium tax rate for all lines of insurance (except marine hull and hail insurance) increased to 7% from 5% as of Jan. 1, 1989.

Second, all companies in West Germany that maintain manufacturing facilities listed in "BImSchG" of the Environmental Protection Act were required to review their processes by April 30, 1989, in compliance with "Storrfallverordnung 1988."

Like COSHH in the United Kingdom, this West German law aims to minimize or avoid common public hazards by more stringently regulating the use of hazardous substances in production processes. Indeed, the number of production processes falling under the act has been increased to 150 from 17, while the list of substances classified as "hazardous" was enlarged to 319 from 145.

Any breach of the act, such as negligent or malicious disregard, can be subject to a maximum fine of 100,000 deutsche marks (\$52,930), as well as a government shutdown of production if employees might be endangered by such an infraction.

Still under consideration by West German authorities is a new pollution liability law, which would impose strict liability as a supplemental cause of action for damage to water, air and soil resulting from both gradual, sudden and accidental exposures.

Moreover, West Germany is presently working to implement the EC Strict Product Liability Directive. Although the directive called for implementation by July 30, 1988, West Germany and eight other EC member states (France, Belgium, The Netherlands, Ireland, Spain, Portugal, Denmark and Luxembourg) failed to enact enabling legislation within the required time frame and were sued by the EC Commission.

In addition, the commission is suing Italy and the United Kingdom for

failing to correctly implement the directive.

- Denmark.

In response to the EC Commission's lawsuit, Denmark passed the Product Liability Act on May 30, 1989. In general, the Danish act follows the framework of the EC Strict Product Liability Directive. For example:

- ✓ The act's definition of a "product" excludes agricultural and stock farming/fishery products.

- ✓ The act allows the development risks defense, whereby a producer can escape liability for producing, manufacturing or supplying a defective product on the basis of a state-of-the-art defense.

This defense contends that the scientific and technical knowledge at the time the product was put into circulation was insufficient to enable the existence of the defect to be discovered.

- ✓ The act does not affect the existing rights that an injured person may have under contract or other laws. Instead, the new legislation will be superimposed on existing law.

- ✓ A three-year limitation applies to proceedings for the recovery of damages, beginning on the day that the plaintiff became aware, or should have reasonably become aware, of the damage, the defect and the identity of the producer. The act also adopts the directive's 10-year statute of limitations on a producer's liability.

However, the Danish act deviates from the directive in that it imposes a wider scope of liability by allowing an injured party as well as subsequent middlemen or suppliers to sue the person who put the product into circulation, even if that person is not the producer of the product.

- Greece.

In Greece, the minimum compulsory third-party liability insurance on motor cars has been raised to 10 million drachmas (\$61,120) for bodily

injury and 2 million drachmas (\$12,224) for property damage.

Another change affecting Greece is the European Court of Justice's decision to uphold an EC Commission request that the Greek government repeal provisions of Law 1256/1982, which demanded that:

- ✓ All proprietors of public enterprises be insured with Greek public sector insurers.

- ✓ Banks must recommend their clients to insure with Greek public sector insurers.

To be sure, even more insurance-related changes will be forthcoming as EC member states move toward 1992. Evidence of the trend also has been noted in the European Free Trade Assn. countries.

For example, non-life insurers in Switzerland have been granted reciprocal access to the European Community once Swiss insurance law is harmonized with EC directives. As a result, Swiss non-life insurers will have the right to establish anywhere in the European Community, while EC insurers will be able to establish in Switzerland.

Similarly, the Austrian Insurance Federation has begun to fight for alterations in existing laws in order to ensure that its local laws comply with EC directives in advance of the single European market.

So, while 1992 may not yet be a reality, insurers are getting ready for the big fight. In the meantime, stay tuned for further updates.



Douglas N. Smith is vp and manager of the International Department of Johnson & Higgins in New York. His column appears the first Monday of every month.

Pregnancy covered despite policy termination

The Supreme Court of Michigan held that a group health insurer was liable for expenses related to a pregnancy that occurred while the health policy was in effect but were incurred after the policy was terminated.

In October 1980, United Fidelity Insurance Co. issued a group medical insurance policy to Morrell Builders, owned by Russell Morrell.

Mr. Morrell and his wife both were insured under the policy.

In May 1982, Fidelity notified Morrell Builders that the health insurance coverage would terminate as of July 1, 1982. The termination was part of Fidelity's decision to cease writing this kind of insurance.

At the time the policy was terminated, Mrs. Morrell was pregnant. In September 1982 she gave birth to a child at Providence Hospital.

Fidelity declined to pay the hospital expenses because of the policy termination. Mr. Morrell also failed to pay. The hospital sued Mr. Morrell and he, in turn, sued Fidelity.

The trial court ruled for Mr. Morrell and against the insurer.

The appellate court noted that the lower courts had held Fidelity liable under the public policy that limits the ability of the insurer to avoid liability for expenses arising from conditions that came about during the policy coverage.

The court agreed that public policy considerations may override insurance policy language giving the insurer the right to terminate coverage. But, the

Legal briefs

court felt that public policy principle would not be expanded beyond the pregnancy context of this case to require coverage of all conditions arising during the life of a policy.

"Unlike most conditions requiring medical treatment, pregnancy often results from the deliberate decision of the insured," the court observed. "This brings into play the principle of giving effect to the reasonable expectations of the insured."

The lower court decision was affirmed as to Mr. Morrell's claim for the costs of the pregnancy.

Providence Hospital vs. Morrell, Supreme Court of Michigan, Aug. 24, 1988 (BI/03/March.-\$10)

All-risk policy

Does an "all risk" property insurance contract cover the defects in the title of equipment acquired by a policyholder?

A Massachusetts appellate court decided that it did not.

The HRG Development Corp. was issued an "all-risk" insurance policy by Graphic Arts Mutual Insurance Co. in May 1985.

The policy contained an endorsement covering HRG's heavy construction equipment against "all risks of physical loss or damage from any external cause. . ."

During the policy term, HRG was sued by H. Leverton & Co. Ltd. seeking to recover certain heavy equipment alleging it was the true owner. HRG requested that its insurer defend the suit but was refused.

HRG then filed suit, seeking a declaration that the policy did provide it coverage.

The trial court ruled for the insurer.

On appeal, HRG argued that the plain and ordinary meaning of the policy language compelled coverage under the policy for risks of loss without physical damage as well.

The court said that an all-risk policy comprehends a risk arising out of "a fortuitous event—a casualty." The court said that it was highly questionable whether an alleged defect in title was a "fortuitous loss."

According to the court, it was also evident that the loss or damage could have been covered by other insurance—i.e. title insurance. Furthermore, the court noted as an additional basis for ruling against HRG, the loss occurred before it had an insurable interest in the property.

HRG Development Corp. vs. Graphic Arts Mutual Insurance Co., Appeals Court of Massachusetts, Sept. 14, 1988 (BI/05/A.-\$10)

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

Booklets

Continued from page 24
what's inside."

Inside, photographs of directors' chairs, reels of film and other movie paraphernalia, as well as movie titles worked into the text, carry the theme. Colored bar graphs project retirement income based on Social Security, and benefits from the defined benefit pension plan and from Dayton Hudson's Supplemental Retirement and Savings Plan—a 401(k) savings plan.

In addition, the booklet explains a new benefit formula for the defined benefit plan, SRSP vesting schedules and the company's 50% matching contributions to the SRSP.

The booklet was sent through internal mail to approximately 100,000 employees in the corporate offices and in about 325 Dayton Hudson Department Store Cos., Mervyn's, Target and Lechmere stores.

The booklet was produced in about three months and cost about \$65,000, said Ms. Barnett. It was printed in Dayton Hudson's Target subsidiary's print shop, which was "a huge cost savings," she said.

Meanwhile, employee benefit officials at Scott Paper Co. wanted a communication program that would increase employee participation during the third enrollment period for the company's SCOTTflex flexible benefit plan.

"We'd used a benefit summary approach before," said Donald F. Weir, manager of group insurance funding. "But we found that people were still having trouble with basic terms" of the plan.

Mr. Weir, Scott staff members and SCOTTflex Manager Richard F. Frisch worked with Hewitt Associates to develop the "SCOTTflex: Make It Work For You" workbook to explain the plan and encourage employee participation.

The 57-page spiral notebook was distributed at enrollment "workshops," where employees sat at large tables and were "walked through the process" of choosing benefit options, explained Mr. Weir.

The SCOTTflex plan contains various medical care, dental, long-term disability, employee and dependent life insurance and flexible reimbursement account options. In addition, employees can "buy" additional vacation days through the plan.

Most of the 7,000 employees eligible for the flex plan are under 45, and 43% have been with the company for five years or more. Although they were aware of the range of benefits, many needed extra instruction to understand the flexible plan.

Scott wanted a "workshop" rather than an enrollment meeting and a "workbook" rather than an enrollment book to encourage participation "instead of (employees) just sitting back passively and absorbing" benefits information, said Karen Barnes, a consultant in Hewitt's Rowayton, Conn., office.

The workbook was divided into 10 sections outlining each coverage option. Heavier, large grey pages described benefit option highlights with bright colored print, script and graphics. In between, smaller, thin white "information" pages described each option in detail.

The workshop discussed the flex plan highlights, and employees could read the thorough explanations at home, Mr. Weir said.

A fold-out worksheet in the back of the book enabled employees to plan which benefits they would choose before actually enrolling.

The workbook cost about \$110,000 to produce and was distributed to 7,000 employees at 22 locations.

• Third place: Scott Paper Co. in Philadelphia.

Scott Paper Co.'s other winning entry was a four-fold brochure that summarized improvements and changes in the company's overall compensation and benefits program.

"We wanted to design a centralized vehicle that would communicate as much information as possi-

ble to as many employees as possible," said Don Hare, Scott's manager of compensation and benefits projects.

Detailed communications had increased employee familiarity with the flexible benefits program, but employees needed an equally clear guide to explain the full range of benefits the company offered, Mr. Hare said.

Printed on 8½-by-11-inch lightweight cardboard, the brochure highlights improvements in the SCOTTflex program, the company's defined benefit plan and its Investment and Supplementary Retirement Plan, a 401(k) plan that includes company matching contributions.

Changes in the SCOTTflex plan are highlighted in three yellow boxes, improvements in the defined benefit plan are highlighted in six blue boxes and changes in the I&SRP are summarized in four light green boxes.

"We were looking for ways to make employees more aware of changes, lots of different changes," said Hewitt's Ms. Barnes, who also helped

design the brochure. "Our intent was to let employees know about them just at a glance. That's why we broke the copy up into different boxes with different headlines."

The last page of the brochure describes Scott's "Showcase" interactive computer kiosks, which employees can use to check I&SRP contribution rates and account balances and to forecast future balances based on changes in payroll contributions and interest rates.

A letter from Scott Chairman and Chief Executive Officer Philip E. Lippincott, which introduces benefit improvements and encourages employees to critique the program, also is included in the brochure.

The fold-out brochure cost approximately \$35,000 to write, design and produce. It was sent via first-class mail to approximately 7,000 salaried employees at 22 locations.

• Fourth place: La Quinta Motor Inns Inc. in San Antonio, Texas.

La Quinta Motor Inns needed to send employees a simple, straight-

forward message explaining the company's newly simplified defined benefit pension plan.

To communicate the changes to approximately 5,000 workers, ranging from management to housekeeping staffers, the company distributed a colorful three-fold cardboard brochure with a brief, easy-to-read summary of the pension plan.

The brochure explains the plan's new five-year vesting requirement and a simplified benefit formula. It also helps employees project their retirement income based on their salary and years of service.

"Because of the complexity of the previous plan, the general feeling was that nobody really understood it," said Judith Griffey, a communication consultant with TPF&C in Dallas, a division of Towers, Perrin, Forster & Crosby Inc., who consulted on the project.

"The employees had never had a piece that highlighted" what their retirement benefits actually were, she said.

"We appreciated the three-fold design," said Nancy Carr, La Quinta benefits administrator. "Everybody liked it. It helped people zero in on what they really wanted and they could still put in the necessary information."

Although most of La Quinta's employees do not stay with the company over the long term, the company wanted to emphasize the benefits of saving for the future, Ms. Carr pointed out.

"We were trying to pitch it as a retirement plan, not a savings account they could spend now," she said.

The brochure cover is colored solid brick red lined in blue, with the round, Native American-style La Quinta logo in each corner.

"The reddish color is a special color that we're using at our inns now," said Ms. Carr.

La Quinta spent approximately \$9,000 to produce 10,000 copies of the brochure.

—By Monique Parsons

For lost souls...



and unfound sources

BUSINESS INSURANCE DIRECTORIES

Our in-publication directories make access to services and suppliers easy. Providing comprehensive listings in specialized areas, they give readers a direct route to better management techniques, eliminating frustrating hours researching lost souls and unfound sources.

Business Insurance readers and advertisers alike benefit from our directories — the issues and directories listed here are valuable tools offering repeated use and lasting power.

When it comes to finding the unfound, the choice is crystal clear.

ISSUE	CLOSE*	DIRECTORY	EDITORIAL FEATURE
Jan 16	Jan 4	Safety Consultants	Workers Comp
Jan 30	Jan 17	Claims Administrators	Self-Insurance
Feb 20	Feb 7	Utilization Review Providers	Benefits: Cost Control
Mar 13	Feb 28	Risk Mgmt Consultants	Risk Mgmt Services
Apr 10	Mar 28	Captive Managers	Captives/Risk Mgr of the Year
May 22	May 9	Benefits Info Systems	Benefits: Plan Design/Admin
Jun 26	Jun 13	Agents & Brokers	Agent/Broker Profiles
Jul 24	Jul 11	Risk Mgmt Info Systems	Risk Mgmt Systems/Analysis
Aug 7	Jul 25	401(k) Plan Administrators	EBC Award Profiles
Aug 14	Aug 2	Surplus Lines	Surplus Lines
Oct 9	Sep 27	Internat'l Insurers & Networks	International Benefits/Risk Mgmt
Nov 6	Oct 24	Intermediaries	Reinsurance Trends & Issues
Nov 20	Nov 7	Property Loss Control	Specialty Risks
Dec 18	Dec 5	Benefit Consultants	Benefits: Market Report
Dec	Nov 22	HMOs & PPOs	53rd Issue

Directory information: Marilou Jones 312-649-5279
*Advertising information: Don Walsh 212-210-0133
Circulation information: Customer Service 800-992-9970

Business Insurance
a publication of Crain Communications Inc

Videos should not 'do too much': Judges

By KARI BERMAN

Audio-visual presentations used to communicate employee benefit plans should not be too specific, communications experts agree.

The judges of the 17th annual *Business Insurance* Employee Benefits Communication Awards competition recognized those audio-visual presentations that did not overload employees with detailed information.

"Judges were particularly hard on the entries in the audio-visual category as well as other categories that included A-V components because they felt that the A-V should not be used to communicate the whole ball of wax," explained Ronnie Drachman, director of communications for *Business Insurance* in New York.

Instead, the judges were looking for audio-video presentations that summarized changes in employee benefit programs or stirred interest in new or existing benefit plans, according to Ms. Drachman.

"The audio-visual presentations that tried to do too much lost their audience, the judges," she said. "The judges thought that details should be left to mediums that can most effectively communicate those details, like booklets."

An example of using a lighter touch in an audio-visual presentation without becoming bogged down in the nuts and bolts of a benefit plan was the first-place-winning entry of Towers, Perrin, Forster & Crosby Inc. of New York, which highlighted the company's flexible benefits program through a simulated Broadway musical (see story, page 21).

Ms. Drachman also noted that, as the entries were evaluated, it became clear that employers had spent more time on benefit communication efforts for special projects this year than in the past.

"Employers are taking the extra step by designing special communication projects to clarify gray areas in specific benefits. This year there were a lot of entries that solely explained employee stock ownership plans," according to Ms. Drachman.

For example, Epic Healthcare Group of Irvine, Calif., won first place in the booklets category of this year's EBC competition for its booklet explaining the company's ESOP to its employees (see story, page 24).

In addition, Indianapolis-based Eli Lilly & Co. captured first place in the multimedia presentation category of the competition with its program communicating new flexible reimbursement accounts to the company's 16,000 employees (see story, page 14).

Another communication tool that was popular among companies entering the multimedia presentation and total benefit program categories was the employee benefit telephone hot line.

"Quite a few of this year's entries involved some kind of information hot line that employees could call for help in understanding their employee benefit plan



Ms. Sherman



Mr. Jones



Ms. McGovern



Mr. McCullough

and options," Ms. Drachman said.

This year's EBC competition attracted 175 entries from 136 different U.S. and Canadian companies. Entries were submitted in six categories: booklets, personalized correspondence, audio-visual presentations, multimedia programs, special projects and total benefits programs.

Of the 175 entries, 21 were produced by employers in-house, while the other 154 were prepared with the assistance of an employee benefit consulting firm.

Twenty-four benefit consulting firms were represented in this year's competition.

Entries produced by Lincolnshire, Ill.-based Hewitt Associates won 11 awards, the most among the consultants. TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby, placed second with five award-winning programs, while The Wyatt Co. consulted on three winning entries.

Other employee benefit consultants honored include William M. Mercer Meidinger Hansen Inc. of New York and Buck Consultants Inc. of New York, which each consulting on one winning entry.

In addition, the third-place entry in the multimedia program cate-

gory was produced in-house by Carolina Power & Light Co.

The entries were evaluated by a panel of 12 independent judges who are all experts in different areas of communication.

"Because all of the judges were communication professionals in different mediums, they were able to bring all of their talents together and judge effectively and objectively," said Barbara Dalton, coordinator of the EBC competition.

Although the judging is a tedious task that takes about a month to complete, judges agreed that the process was a mutually beneficial experience.

"The judges are all involved in communications, and working on the *Business Insurance* Employee Benefits Communication Awards competition gave them the opportunity to see what companies and consultants around the country have been doing with their employee benefit projects," Ms. Dalton said.

The entries to the EBC competition were scored on how well they fulfilled five basic criteria: objectives, strategy, content, presentation and effectiveness.

"The judges were very tough this year and competition was stiff," Ms. Drachman pointed out.

"There were no honorable mentions this year because the judges were straightforward.

"You either won or didn't," she

said.

This year's judges were:

- Marie Alvit, vp at Rhode Island Hospital Trust in Providence, R.I.

- Dick Jones, management supervisor with ad agency Young & Rubicam in New York.

- Walt Lodynsky, manager-benefit communication at Southern New England Telephone Co. in New Haven, Conn.

- Susan Markuson, vp-employee benefits at Salomon Inc. in New York.

- Kevin McCullough, personnel manager at Crain Communications Inc. in New York.

- Terilyn McGovern, vp of the Assn. of Business Publishers in New York.

- Victoria Morgan, employee benefits specialist at Bristol-Myers Co. in New York.

- Jennifer Olsen, manager of employee benefits communication at The Pillsbury Co. in Minneapolis.

- William O'Neal, vp at Standard & Poor's Insurance Services, a subsidiary of Standard & Poor's Corp. in New York.

- Maryanne Sherman, principal of Sherman Think Tank, a marketing and advertising company in Lawrenceville, N.J.

- Bonnie Siedler, vp-marketing at The Wheatley Group in Melville, N.Y.

- Susan Weiner, president of Broad Reach Productions, an audio-visual production firm in New York.

Winners of the 1989 EBC competition will be honored at a luncheon today at the Helmsley Hotel of New York.

Case Study

The Olin Corporation wanted a more efficient way to administer over 68 different medical plans for its 13,000 employees and 3,000 retirees. Their goals were to better service their employees and control costs by self-administering their health care benefits. Olin decided on ClaimFacts—the health claims management system from Erisco. Olin's philosophy of "Olin people looking after Olin people" was achieved by managing their claims administration in-house. Employees were happy since claim payment was cut from over 4 weeks to an average of 10 days. Olin gained control of costs by knowing exactly where their health care dollars were going. Plus, valuable insight for future plan design.

Judge us by the companies we keep. Besides ClaimFacts, Olin Corporation also benefits from using Erisco's ImpleFacts, the defined contribution record-keeping system.

For more information, call or write:
Erisco, 1700 Broadway
New York, NY 10019 212/765-8500

**Cutting
employee
claim-payment
turnaround
time in half.
And controlling
health care
costs, too.**

That's Erisco.

Erisco

DB a company of
The Dun & Bradstreet Corporation

Trial lawyers' society seeks limit on punitive damages

By STACY ADLER

IRVINE, Calif.—A group of trial attorneys is urging state legislators to limit punitive damage awards.

The call last month by the American College of Trial Lawyers comes just one month after the U.S. Supreme Court ruled that excessive punitive damage awards are constitutional.

Citing abuses in the current system of awarding punitive damages, the college is suggesting several possible legislative reforms:

- Punitive damages could be limited to a modest multiple of compensatory damages.
- Dollar limits could be set on the amount of punitive damages that could be awarded.
- The standard of proof required to award punitive damages could be raised to "clear and convincing evidence" from "a preponderance of evidence."
- Plaintiffs could be barred from seeking multiple punitive damage awards from the same defendant for the same conduct.
- Trials could be bifurcated so that punitive damages are awarded in a separate proceeding.

"Considerable improvements still could be made to bring about more evenhanded treatment of litigants," says the Irvine, Calif.-based American College of Trial Lawyers in its report.

The American College of Trial Lawyers is an international honorary legal society of about 4,600 lawyers—both defense and plaintiffs' attorneys—who are hand-picked for nomination by existing members of the society.

The society's report comes on the heels of a June 26 U.S. Supreme Court decision that found the excessive fine clause of the 8th Amendment of the U.S. Constitution does not apply to punitive damage awards. However, the court did indicate that the 14th Amendment's due process clause could be used to limit excessive punitive damages (*BI*, July 3).

The group advocates that punitive damages be limited to twice the compensatory award or to \$250,000, whichever is greater. Further, the group says that this limit should be imposed by a judge after the jury has reached a verdict to avoid influencing the jury's decision.

However, limiting punitive damages to a multiple of compensatory damages or setting caps on punitive damages "could be considered arbitrary," pointed out attorney Victor Schwartz of Crowell & Moring in Washington, D.C. He is not a member of the society.

However, Mr. Schwartz agrees that "there is a need

within 'Punitive Damages Land' to have some limits set based on the wrongful conduct of the defendant."

A less arbitrary reform would be to raise the standard of proof required to award punitive damages, said Mr. Schwartz, who also is counsel to The Product Liability Alliance, a Washington-based coalition of business groups seeking federal product liability reform.

The trial lawyers also advocate raising the standard of proof needed to award punitive damages to "clear and convincing evidence" from the current standard in most states of "a preponderance of evidence."

Mr. Schwartz defines the standard of "clear and convincing" as requiring 75% certainty, which is significantly higher than 51% certainty required by "a preponderance of evidence."

San Francisco attorney Victor Levit of Barger & Wolen says California courts already require plaintiffs to prove punitive damages by "clear and convincing evidence."

The attorney group also suggests barring plaintiffs from seeking multiple punitive damage awards from single defendants for the same conduct.

"There is the very real possibility that the punitive awards will be duplicative and therefore result in punishing the defendant more than once for the same wrongful conduct," says the group in its report. "This obviously offends the basic notions of justice."

"Conversely, a plaintiff runs the risk that prior punitive awards may exhaust the defendant's resources, and that not only will there be insufficient funds from which to pay the plaintiff's punitive award, but the funds will be inadequate to pay a compensatory award," the group adds.

U.S. District Judge H. Lee Sarokin in March ruled that multiple punitive damage awards against manufacturers and distributors of harmful products are unconstitutional because they violate the defendant's right to due process (*BI*, March 13). Plaintiffs in this case are asking Judge Sarokin to reconsider his decision.

Finally, the American College of Trial Lawyers endorses bifurcating trials for compensatory damages from trials for punitive damages.

Bifurcated trials ensure that "flammable evidence is kept away from the jury," says Mr. Schwartz. For example, information regarding a defendant's net worth would not be allowed until it was shown that punitive damages can be awarded, he explained.

The American College of Trial Lawyers says, "adoption of these recommendations will result in definite improvements in the administration of justice."

Vendors speed 401(k) administration

By DONNA DiBLASE

Employers and their 401(k) plan administrators report they are concentrating on improving the speed and accuracy of plan record keeping and administration for good reason.

"We want to continue to improve the administration of 401(k) plans because this improves the value and the overall appreciation of the 401(k) benefit by employees," explained David Kimball, a consultant in the Philadelphia office of TPF&C, a division of Towers, Perrin, Forster & Crosby Inc.

In addition, employers are increasingly demanding that their 401(k) administrators directly handle more questions and requests from plan participants, consultants say.

In response, more administrators are developing telephone hot lines to handle plan participants' inquiries about their accounts.

And, in addition to relieving some of employers' 401(k) communication burdens, administrators are working with employers to improve the collection of 401(k) plan data. Teaching an employer how to collect and edit the payroll and other data necessary for 401(k) plan record keeping on their own saves the employer money on consulting fees and leaves the administrator with more time to maintain the employer's plan.

And, while some consultants and plan administrators offer both 401(k) plan administration software that can be used by employers on their own computers and via online computer access, they note that most employers prefer to have their plan administration and record keeping performed by an outside consultant or vendor.

Most vendors providing 401(k) administration and record keeping services also provide consulting support in the areas of legal issues, plan design, compliance with federal regulations governing 401(k) plans, and benefit communication services.

The cost of administration, record keeping and consulting services varies depending on such factors as the complexity of an employer's plan and the number of participants in the plan, administrators say.

Most vendors offer very similar services, administrators and consultants note.

"Most of the services offered out there are along the same lines. We're all addressing the same problems for our clients. We just try to provide the best service to them," observed Peter Rutherford, a partner with benefit consultant Kwasha Lipton in Fort Lee, N.J.

Most plan administrators agree that the greatest demand from employers today is for timely, accurate

administration of their 401(k) plans. The experts note that smooth administration of the plans helps employers to encourage employee participation.

"Employers want to increase the visibility of their 401(k) plans to their employees. So, the employer has a direct stake in making sure there is timely, efficient administration of the plans. Smooth plan administration makes the plan look good to employees," explained Richard Koski, a consultant in the New York office of Buck Consultants Inc., which offers administration and consulting services to employers.

When it comes to administration and record keeping, "employers want to get things done and get them done more quickly. The administration of the plan is what delivers the plan to employees," noted Gail Kellogg, a consultant in the Lincolnshire, Ill., office of Hewitt Associates.

And, "the biggest demand from employers is for timely, accurate record keeping," concurred Tom Knak, a consultant in the Kansas City, Mo., office of William M. Mercer Meidinger Hansen Inc.

Efficient plan administration is a major issue for employers because "plan participants are demanding more plan features and better administration today. The driving forces behind these demands are that participants' account balances are getting bigger and participants are more experienced and involved as investors of their account balances," observed John Mulligan, a vp in the benefit plans services division of State Street Bank & Trust Co. in North Quincy, Mass.

A big challenge for companies providing 401(k) plan administration services today is "determining what technology is out there and how we can use that technology to work smarter and more efficiently at plan administration," explained John Wentzell, second vp in the group pension marketing division of State Mutual Life Assurance Co. of America in Worcester, Mass.

To improve the efficiency of its plan administration services, State Mutual is concentrating on having its headquarters office directly handle more questions and services for its employer clients, he said. Previously, the insurer's branch offices were the major contact for its 401(k) plan administration clients.

Many employers are demanding that their 401(k) plan administrators take a more active role in communicating the plans to employees, administrators say.

"We clearly see more employers wanting someone else to take care of the employee relations and employee contacts on their plan. I think part of this is because with the changes in regulations, many em-

ployers can't hire staff members that are competent to handle all the questions that employees have about the plans," explained Gary Blank, a consultant in the San Francisco office of The Wyatt Co.

As a result, many plan administrators are offering—or are developing—telephone hot lines that can respond to plan participants' questions about their account balances or about plan provisions.

Most of these services enable the plan participant to dial a toll-free number using a touch-tone phone. The employee then enters a personal identification number or their Social Security number on the telephone pad to gain access to an automated voice response system. This computerized response can provide the employee with updates on their account balance or other account activity information.

Wyatt offers such a system from its 26 offices nationwide, Mr. Blank said.

Hewitt also offers an automated voice response telephone system to its 401(k) administration clients, Ms. Kellogg said. "The trend is that more employers want the service provider to handle more of the plan participants' inquiries," she said.

Hewitt's phone system currently is being used by The Upjohn Co., a pharmaceutical manufacturer in Kalamazoo, Mich.

Upjohn implemented the system in January 1989 as a means "to expand the base of information available to our 401(k) plan participants and as a first step toward interactive benefits communication," said George Jepson, a member of the Upjohn's employee communications group.

Upjohn's staff of three administrators had been handling about 20,000 phone calls a year from plan participants. While Upjohn's benefits staff still handles many calls, the automated system can handle more routine requests, such as balance inquiries and questions about investment options and account activity.

Other administrators, like Buck, TPF&C and Mercer, also can provide these systems. Kwasha Lipton plans to have such a system available by year-end.

In addition, American Transtech, a Jacksonville, Fla.-based division of American Telephone & Telegraph Co., offers both an automated voice response system and a "live operator" system to employers, said Doug Bottomley, manager of marketing.

The live operator system can handle specific questions from employees about their own accounts, as well as questions about the employer's overall plan and specific plan provisions.

American Transtech is an information processing company and does

not provide any other types of plan administration services, he said. However, the company does work with other 401(k) plan administrators in helping them to provide phone services to their employer clients.

Along with automated balance inquiry systems, some consultants and employers are working on phone systems that will enable plan participants to perform account transactions, similar to the automated tellers now available for personal banking.

In addition to providing plan communication services to employers, administrators also are helping employers get a better handle on plan data.

Data that must be collected for the administration of 401(k) plans includes participants' salary information, pretax deferral amounts, selection of investment options; allocation of savings balances to those investment options; loan activity; and withdrawals from accounts.

"Employers want help in the area of data gathering, which is the biggest problem in defined contribution plan record keeping," said Mr. Blank of Wyatt.

In fact, most of the plan administration software programs and online access capabilities offered to employers by 401(k) plan administrators mainly enable employers to collect data and deliver it to record keepers.

For example, "the software we offer helps employers to get the data to us in better shape. Therefore, they don't spend consulting dollars on data cleanup activities," said Mr. Rutherford of Kwasha Lipton.

Plan administrators also offer software programs that can be used by employers to perform other functions such as administering loan programs

under their 401(k) plans or tracking hardship withdrawals.

However, most plan administrators note that very few employers want to perform all of their own 401(k) plan administration duties.

In fact, while "a lot of employers do their own discrimination testing, not too many employers want to take on doing their own plan record keeping," noted Buck's Mr. Koski.

And, "only very small employers or employers with very simple plans do internal plan administration. Some companies just have a philosophy that they like to do a lot themselves," observed Linda P. Holleman, a senior vp and manager of the corporate defined contribution division of Booke & Co., a Winston-Salem, N.C.-based benefits consultant.

However, one large employer, San Francisco-based BankAmerica Corp., performs its own plan administration because "we had developed a sophisticated administration system that we were considering marketing to other employers," explained Paul Nordine, a benefits consultant at the banking firm.

While the company decided not to market its system, it does use it to perform a variety of administration functions for both its defined benefit and defined contribution pension plans, he said. Kwasha Lipton provides actuarial and consulting support services for BankAmerica.

Despite having its own system, "from time to time we do ask outside vendors" to submit proposals for performing administrative services for BankAmerica, he said.

The bank has 70,000 employees. System support and pension plan administrative duties is performed by about 30 employees, he said.

Case Study

Crawford & Company Health Management Services was manually administering utilization review services for 105,000 employees. They wanted a better way to manage their business and a system to support future growth. They found it with CertiFacts — the utilization review system from Erisco. Thanks to CertiFacts, they enhanced their efficiency in providing services and initiated a review program with greater ease for two new clients representing 175,000 employees — a 170% increase in business. Crawford's nurses expedite certifications using the system's medical and surgical criteria to support decisions regarding proposed treatments. Crawford & Company couldn't be happier with their new system. And their new business.

Enabling our customers to initiate new business with ease. And enhancing their certification process.

That's Erisco.

Judge us by the companies we keep. Crawford & Company also benefits from using ClaimFacts, Erisco's health claims management system.

For more information, call or write:
Erisco, 1700 Broadway
New York, NY 10019 212/765-8500

Erisco
a company of
The Dun & Bradstreet Corporation

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon, why not have your own personal subscription? Use the card in this issue or the coupon to **SUBSCRIBE TODAY.**



Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)

	Surface Mail	By Air
USA	<input type="checkbox"/> \$70	<input type="checkbox"/> \$147
Canada	<input type="checkbox"/> \$102	<input type="checkbox"/> \$157
Bermuda (air only)		<input type="checkbox"/> \$152
United Kingdom		<input type="checkbox"/> \$150 or £83
Europe/Middle East		<input type="checkbox"/> \$150
All other foreign	<input type="checkbox"/> \$102	Rates on request

new subscription. renewal. payment enclosed.
 bill me. bill company.
 Please send information on your special 20%-off group rate for five or more subscriptions.

name _____ (please print)

title _____ telephone _____

company _____

nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 4COU9

Continued from previous page
Citibank N.A.

153 E. 53rd St., New York, N.Y.
 10043; 212-559-9561

Year founded: 1812; began offering defined contribution plan services in 1977.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' online access to company's computer; consults on plan design issues, compliance issues.

Service area: Nationwide.

Locations: Administrative office in Phoenix, Ariz.

Staff: Not reported.

Clients: Not reported; 20% with 1-

100 employees, 50% with 101-1,000 employees, 20% with 1,001-5,000 employees, 10% with more than 5,000 employees. Average plan size, 3,750 participants; largest plan, 60,000 participants; minimum size plan, 100 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Michael L. Costa, division executive; Denis M. Farrell, vp/department head; Patricia D. Jackson, vp-business development.

Coopers & Lybrand-Actuarial, Benefits & Compensation Group

400 Renaissance Center, Detroit, Mich. 48243; 313-446-7346

Year founded: 1961.

Parent company: Coopers & Lybrand.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company

offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants and to request account activity, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides financial and operational consulting.

Service area: Nationwide.

Locations: Albany, Syracuse and New York, N.Y.; Atlanta; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas; Stamford, Conn.; Houston; Louisville, Ky.; Minneapolis; Newark, N.J.; Philadelphia; Los Angeles; San Francisco; Tampa, Fla.

Staff: 672 total staff members; 120 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include six CEBSs, one ASA/FSA, five attorneys.

Clients: 360 total clients; 20% with

1-100 employees, 63% with 101-1,000 employees, 15% with 1,001-5,000 employees, 2% with more than 5,000 employees. Average plan size, 800 participants; largest plan, 22,000 participants; no minimum or maximum size client.

Charges: Determined by time and expense.

1988 gross revenues: \$68 million total; \$8.5 million from 401(k) plan services.

Principal officers: Peter Scanlon, chairman; Jerry Halperin, vice chairman-Actuarial, Benefits & Compensation Group; Paul Protos, national defined contribution practice leader.

D

Defined Contribution Administrative Services Inc. (D.C.A.S.)

P.O. Box 634, Riverside, Conn.;
 1445 E. Putnam Ave., Old
 Greenwich, Conn. 06870;
 203-637-4346

Year founded: 1988.

Software: Software is written and maintained by the company; can accommodate six investment funds and five kinds of contributions; company offers software for use by clients.

Administration: Uses unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides investment management, employee meetings, video presentations.

Service area: Pennsylvania, New York and Massachusetts.

Locations: Administrative and consulting office in New York; additional consulting office in Woodbury, N.Y.

Staff: 15 total staff members; all staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three CLUs, three CFCs.

Clients: 80 total clients; 95% with 1-100 employees, 5% with 101-1,000 employees. Average plan size, 30 participants; largest plan, 130 participants; minimum size plan, five participants; maximum size plan, 300 participants.

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

1988 gross revenues: Not reported.

Principal officers: David G. Heller, president; Grant G. Heller, executive vp.

Dreyfus Benefits/ Dreyfus Service Corp.

666 Old Country Road, Garden City, N.Y. 11530; 800-322-7880

Year founded: 1951; began offering 401(k) plan administration services in 1982.

Software: Record keeping is provided by an outside third party; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) 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 issues, compliance issues, employee communications; provides investment services.

Service area: Nationwide.

Staff: 26 total staff members; 16 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA, one CPA, three attorneys; two CFPs.

Clients: 260 total clients; 40% with 1-100 employees, 30% with 101-1,000 employees, 25% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 500 participants; largest plan, 10,000 participants; minimum size plan, 25 participants; no maximum plan size.

Charges: Determined by number of participants, frequency valuations.

1988 gross revenues: Not reported.

Principal officers: Mary J. Rudie, president; George Anastasakos, vp.

E

EBG & Associates Inc.

70 E. Lake St., Suite 1400, Chicago, Ill. 60601; 312-580-2250

Year founded: 1978; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Consults on plan

Continued on page 38

Set Up Your Company's 401(k) With Us And Here's All You Have To Worry About.

There's nothing to worry about
 when we handle your 401(k). So call
 us at (314) 436-9522.

BOATMEN'S TRUST COMPANY

Formerly Centerre Trust Company
 P.O. Box 14737, St. Louis, MO 63178



MET LIFE'S PACKAGED 401(K) PROGRAM HAS SOMETHING IN IT FOR EVERYONE.

With the Metropolitan Savings Plan Program, you'll get exactly what you want for your corporate savings plan. Like daily-valued investment choices, flexible plan design, state-of-the-art recordkeeping services, and a well-trained staff of benefits specialists to help you.

We've even packed in additional services you may not find in other 401(a) and 401(k) programs, including

our "service guarantee." And since everything's wrapped up in one neat package, Met Life's savings program is more efficient and easier for you and your employees.

To find out more, please contact Harvey M. Young, Senior Vice-President, at Metropolitan Life Insurance Company, Pensions Department, One Madison Avenue, New York, NY 10010. Telephone: (212) 578-6287.

GET MET. IT PAYS.SM

Metropolitan LifeSM
AND AFFILIATED COMPANIES

Continued from page 36
design issues, employee communica-
tions.

Service area: Nationwide.
Staff: 30 total staff members; five staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two ASAs/FSAs.

Clients: Not reported. No minimum size plan; maximum size plan, 10,000 participants.

Charges: Determined by complexity of plan, frequency valuations.

1988 gross revenues: Not reported.

Principal officers: Emmanuel B. Garcia Jr., president; Dee L. Holt, vp-sales/customer support.

Employers Life of Wausau

2000 Westwood Drive, Wausau,
Wis. 54402; 715-842-6689

Year founded: 1971; began offering 401(k) plan administration services in 1985.

Parent company: Wausau Insurance Cos.

Software: Software is purchased from an outside vendor and maintained by the company; can accommodate four investment funds and four kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; investment advice.

Service area: Nationwide.
Locations: Consulting offices in Chicago; Kansas City, Mo.; Milwaukee; Detroit; Atlanta; Philadelphia; Portland, Ore.; Los Angeles; Dallas; Boston; Indianapolis.

Staff: 84 total staff members; 79 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include six CEBSS, two MBAs, two ASAs/FSAs, one CPC, two QPAs, three CLUs.

Clients: 449 total clients; 87% with 1-100 employees, 13% with 101-1,000 employees. Average plan size, 42 participants; largest plan, 600 participants; no maximum size plan.

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

1988 gross revenues: \$100,000 from 401(k) plan services.

Principal officers: Jim Magalska, executive vp; Tom Erickson, vp-group retirement; Steve Foster, vp-field services.

F

Fidelity Institutional Retirement Services Co.

Year founded: 1989; parent company began offering 401(k) plan administration services in 1983.

Parent company: Fidelity Investments.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and nine kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; account activity via telephone for participants.

Service area: Nationwide.
Staff: 200 total staff members assigned to 401(k) plan record keeping.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 15 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.
Locations: Administrative and consulting office in San Francisco. Additional consulting offices in Atlanta; Boston; Cedar Rapids, Iowa; Chicago; Coral Gables and Jacksonville, Fla.; Costa Mesa, Los Angeles, Fresno, Stockton and Walnut Creek, Calif.; Detroit and Grand Rapids, Mich.; Houston; Milwaukee; Minneapolis; New York; Parsippany, N.J.; Philadelphia; Pittsburgh; Portland, Ore.; Providence, R.I.; Roanoke, Va.; Seattle; St. Louis.

Staff: 350 total staff members; 55 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: Not reported. Minimum size plan, 50 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: David J. D. McLeish, chairman; Michael J. Reynolds, president; Michael W. Dunigan, Herbert Grove, John McNamara, Richard P. Miller and William Xanthos, directors.

nation tests.

Client support: Toll-free service for participants to request account activity; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Staff: 350 total staff members; 18 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA, one CPA.

Clients: 50 total clients; 94% with 1-100 employees, 6% with 101-1,000 employees. Average size plan, 42 participants; largest plan, 300 participants; no minimum size plan; maximum size plan, 1,000 participants.

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

1988 gross revenues: \$15 million total; \$125,000 from 401(k) plan services.

Principal officers: Gordon G. Rockafellow, president; Mark A. Kelley, vp-corporate plans.

G

Godwins Inc.

549 Pleasantville Road, Briarcliff
Manor, N.Y. 10510; 914-747-2002

Year founded: Began offering 401(k) plan administration services in 1982.

Parent company: Godwins International Holdings Inc./Frank B. Hall & Co. Inc.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 15 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.
Locations: Administrative and consulting office in San Francisco. Additional consulting offices in Atlanta; Boston; Cedar Rapids, Iowa; Chicago; Coral Gables and Jacksonville, Fla.; Costa Mesa, Los Angeles, Fresno, Stockton and Walnut Creek, Calif.; Detroit and Grand Rapids, Mich.; Houston; Milwaukee; Minneapolis; New York; Parsippany, N.J.; Philadelphia; Pittsburgh; Portland, Ore.; Providence, R.I.; Roanoke, Va.; Seattle; St. Louis.

Staff: 350 total staff members; 55 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: Not reported. Minimum size plan, 50 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: David J. D. McLeish, chairman; Michael J. Reynolds, president; Michael W. Dunigan, Herbert Grove, John McNamara, Richard P. Miller and William Xanthos, directors.

H

Hazlehurst & Associates Inc.

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

Year founded: 1971; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses cash ac-

counting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; limitation testing.

Service area: Nationwide.

Locations: Consulting office in Seattle.

Staff: 135 total staff members; 60 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include four MBAs, one CPA, 13 ASAs/FSAs, one attorney, one CPC, one CLU, one ChFC, one FLMI.

Clients: 80 clients; 30% with 101-1,000 employees, 55% with 1,001-5,000 employees, 15% with more than 5,000 employees. Average plan size, 2,500 participants; largest plan, 22,000 participants; minimum size plan, 1,000 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: James G. Pope, president; Ray McKinney, executive vp.

Hewitt Associates

100 Half Day Road, Lincolnshire,
Ill. 60015; 312-295-5000

Year founded: 1940; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate 20 investment funds and 15 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; administrative reviews and manuals, payroll system consulting, investment fund selection.

Service area: Nationwide.
Locations: Administrative and consulting offices in Rowayton, Conn.; Atlanta; The Woodlands, Texas; Santa Ana, Calif. Additional consulting offices in Charlotte, N.C.; Chicago; Cleveland; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix, Ariz.; Pittsburgh; St. Louis; San Francisco; Seattle; Tampa, Fla.; Waltham, Mass; Washington, D.C.; Westminster, N.J.

Staff: 2,250 total staff members; 625 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include five CEBSS, 136 MBAs, 41 CPAs, 167 ASAs/FSAs, 59 attorneys.

Clients: 225 clients; 1% with 1-100 employees, 17% with 101-1,000 employees, 41% with 1,001-5,000 employees, 41% with more than 5,000 employees. Average plan size, 6,000 participants; largest plan, 80,000 participants; no minimum or maximum size plan.

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

1988 gross revenues: \$202 million total; \$30 million from 401(k) plan services.

Principal officers: Peter E. Friedes, chief executive.

A. Foster Higgins & Co. Inc.

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

Year founded: 1927; began offering 401(k) plan administration services in 1982.

Parent company: Johnson & Higgins.

Software: Software is purchased from an outside vendor; can accommodate 15 investment funds and 10 kinds of contributions; company

offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; participant tax reporting, administrative consulting, voice-response inquiry system, reporting.

Service area: Nationwide.
Locations: Administrative and consulting offices in Princeton, N.J.; Los Angeles. Additional consulting offices in Boston; Parsippany, N.J.; Stamford, Conn.; Chicago; Minneapolis; Washington, D.C.; Richmond, Va.; Rocky River, Ohio; Pittsburgh; Philadelphia; Seattle; Portland, Ore.; Honolulu; Dallas; Houston; Atlanta; Costa Mesa, San Diego and San Francisco, Calif.

Staff: 1,400 total staff members; 75 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 35 CEBSS, 48 MBAs, five CPAs, 100 ASAs/FSAs, 21 attorneys.

Clients: 110 clients; 5% with 1-100 employees, 20% with 101-1,000 employees, 50% with 1,001-5,000 employees, 25% with more than 5,000 employees. Average plan size, 2,500 participants; largest plan, 20,000 participants; minimum size plan, 500 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: John N. Feldtmose, president; Robert C. Phillips, executive vp.

Holzman Post Ludwig & Schwartz Chtd.

125 S. Wilke Road, Arlington
Heights, Ill. 60005; 312-392-2999

Year founded: 1977; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate five investment funds and five kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; coordination of all benefit plans offered by client.

Service area: Nationwide.
Staff: 34 total staff members; 16 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include six CPAs, two attorneys, two EAs.

Clients: 150 total clients; 95% with 1-100 employees, 5% with 101-1,000 employees. Average plan size, 50 participants; largest plan, 500 participants; no minimum size plan; maximum size plan, 2,000 participants.

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

1988 gross revenues: \$2 million total; \$300,000 from 401(k) plan services.

Principal officers: Mark Schwartz, president; George F. Castillo, vp; William C. Ludwig, treasurer; Ira A. Post, secretary.

J

The Johnson Cos.

Route 413 and Double Woods
Road, Langhorne, Pa. 19047;
215-968-4741

Year founded: 1951; began offering 401(k) plan administration services in 1980.

Software: Software is purchased from an outside vendor with enhancements and changes made by company; can accommodate unlimited

Continued on next page

BREAK

from the
Erratic
Premium Cycle!

CORPORATE RISK CONSULTANTS

Specialists in:

- Captive Formation and Management
- Fronting Arrangements
- Reinsurance Placement and Support
- Self-Insurance Programs
- Loss Prevention Safety Engineering Services
- Claims Administration

Call or Write DICK MARSHALL

CAPTIVE



Corporate
Risk
Consultants

Premium Stability

Member MEADOWBROOK INSURANCE GROUP

24370 Northwestern Hwy.
P.O. Box 2054
Southfield, MI 48037-2054

NATIONAL (800) 482-2726
MICHIGAN (800) 482-0626
(313) 358-1100

Continued from previous page
ited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; payroll consulting.

Service area: East Coast.
Locations: Administrative and consulting offices in Boston; Dover, Del.; Washington, D.C.

Staff: 332 total staff members; 60 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two MBAs, four ASAs/FSAs, four attorneys, one CPC.

Clients: 500 total clients; 20% with one-100 employees, 68% with 101-1,000 employees, 10% with 1,001-5,000 employees, 2% with more than 5,000 employees. Average plan size, 750 participants; largest plan, 10,000 participants; minimum size plan, 10 participants; maximum size plan, 20,000 participants.

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

1988 gross revenues: \$15 million total; \$3.5 million from 401(k) plan services.

Principal officers: Edwin T. Johnson, chief executive officer; Donald Gallie, chief operating officer; Dennis Monahan, chief financial officer; R. Theodore Benna, principal.

K

KPMG Peat Marwick

One Boston Place, Boston, Mass. 02108; 617-723-7700; 212-909-5000

Year founded: 1900; began offering defined contribution plan administration services in 1979.

Software: Software is purchased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications, investment supervision, tax advice.

Service area: Nationwide.
Locations: Administrative and consulting offices in Rochester, Albany and New York, N.Y.; Portland, Maine; Burlington, Vt.; Philadelphia; St. Louis; Dallas; Los Angeles; Chicago; San Francisco; Atlanta; Cleveland. Additional consulting offices in more than 100 locations in the United States.

Staff: 30,000 total staff members; 345 employee benefit consultant department staff members; 115 staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: 250 total clients; 30% with 1-100 employees, 45% with 101-1,000 employees, 20% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 535 participants; largest plan, 30,000 participants; minimum size plan, five participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Charles E. Humphrey, principal; Cynthia S. Marshall, manager.

Kemper Financial Services Inc.

120 S. LaSalle St., Chicago, Ill. 60603; 312-781-1121

Year founded: 1948.

Parent company: Kemper Corp.
Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses unit value accounting, full share accounting; can accommodate loan provisions; does not perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for participants' account balance and account activity inquiries; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.
Locations: Consulting offices in Phoenix, Ariz.; Dallas; Tampa, Fla.; Richmond, Va.

Staff: 17 total staff members; 16 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include four CEBSs, one MBA, one ASA/FSA, one attorney.

Clients: Total clients not reported;
Continued on next page

Congress gave you Section 401(k).

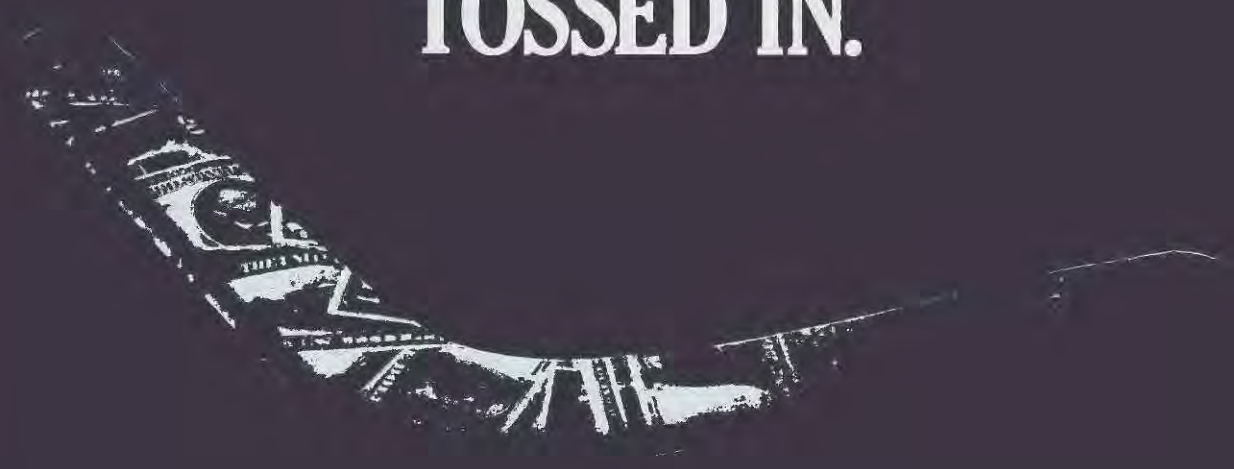
We put 401(k) to work for you.

In a climate of Congressional cut-backs and revenue generating maneuvers, the tax benefits of 401(k) plans are increasingly important to employer and employee. *Be sure you get the most from your plan. PensionMaker makes recordkeeping and reporting easy, efficient, and very cost-effective. Take control of your plan, and the fees. Process your data when you choose, design your own employee statements, handle participant loans, withdrawals, and distributions easily and conveniently.*



For more information contact: EBG & Associates, Inc. • 70 E. Lake St., Ste. 1400 • Chicago, IL 60601 • (312)580-2250

OUR NEW SERVICE AGREEMENT HAS SOMETHING SPECIAL TOSSED IN.



A MONEY-BACK WARRANTY.

At State Mutual, we've been talking quite a bit about our exceptional service for 401(k) and other defined contribution plans. Now, we're putting our money where our mouth is.

If any of our services provided under our new Service Agreement ever throws your plan administration for a loop, *we'll return the applicable fee.* No questions asked.

But frankly, we don't expect to return any money. We've completely restructured our service organization.

Now, as one of our full-service defined contribution plan clients, you'll get a personal account executive who will make sure you get what you need and expect.

If you'd like to know more about State Mutual's money-back Service Warranty, contact your pension broker/consultant, your local State Mutual Group Representative, or call 1-800-437-5200, Operator 500. We'll get back to you with all the information you'll need.

State Mutual Companies

State Mutual Life Assurance Company of America
Group Pensions, Dept. D9
440 Lincoln Street, Worcester, MA 01605
Ideas worth quoting.

Continued from previous page
70% with one-100 employees, 25% with 101-1,000 employees, 5% with 1,001-5,000 employees. Average plan size, 45 participants; largest plan, 1,200 participants; no minimum or maximum size plan.

1988 gross revenues: Not reported.

Principal officers: Robert A. Graf, senior vp.

Kwasha Lipton

2100 N. Central Road, For Lee, N.J. 07024; 201-592-1300

Year founded: 1944; began offering defined contribution plan services in 1965.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; tax and administrative consulting.

Service area: Nationwide.

Staff: 70 total staff members; 60 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations

held by staff include four ASAs/FSAs, one attorney.

Clients: 125 total clients; 5% with 101-1,000 employees, 75% with 1,001-5,000 employees, 20% with more than 5,000 employees. Average plan size, 5,000 participants; largest plan, 56,000 participants; minimum size plan, 1,000 participants; no maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: R.C. Sears, chief executive partner; David Skovron, chief operating partner; R.T. Whitman, partner in charge of marketing.

L

LFS Benefit Services

271 W. Cerritos Ave., Anaheim, Calif. 92805; 714-774-8051

Year founded: 1974; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash ac-

counting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for participants' account balance and account activity inquiries, clients' online access to your computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Staff: Eight staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA.

Clients: 30 total clients; 40% with one-100 employees, 60% with 101-1,000 employees. Average plan size, 120 participants; largest plan, 400 participants; no minimum or maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Alfred O. Long, president; Mark E. Long and Marcia Long, vps.

M

Malden Trust Co.

94 Pleasant St., Malden, Mass. 02148; 617-321-1111

Year founded: 1896; began offering 401(k) plan administration services in 1984.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; tax form preparation.

Service area: Metropolitan Boston.

Staff: Four total staff members; all involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two attorneys.

Clients: Not reported.

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

1988 gross revenues: Not reported.

Principal officers: Raymond A. Brearey, senior trust officer; Hebert E. Clafin and Sam H. Banov, trust officers; Elaine T. Callahan, retirement plans manager.

Mammel, Schropp, Swartzbaugh, Engler & Jones Inc.

175 Embassy Plaza, 9110 W. Dodge Road, Omaha, Neb. 68114; 402-397-7000

Year founded: 1959; began offer-

ing 401(k) plan administration services in 1983.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

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

Service area: Nebraska, Iowa, Kansas, Missouri, Colorado and South Dakota.

Staff: 20 total staff members; eight staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, three ASAs/FSAs, one CPC, three EAs.

Clients: Not reported. Largest plan, 750 participants; minimum size plan, 10 participants; maximum size plan, 2,500 participants.

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

1988 gross revenues: Not reported.

Principal officers: Donn B. Jones, senior vp; Rodney Thompson and Bud Wright, vps.

Management Applied Programming

3415 S. Sepulveda, Suite 200, Los Angeles, Calif. 90034; 213-397-7220

Year founded: 1964; began offering 401(k) plan administration services in 1989.

Software: Software is written and maintained by the company; can accommodate 12 investment funds and five kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting; can accommodate loan provisions; does not perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, clients' online access to company's computer, written communication of plan features to employees; consults on employee communications.

Service area: California, Arizona, Nevada, Utah, Oregon, Washington, Colorado and New Mexico.

Locations: Administrative and consulting office in El Monte, Calif.

Staff: 160 total staff members; 15 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA, two ASAs/FSAs.

Clients: One total client with 800 employees. Minimum size client, 25 participants; no maximum size plan.

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

1988 gross revenues: \$9.2 million total.

Principal officers: F.N. Dastur, president/chief executive officer; Robert Bassin, executive vp; Phiroze Dalal, vp/chief financial officer; Wayne Hays, vp.

Massachusetts Mutual Life Insurance Co.

1295 State St., Springfield, Mass. 01111; 413-788-8411

Year founded: 1853; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; investment administration.

Service area: Nationwide.

Locations: Administrative and sales office in Chicago.

Staff: 150 total staff members; 140 staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: 1,200 total clients; 65% with 1-100 employees, 32% with 101-1,000 employees, 2% with 1,001-5,000 employees, 1% with more than 5,000 employees. Average plan size, 150 participants; largest plan, 6,000 par-

Continued on next page

\$117,000,000

Dedicated to

VENTURE CAPITAL FOR THE INSURANCE INDUSTRY

Conning Insurance Capital Fund I - \$50,000,000
Conning Insurance Capital Fund II - \$67,000,000

These Funds have been established for qualified Venture Capital, LBOs and Special Situation investment opportunities in the insurance and insurance services industries.

General Partners:
Conning/Bigler Limited Partnership
Conning & Company

For Information Call or Write:

Joseph D. Sargent Stephan L. Christiansen
Chairman & CEO or Senior Vice President

Conning & Company

Members of the New York Stock Exchange

101 Pearl Street
Hartford, CT 06103
(203) 527-1131

Set your dates with Business Insurance

AUGUST

ISSUE	AD CLOSING	FULL-RUN SECTION	DEMOGRAPHIC SECTION
14	AUG 2	SURPLUS LINES Directory: Surplus Lines	
21	AUG 9		INSURER TOPICS: Recruiting Talent/ Compensation
28	AUG 15*	REINSURANCE: INTERNATIONAL MARKETS Distribution: Monte-Carlo Rendez-Vous	

SEPTEMBER

4	AUG 23		AGENT/BROKER TOPICS: Fastest Growing/ Most Productive Agencies
11	AUG 29*	PRODUCTS/SERVICES/LITERATURE — INFO SECTION Distribution: IIAA	

Advertiser
Index

Issue of August 7

Advertiser	Page #	Advertiser	Page #
Administrative Management Co.	43	Home Insurance Company	14-15
Aetna Life & Casualty	9	International Foundation Benefit Commun. Instit.	44
American Reinsurance	6-7	CEBS	41
Boatmen's Trust Co.	36	Investment Video	44
Brownyard Brothers	45	K & K Insurance	10
CIGNA	17	Maximum Financial Group	41
Claim Net	21	MCC Companies	13
Conning & Co.	40	Media/Professional Ins.	4, 12, 23
Corporate Risk Consultants	38	Medjet International	19
Cover X	24	Menta Group	22
Duncanson & Holt	52	Metropolitan Life Ins. Co.	37
EBG & Associates	39	Midwest Employers Casualty	22
Equicor Health Plans	16	National Indemnity Co.	20
Erisco	32, 33, 34, 35	Shand Morahan & Co.	11
Gay & Taylor	21	State Mutual Life Assurance	39
GRE America	25/28	Vermont Insurance Mgmt.	43
Hilb Rogal & Hamilton	18	Wausau Insurance Co.	5

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Errors and omissions

E&O claims mount against producers despite soft market

By LAURA MAZZUCA

Insurance agents and brokers, always susceptible to errors and omissions claims, are getting no significant relief from claims in the current soft market and may face even greater challenges in the not-too-distant future.

Even though agents and brokers can more easily place broad coverage with financially secure insurers for clients today—reducing the risk that they will be sued by clients for failing to place adequate insurance—the frequency of E&O claims against them remains high.

Only the most dramatic errors and omissions cases—usually involving large insurance brokerages—make headlines, but as many as 14% of all producers will face an E&O claim sometime during his or her career, stemming from such actions as placing inadequate coverage, misrepresentation or policy cancellation errors, according to statistics compiled by major underwriters of professional liability insurance for agents and brokers.

Making matters worse is the recent trend in errors and omissions litigation for agents and brokers to be at odds with their insurers.

In response to the continuing high frequency and severity of E&O claims, insurers are tightening their underwriting guidelines, and producers and insurers are instituting E&O loss prevention programs.

"We're seeing a relatively steady increase of claims," said James D. Wallace, underwriting administrator for E&O Professionals in Kansas City, Mo., which administers Seattle-based SAFECO Insurance Cos.' SAFEPRO E&O program.

"The average agency can expect more exposures to claims this year than in previous years, and in future years it appears they can expect" even more exposure to claims, Mr. Wallace explained.

"It's a much more complicated and sophisticated world out there, and the client is relying more and more upon the agent," said Patricia A. Borowski, vp of government and industry affairs for the National Assn. of Professional Insurance Agents in Alexandria, Va.

"There is a sense that you're being held to a higher and higher standard," Ms. Borowski said.

This atmosphere has made the need for E&O coverage more important than ever: Indeed, most insurers require agencies to have E&O coverage before the agencies will be permitted to represent the insurers, said Charles T. Bidek, executive director of the Independent Insurance Agents of Tennessee in Nashville. Mr. Bidek helped coordinate the IIAA's national E&O loss control program.

Frank Mure, vp and manager of the errors and omissions department of Utica Mutual Insurance Co. in New Hartford, N.Y., estimates that for the first six months of 1989,

the insurer's broker E&O "claim frequency still hangs at about 12 claims per 100 policies in force," which is about the same as in 1988.

And, that claim frequency is about the same as it was five years ago, when claim frequency averaged 13 to 15 per 100 E&O policies.

Yet 10 years ago, claim frequency averaged nine or 10 claims per 100 E&O policies.

According to statistics compiled by Employers Reinsurance Corp. of Overland Park, Kan., based on its loss experience, one in seven agents will be involved in an E&O suit during his lifetime, said Jerry L. Woolard, vp of professional liability for Employers Re.

Continued on next page

Loss control plans help agents prevent policyholder claims

By LAURA MAZZUCA

A well-planned and carefully monitored errors and omissions loss prevention program can help producers hold back the surging tide of E&O litigation.

"The best prevention against E&O is just a professional, well-managed agency with checks, balances and documentation, electronic or otherwise," said Charles T. Bidek, executive director of the Independent Insurance Agents of Tennessee in Nashville, who is involved in developing loss control programs for the Independent Insurance Agents of America.

Staff education coupled with written procedures applicable to everyone in the agency are the best ways to avoid E&O claims, agreed Jerry L. Woolard, vp of professional

liability for Employers Reinsurance Corp. of Overland Park, Kan., one of the major E&O insurance underwriters for producers.

But experts point out that putting together an effective E&O program is not simply a matter of creating a set of procedures, putting them in a manual, and distributing the manual to employees.

"It requires a major commitment on the part of the business, in both personnel and time," said Joseph V. Gerlack, senior vp of The Woodsmall Cos., a \$59.7 million premium volume agency in Kansas City, Mo.

E&O prevention should be considered an ongoing process, and the best approach to take is a risk management approach, stressed Richard G. Rudolph, senior vp at Corroon & Black of Illinois Inc. in Chicago.

As such, Mr. Rudolph suggests that agency principals closely examine daily operations for potential errors, devise a plan to eliminate these problems and monitor the results on a regular basis.

An agency principal first must establish and maintain standards and controls for all areas of agency operations, such as expirations, binders, endorsements and certificates, according to Mr. Rudolph.

Then, to ensure that these procedures are being followed, every agency activity must be documented, he said. This includes such day-to-day activities and occurrences as telephone conversations, office visitors and verbal correspondence between staffers.

In addition, regular E&O loss prevention plan audits are necessary to ensure these procedures are being followed.

Fortunately, agency principals do not have to muddle through the development of an E&O prevention program on their own: Agent associations and consultants are available to assist them.

Association-sponsored E&O prevention seminars, offered to agents and brokers for a nominal charge, concentrate on the importance of:

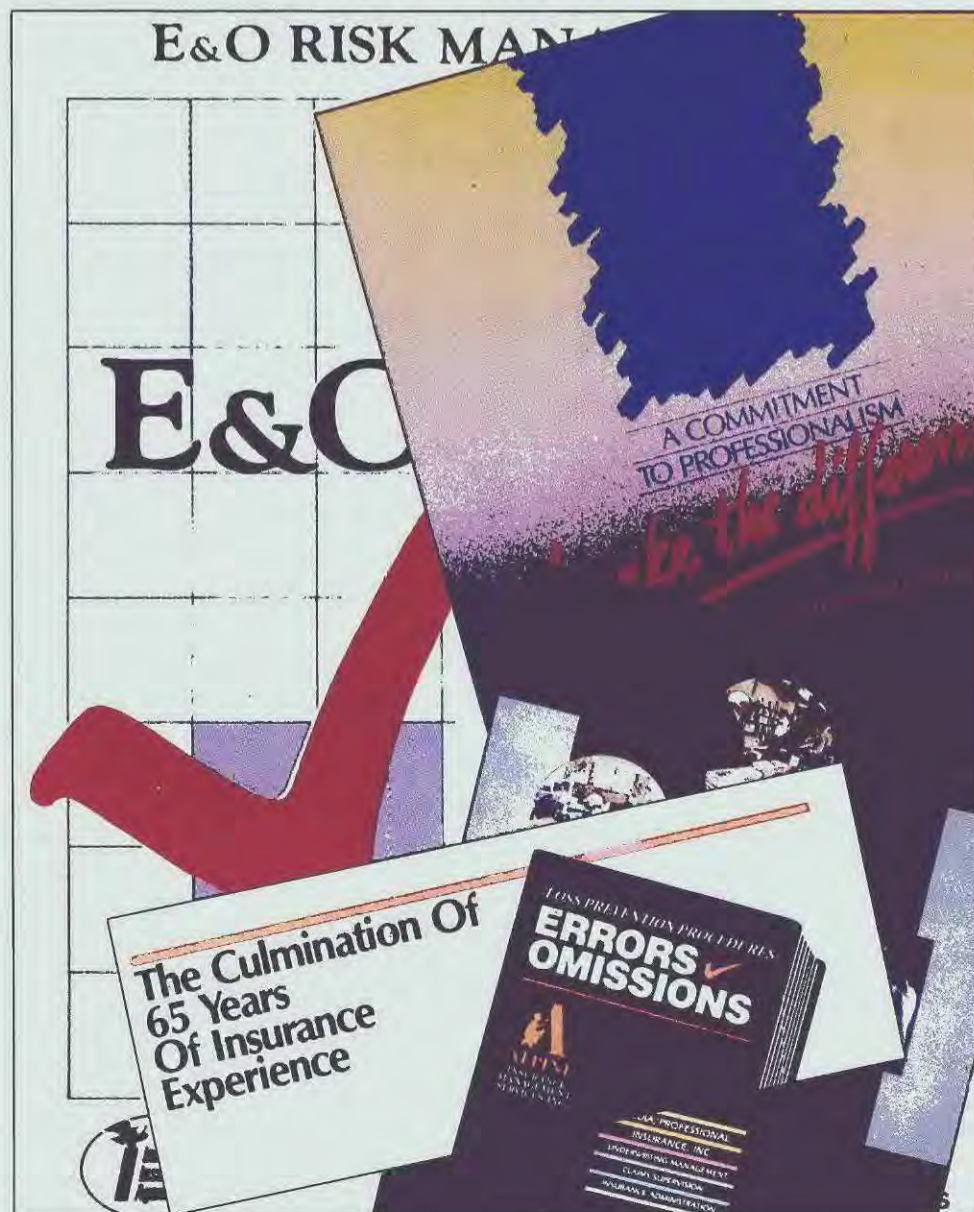
- Accuracy and adequacy of records.
- Documentation of all transactions.
- Communication between agents and clients as well as agents and insurers.
- Timeliness of processing.
- Following up past transactions.

For example, at seminars sponsored by the Independent Insurance Agents of America and Employers Re, agents receive manuals containing forms for documenting all basic agency functions, such as automation procedures, communications with insurers, and personal and commercial lines procedures.

The manuals also include checklists that agency principals or outside consultants can use to audit an E&O prevention program's effectiveness, said E&O consultant Robert E. Kurdziel, president of Atlanta-based Kurdziel & Associates. Mr. Kurdziel conducts loss prevention seminars for the IIAA.

Mr. Kurdziel also is the principal of Risk

Continued on page 40D



Agent/Broker Topics

E&O claims

Continued from previous page

Incidents of E&O claims are even higher than the national norm in California, Louisiana, Illinois and New Jersey, where one in five producers on average faces an E&O claim in his or her lifetime, according to Employers Reinsurance statistics.

These estimates have remained constant for the past 24 months, and there is no indication that they are likely to slacken in the near future, he added.

According to Employers Reinsurance statistics for the loss years 1983 through 1987, which encompasses both a soft and a hard property/casualty insurance market, the E&O claims filed most frequently against agents—23%—arise from personal auto policies, which are sold primarily by small

producers.

The next highest levels of E&O claims arise from commercial fire coverage, 10% of total claims; commercial auto coverage, 7%; and workers compensation coverage, 5%.

Most E&O claims are not the result of "a lack of technical competence" on the part of the producer but rather arise from "simple carelessness somewhere in the agency operation," said Employers Re's Mr. Woolard.

According to Employers Reinsurance statistics based on claims made during loss years 1983 to 1987, the type of error most frequently cited—44%—was inadequate coverage.

This was followed by misrepresentation, 11%; cancellation errors, 9%; and delays in processing, 6%.

Other types of errors that Employers Reinsurance attributes to

Most errors and omissions claims are not the result of 'a lack of technical competence' on the part of the producer but rather arise from 'simple carelessness somewhere in the agency operation,' says Employers Re's Mr. Woolard.

carelessness are: agency agreement violations, 5%; description errors, 5%; renewal errors, 4%; policy change errors, 4%; reporting errors, 3%; insolvency, 2%; and others, 7%.

"A lot of people (on the agency staff) just get too busy," and there are many "sloppy procedures" in place, Mr. Woolard said.

He described the the average E&O insurance policyholder as "a typical Main Street agency" placing personal lines and general

commercial lines coverages—"the non-volatile stuff"—with five to eight employees.

The average errors and omissions settlement paid by Employers Reinsurance, one of the largest underwriters of the coverage, has now reached \$18,000 per claim, according to Bill Brunjes, claims manager at Employers Re.

SAFECO estimates its average E&O settlement costs at between \$10,000 to \$15,000 per claim.

Large national brokerages gen-

erally are more vulnerable to E&O claims from policyholders for two reasons, observed Employers Re's Mr. Woolard: Large brokers present themselves as experts in insurance and risk management, and their generally larger, more sophisticated clients frequently need surplus lines coverage from non-admitted insurers.

But, smaller agencies, even those in the rural markets, are far from immune from E&O claims.

"Just because you've done business with old Joe for years doesn't mean he won't sue you," Mr. Woolard said.

The small agent—already beleaguered by shrinking commissions in the soft market and competition from the big brokers, direct-writing insurers and even banks—is extremely concerned about E&O exposures, said the IIAT's Mr. Bidek.

These agents, especially those who base their retirement income on the sale of their agency, are terrified of taking a heavy E&O liability hit, because "one good suit could wipe out" the agency, he said.

And, the nationwide picture will not improve soon, predicts E&O consultant Robert E. Kurdziel, president of Kurdziel & Associates in Atlanta, who is a consultant for the IIAA.

Mr. Kurdziel also is the principal of Risk Management Group, an 18-month-old Atlanta agency that had nearly \$1 million in premium volume in 1988.

Several factors are contributing to the increase in E&O claims, experts say.

"People are becoming more aware of the fact that if they are going to use an insurance agent, they can also hold him responsible" if they are left without coverage or with only partial coverage for a loss, Mr. Kurdziel said.

Recent court decisions also encourage policyholders to file E&O suits against not only against their producers for negligence but also against their insurers for violating policy terms, said Stewart L. Cohen, a plaintiff's attorney with Bernstein, Bernstein & Harrison in Philadelphia.

For example, a beverage vendor displaced by the 1985 Arlington Park Racetrack fire sued both its broker and its property insurer when it was denied business interruption coverage for the loss at the Arlington Heights, Ill., facility.

New York broker Tanenbaum-Harber Co. was held liable for \$2.3 million; and Hartford Insurance Group, while denying liability, agreed to pay \$3 million to the plaintiff to settle the dispute (BI, July 31).

Tanenbaum-Harber, noting that it is adequately insured for the award, also intends to appeal the decision.

This "double-barreled" litigation approach causes even more problems than an errors and omissions claim normally would because it pits agents and brokers against their insurers, which in the past might have come to the aid of an agent embroiled in E&O litigation, observed Mark Harty, an attorney with Morrison, Mahoney & Miller in Boston.

When business relationships between producers and insurers were stronger and more longstanding, insurers often provided legal defense for agents accused of mishandling accounts, he said.

Mr. Harty represents agents covered by PIA's errors and omissions insurance program, which is underwritten by Utica.

Another area of increasing exposure is in placing surety bonds, which many producers handle in an attempt to serve all their cli-

Continued on page 40D

What happens if you don't offer your clients D&O protection from Great American?

Somebody else will.

If your book of D&O business doesn't include Great American, you're only cheating yourself.

We're among the largest providers of D&O insurance today, with the rare capability to provide liability limits up to \$25,000,000 and a peerless reputation for fast, effective claims handling.

Look at it this way. The most important thing you can offer your D&O clients is a choice.

And Great American just might be the most important choice you can offer them.



GREAT AMERICAN INSURANCE COMPANIES®

D&O Division • P.O. Box 66943, Chicago, Illinois 60666 • (312) 330-6750

The D&O Division welcomes inquiries from all retail producers and select wholesalers. A+ (Superior) Rating - AM. Best Company

There's a price we pay for our pleasant, fragile environment. Spills and leaks have to be cleaned up. And companies face staggering liability for every inadvertent incident.

The need for real insurance protection — for both the natural world and the business community — is critical.

But real protection necessarily involves more than adherence to the regulatory standards of the day. It involves ongoing research into how industrial activities can and do change the world around us. It involves pragmatic, risk-reducing improvements to business procedures. It involves constant monitoring of how regulations *are* changing. And it involves total awareness of a business's needs, so that — should an accident occur — all the required resources are available to restore the environment.

Since 1979, ECS has committed itself exclusively to the well-being of its clients and the world around us. Because as long as we live and work in a fragile environment, nothing else will do.

Come talk with the people at ECS.

**As long as there are
trees, rivers, and
sweet spring breezes,
there's a need for ECS.**



ECS

**Environmental
insurance protection for
American Industry.**

Agent/Broker Topics

E&O claims

Continued from page 40B
ents' needs, Mr. Woolard pointed out.

However, many agents are not very familiar with surety bonds.

Because many types of E&O claims filed against brokers can be easily avoided, insurers writing broker E&O coverage have made agency loss prevention programs—based on staff training and strict procedures—a large part of their underwriting requirements over the course of the last five years.

At the same time, national brokers began an attack on E&O claims by implementing comprehensive internal E&O loss prevention programs, according to SAFECO's Mr. Wallace (see story, page 40F).

Since then, many agents have

followed the national brokers' lead.

Agents have begun establishing their own E&O prevention programs in an effort to hold down claims.

Insurers also impose other underwriting requirements on their producer policyholders.

For example, SAFECO will underwrite professional liability insurance only for agencies with binding authority from quality insurers that give the agent broad authority to bind coverage. This limitation therefore reduces the likelihood that the agents will overstep the agent's authority, according to Mr. Wallace.

SAFECO also looks for producers with a good mix of business, favorable claim histories and an active commitment to E&O claims prevention, Mr. Wallace continued. ■

Loss control

Continued from page 40A
Management Group, an 18-month-old Atlanta agency that had nearly \$1 million in premium volume in 1988.

The National Assn. of Professional Insurance Agents also sponsors loss prevention seminars, which its state affiliates offer to producers throughout the country.

Like the IIAA seminars, the three-hour PIA sessions feature E&O prevention tips from field experts.

Brokers' E&O insurers, which have a vested interest in keeping down E&O claims against brokers, also are helping to teach their agency policyholders E&O loss prevention.

In addition to coordinating E&O workshops with the IIAA, Employers Re offers agents who attend a

seminar a 10% discount on their E&O premiums.

SAFECO Insurance Cos. of Seattle also conducts regular lectures and workshops on E&O loss prevention and publishes a monthly newsletter, "Defensive Strategies for Insurance Professionals," by James D. Wallace, underwriting administrator for E&O Professionals. E&O Professionals manages Safepro, the agents E&O program underwritten by SAFECO.

Seminars are beneficial because they allow agents to develop E&O prevention ideas by drawing on the experience of others, said Carol Vanderburg, agency manager of Carleton Insurance Agency, a St. Louis agency with \$5 million in annual premium volume.

Ms. Vanderburg was hired two years ago solely to oversee the agency's first loss control program.

After attending an IIAA seminar,

Ms. Vanderburg developed a standardized letter for documenting sales calls that details the type of coverage offered to a client and whether it was accepted or rejected.

"Instead of little pieces of paper passed on to assistants, we've gone to a conversation form, where every conversation or company, or even someone in the office, like a producer talking to a CSR (customer service representative), is all documented," she said.

The seminars also gave the principal of Carleton the idea to hold weekly E&O question-and-answer sessions for commercial lines personnel, Ms. Vanderburg added.

Documentation is the most important lesson that agents learn from E&O loss prevention seminars, according to Carol Jarman, vp of The Caton Insurance Agency in Port Orange, Fla., a \$7.5 million annual premium volume agency.

The Caton Agency started a loss control program four years ago after a spurt of growth, because "as you get larger, you think more of that type of situation," Ms. Jarman said, referring to E&O exposures.

"We just became more conscious of the things that could happen," she explained.

Sometimes an agency's careful documentation can knock the wind out of an E&O claimant before any legal action is taken, pointed out Mr. Kurdziel, the IIAA's E&O loss consultant.

"A couple of our (consultation) clients have told us of situations where they sat down with a plaintiff's attorney. They showed written proof, and the attorney just walked away," because he knew he did not have a case, Mr. Kurdziel said.

In one instance, a client of an agency claimed that a mobile car phone that was stolen from his auto was covered under his passenger auto policy. However, a memo in the client's file, complete with date and time, proved that the producer had discussed this coverage with the client and that the client understood that the loss of the car phone would not be covered.

Such documentation also is important to hold insurers to their word, he noted.

In addition to manual documentation, agencies also can use computerized management information systems to record transactions, pointed out Mr. Bidek of the Tennessee IIAA.

Today, most courts accept electronic records as admissible evidence, so it is equally important to keep good computer files, as well as sufficient backup and security measures on them, he said.

Such documentation routines can be easily enforced by supervisors of CSRs and clerical workers, but owners and producers—who generally are "not detail people"—will more likely have problems following documentation guidelines, observed James T. Harrison Jr., president of Security Bond Associates in Tallahassee, Fla. Mr. Harrison conducts E&O loss control seminars for the PIA.

To avoid a documentation void, principals should make E&O procedures an essential part of agency operations, Mr. Harrison suggests.

For instance, producers should phone in application information directly from the client's office and have a CSR document it, he said.

Because even the best-laid loss control plans can go awry, there should be a regular audit of an agency E&O prevention system, either by an outside consultant or by the agency principal, experts suggest.

In an audit, consultants study all aspects of the agency work flow, from prospect identification to re-

Continued on next page

TEACH A DANCE/FITNESS SCHOOL OWNER A FEW STEPS OF YOUR OWN



And you can do it without resorting to a lot of fancy footwork.

As a matter of fact, all you really have to do is run this well choreographed program by a Dance or Fitness school operator. In the majority of cases, it sells itself.

The same thing occurs with many other specialty programs available through Rhulen.

Whether it's our Accident/Health Program for College Students, Or our Children's Summer Camp or Health Club Programs, Our Gymnastics or Martial Arts School Protection. Or

our Horse and Horse Farm Packages.

They all have a way of selling themselves. And the reasons are simple: Quality. And security.

After all, our custom-designed programs are admitted and licensed in the states where your business is written.

Couple this with our competitive rates. And it's easy to see how your sales and commission income are likely to grow.

To learn more about all the programs currently available, and how you can become a part of this financially rewarding experience, just call 1-800-431-1270 Ext. 242 for Rhulen... Something Special In Insurance.

Or write: Rhulen Agency, Inc., Dept. G, 217 Broadway, Monticello, New York 12701.

We'll have you tripping the light fantastic in no time at all.

Rhulen *Something Special In Insurance*

Continued from previous page
newal, as well as interview a majority of the agency's staff to verify that the procedures are being carried out, Mr. Kurdziel explained.

An audit also can ensure that an E&O loss prevention program is continuing to meet an agency's constantly changing needs.

For example, although Woodsmall already had a loss control program in place, it was fairly rudimentary and had to be revamped after the agency joined PAR Holdings Ltd., a Bermuda-based captive insurer that specializes in reinsuring E&O risks for agents and brokers (see story, page 40H).

The agency's E&O loss prevention program was not comprehensive enough to meet the standards set by PAR, Woodsmall's Mr. Gerlack said.

E&O loss control program auditing services are available from various sources.

For example, Oak Brook, Ill.-based Hales & Associates, the consultants that audit PAR members' loss prevention programs, also conduct independent agency management studies that include an analysis of E&O prevention procedures.

The charge for a three-day audit ranges from about \$3,000 to \$10,000 or more, depending on the complexity of the agency's needs, a Hales spokesman said.

Alpine Insurance Management Services, an Oakland, Calif., consultant, also specializes in agency E&O loss prevention.

Using information from a 180-question form completed during conversations with an agency's principal as well as CSRs and other "people in the trenches," an Alpine consultant determines how vulner-

able the agency is to E&O claims, explained Edgar H. Lion, president and chief executive officer of Alpine.

The service also includes a review of between 50 to 150 client files to troubleshoot potential E&O danger areas.

The fee for this service is based on the commission income of the client agency, but the minimum fee is \$1,500, Mr. Lion said.

However, Alpine's program is recognized by several insurers, including Employers Re, and SAFECO, which will offer their agency policyholders various premium discounts if they adopt Alpine's prevention suggestions.

The consultant currently is working on a similar arrangement with Utica Mutual Insurance Co. of New Hartford, N.Y.

Mr. Kurdziel, who conducts E&O audits as part of his work with

Alpine Insurance Management Services uses a 180-question form completed during conversations with an agency's principal as well as CSRs and other 'people in the trenches,' to evaluate agencies, says Edgar H. Lion.

IIAA, charges a minimum of \$1,250 a day, plus expenses.

In Florida, where Crum & Forster Managers Corp. (Florida) in Miami manages the IIAA E&O program, agents who hire Mr. Kurdziel to conduct an audit receive a 10% premium discount each year for three years.

In addition to his work with the IIAA, Mr. Kurdziel also consults on an individual basis with agents on their E&O programs. He bills agents either a \$1,500 daily rate,

plus expenses, or a long-term, per-project fee that varies depending on the complexity of the audit.

The process of auditing an agency E&O loss prevention program can take anywhere from a few days to several days a month for six months.

One \$50 million premium volume agency, Fisher-Brown Inc., was looking for an unbiased third-party opinion when it hired Mr. Kurdziel.

"We felt that having an expert

come out would allow someone to take a look at the entire forest and not be in the middle of the trees here with us," explained Kirk Ball, general manager and vp of the agency in Pensacola, Fla.

"I certainly feel more comfortable by virtue of having done so," he said.

Mr. Kurdziel was at the agency's three offices for a total of seven days and "spoke to practically every employee," and ultimately suggested that the agency update its binder authority books for each insurer it represents, Mr. Ball said.

Also at the consultant's urging, a central binding system was established on the agency's automation system that allows a single person to produce standardized binders rather than making each producer responsible for his own.

Another avenue for warding off
Continued on next page

"Utica's targeted products can light up your sales on both sides of the street."

You told us you wanted products matched to the needs and wants of specific types of prospects. Utica's commercial and personal lines offer you a better direction.

Our targeted products make it easier for you or your CSRs to identify good business, write the app, and get it approved and on your books. *Fast.* Giving you more time to get even more business. And that can brighten your financial future considerably.

Of course, Utica's products include all the features your prospects expect—and much more. For example, our HO's Dwelling Protection Unlimited Endorsement offers full replacement value for the home—no matter what it adds up to. And Utica BOPs offer a Business Owner's Extension Endorsement which includes money and security coverage totalling \$10,000 on-premises and \$2,000 off-premises—at no extra charge.

Targeted products: just one of the many ways Utica's saving you time and helping you make more money where your prospects live and work.

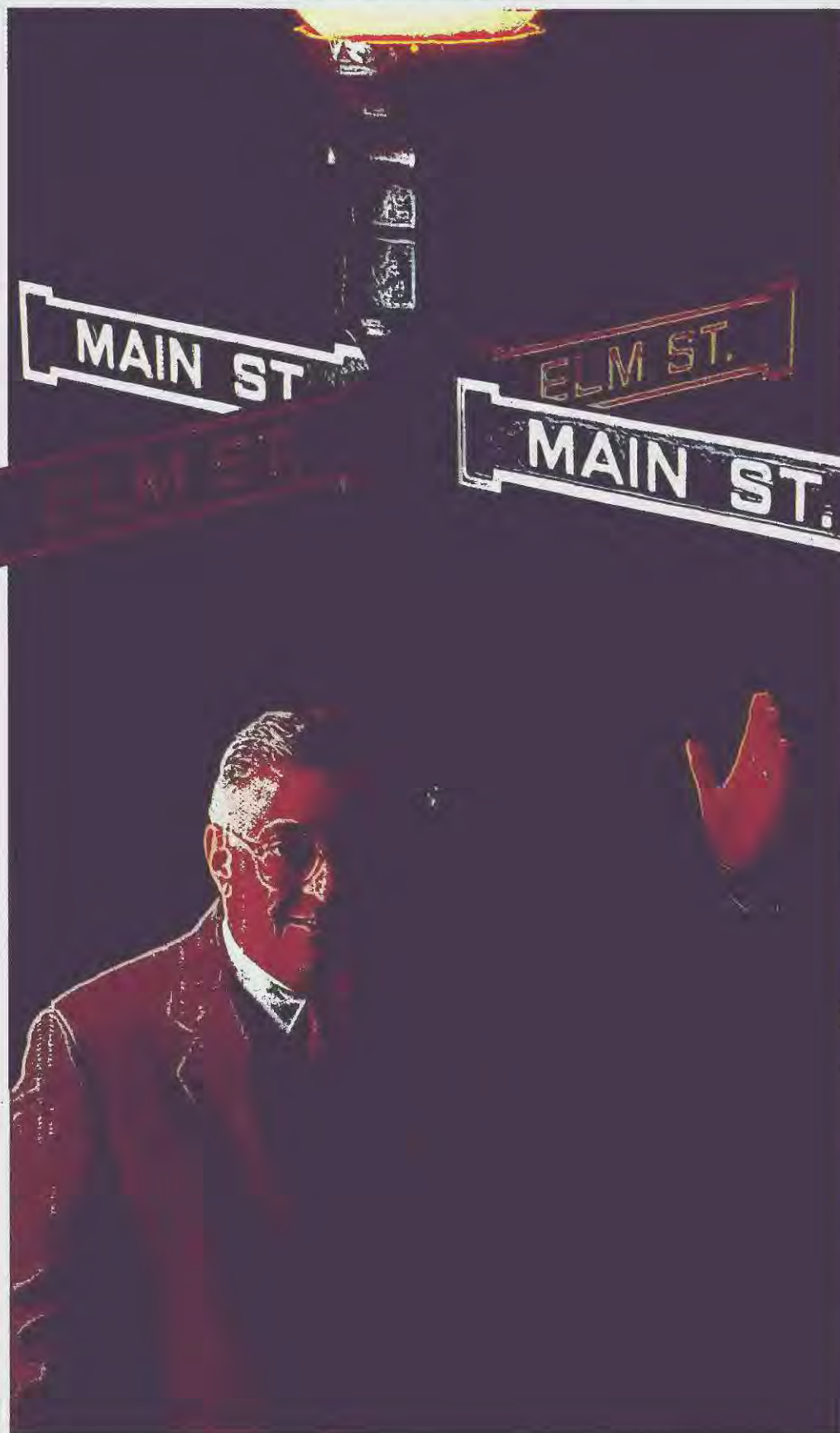
After all, our business relationship with you is a two-way street.

"We're treating you like a customer."
"Remember: our goal is to give you all the products and service you need. So if you ever have a problem, concern, or suggestion, call your Marketing Rep, your Utica Regional Vice President—or my office, directly. I'll straighten it out personally if I have to. It's the least I can do for my customer."

W. Craig Heston

W. Craig Heston
Chairman and CEO

For all the details on how Utica's targeted products can make *your* sales shine, give us a call at 1-800-448-3366 (in New York State 1-800-962-9199).



Associations sponsoring E&O cover

Many independent agents receive not only advice on reducing errors and omissions exposures through their agent associations, but also on buying their E&O coverage through association-sponsored programs.

The National Assn. of Professional Insurance Agents, based in Alexandria, Va., sponsors an E&O program for its qualified agent members that is underwritten by Utica Mutual Insurance Co. of New Hartford, N.Y.

Utica underwrites E&O coverage for more than 15,000 PIA members. Limits are \$5 million per claim and \$6 million aggregate per year. While most agents have purchased only \$1 million in coverage limits, the PIA is encouraging its members to purchase higher limits, said Charles M. Oliver, president of Wilson Oliver Agency Inc. in Aberdeen, Md., and chairman of the PIA's E&O committee.

Employers Reinsurance Corp. in Overland Park, Kan., underwrites coverage for about 12,000 members of the Independent Insurance Agents of America in New York.

E&O policy limits are \$5 million aggregate on claims-made coverage, with the option of an additional excess layer of \$5 million available in 21 states.

Both the Employers Re and Utica programs are written on an individual, not group, basis; Premiums are based on the number of employees in the agency rather than premium volume.

Utica National Insurance Group
Insurance That Starts With You

Utica National Insurance Group including Utica Mutual Insurance Company and its affiliated companies. Dept. TP F2, 130 Genesee St., New Hartford, New York 13413.

Agent/Broker Topics

Prevention

Continued from previous page
E&O claims is continuing education.

Agents insured through the IIAA's arrangement with Employers Re are not required to attend the IIAA/Employers Re loss control seminars, but many agencies send their employees because it is important to keep them informed on the subject, said E. Harlan Miller Jr., a principal at Hammar-Miller-Beauchamp-Deeble agency in Long Beach, Calif.

Mr. Miller, who is also the national chairman of the IIAA's E&O committee, makes sure his own agency's employees—including everyone from underwriters to CSRs—regularly attend such E&O seminars.

Continuing education is also important at the Carleton Insurance

An auditor takes 'a look at the entire forest' without being in 'the middle of the trees,' says Kirk Ball.

Agency, where producers are encouraged to attend at least two E&O loss control seminars each year.

Accounting and computer personnel also make attendance at work-related seminars part of their annual employment objectives, according to Ms. Vanderburg.

"Just the information you receive (in continuing education) teaches you better ways to do the job more efficiently," she said. ■

Brokers say programs help prevent E&O claims

By LAURA MAZZUCA

Errors and omissions loss prevention programs are helping brokers retain and attract business as well as trim E&O claims.

Brokers explain that a renewed commitment to professionalism that these loss prevention programs engender is very attractive to new and existing clients as well as successful in helping to reduce claims.

"Professionalism is the best foe against errors and omissions," said

C. Richard Peterson, executive vp of Fred S. James & Co. Inc. of New York and president of the National Assn. of Insurance Brokers.

The key elements of professionalism are "attention to detail, care and feeding of the client, attention to systems and procedures, and reference to manuals," Mr. Peterson explained.

"The major emphasis of our program is to reduce E&O cost and promote professional standards," said James R. Watkins, senior vp of the product and professional de-

velopment division of the Corroon & Black Corp.'s Brokerage Services Group in New York.

"As a byproduct, we honestly believe we will increase production," he said.

"We have an ongoing process based on a strong customer service ethic throughout the organization," said Judy Smith, director of quality control for New York-based Alexander & Alexander Services Inc.

"If you meet client expectations, you'll omit E&O," Ms. Smith noted.

Most alphabet brokers unveiled their loss prevention programs during the mid-1980s, when a deluge of E&O claims and the hard commercial property/casualty insurance market prompted brokerages to increase their self-insured E&O retentions, said James' Mr. Peterson.

Brokerages used a combination of procedures manuals, educational videotapes, auditing teams and incentive programs to stress awareness of the risk inherent in placing insurance for clients.

While improved loss experience has helped lower E&O premiums, brokers have a more difficult time buying E&O coverage than other types of insurance, said Corroon & Black's Mr. Watkins.

Thus, brokers still are still using a combination of stringent loss prevention measures, along with high retentions, to hold down E&O coverage costs.

For Fred S. James, which launched its E&O "Quality Improvement Program" in 1986, the number of E&O-linked complaints has dropped 25% from a year ago, a decrease of "several hundred" incidents, Mr. Peterson noted.

James and several other brokers track the number of E&O incidents or complaints, rather than actual claims. According to a James attorney, fewer than 5% of these complaints actually ever go to trial.

Even relatively new prevention programs have proven their mettle, brokers say.

For example, Corroon & Black's "I Make the Difference" program, unveiled Jan. 1, 1988, has already helped the broker retain clients by helping the broker improve service. The program is credited for helping the broker reduce lost business in terms of gross revenues to about \$19 million in 1988 from about \$30 million in 1987, said Mr. Watkins.

At A&A, which instituted its E&O prevention program in October 1985, the number of E&O incidents fell 35% between 1985 and 1988.

This was "a significant drop," Ms. Smith observed.

In addition, the brokerage's E&O premium also dropped 23% in 1988 from 1987, at least part of which is attributable to the E&O loss prevention program, she said.

"We're NQT—not quite there—but we've made great progress," Ms. Smith said.

Employee awareness is a crucial step in preventing E&O claims, said Mr. Peterson, noting that E&O claims most often arise from client "misunderstanding" and "pure negligence."

The James program, which targets E&O complaints arising from an office's small and medium-sized accounts, includes detailed procedures manuals, created with input

Continued on next page

SEABOARD HAS THE ANSWER FOR YOUR DIFFICULT RISKS

We have "A" rated companies willing to write...

TRANSPORTATION RISKS:

Automobile Liability up to 100-unit fleets, Truck Physical Damage, Owner Operators, Owned Fleets and Large Owner/Operator Programs, Unlimited Fleet Size

AND

We have facilities to underwrite (physical damage only):

Dumps, Tankers, Coal Haulers, Automobile Haulers, Scrap/Garbage Haulers

AND

Motor Truck Cargo limits up to \$100,000 per unit, \$200,000 on Terminal/Catastrophe, Unlimited Fleet Size

SUBMISSION REQUIREMENTS

(liability and physical damage)

- Last three years loss runs
- Current financial statement
- Complete driver list including: date-of-birth, license number and social security number
- Company and owner operator equipment, including values of equipment
- Types and values of cargo hauled

Also Consider Seaboard For Your Brokered Non-transportation Risks

Commercial Umbrella

Primary and Excess, virtually all classes (\$1,000,000 primary needed, if first layer).

Specialty Property

All Risks, DIC, Builders Risk, Cargo, High Valued Jewelry, EDP, Contractors Equipment, Primary and Excess.

Specialty Products Liability

Minimum premium \$40,000.

Architects/Engineers E&O, Lawyers E&O

Directors & Officers Liability

Profit, non-profit, banks, hospitals and new ventures.

Railroad Protective

Both admitted and non-admitted. Minimum premium \$5,000.

Seaboard Underwriters, Inc.

A XEROX Financial Services Organization

NORTH CAROLINA 1-800-672-3644

2732 Anne Elizabeth Drive
Post Office Box 659

Burlington, North Carolina 27215

COUNTRYWIDE 1-800-732-2673



Continued from previous page from 70 producers and account executives; instructional videotapes; and management education at all of its 56 profit centers nationwide, he said.

The program also features an audit procedure enforced by a team of experts who circulate through James' offices to ensure that the program is being followed, Mr. Peterson said.

For large accounts, James is currently developing a "Major Accounts Standards Program," which is based on a different manual that outlines each procedure that is to be used when servicing large accounts.

James also keeps a close eye on the financial condition of the insurers it places insurance with, and brokers are not allowed to place coverage with insurers that do not appear on James' regularly updated "approved" list, Mr. Peterson pointed out.

James has taken errors and omissions prevention one step further by reducing the bonuses of producers, account executives and profit center managers who are responsible for large errors and omissions losses, Mr. Peterson said.

"It's a new culture within the company that says E&O is not tolerated," he added.

Under the 18-month-old system, a penalty is deducted from the bonus of the James profit center manager and then from the producer or account executive's bonus, if applicable, Mr. Peterson explained.

The size of the penalty depends upon the circumstances and severity of the claim and whether direct blame can be attributed to a James employee, he said.

However, the penalty is not the actual amount of the E&O claim or a dollar-for-dollar deduction, he noted.

As a preventive measure, "we really have to encourage our people to speak up if they think they have an E&O problem on their hands," Mr. Peterson said.

And, the threat of a bonus reduction provides a healthy incentive, he added.

Mr. Peterson believes that rather than being resentful, most James producers understand the need for such stern measures.

"In fact, my guess is that most of them applaud it," he said.

James employees are "very proud people, and they want to feel that the standards they operate by are quite high," Mr. Peterson continued.

A&A also drew on a variety of sources when it launched its E&O loss prevention program in October 1985.

A&A sought the opinions of both employees—ranging from senior executives to mailroom clerks—from 14 offices and clients to determine how service could be improved, Ms. Smith said.

A&A then formed two focus groups of clients—one consisting of large clients and the other composed of small clients—and asked them what they expected of their broker.

These discussions with insurance buyers yielded 36 hours of videotaped comments.

Ms. Smith said that the brokerage found that clients wanted brokers who were honest and forthright; acknowledged inquiries and requests promptly; met schedules, deadlines and delivered documents on time; and employed a well-trained staff knowledgeable about the client's business as well as the brokerage's own products and services.

When these needs were compared with those cited by A&A's employees, "we saw a real close relationship" between what the cli-

ent expected and what the employees felt was important, Ms. Smith explained.

In the final analysis, A&A determined that responsiveness, professionalism, personal attention and client communication were the best measures it could take to ensure its employees meet clients' needs.

By 1987, the program was in effect in all of A&A's property/casualty and marine offices, Ms. Smith said.

A&A's E&O prevention program centers on a procedure manual, as well as a videotape for employees that dramatizes six E&O incidents and how they could have been prevented.

It also includes a four-hour training session for all employees, from executives to clerks, which allows them to ask questions about possible E&O exposures, Ms.

Smith explained.

And, A&A developed orientation programs for both employees and executives to give them an overview of the broker's goals and values, she said.

"We feel the success of the pro-

gram was devised to boost new business and retention levels during the soft market, Mr. Watkins said.

Corroon & Black's program includes a standards and procedures manual. In addition, a Quality and

also features both audio tapes and videotapes featuring President and Chief Executive Officer Richard M. Miller and other executives explaining the importance of maintaining professional standards, Mr. Watkins explained.

To keep the manual on the minds—and desks—of its employees, Corroon & Black also distributes to employees posters and calendars with E&O prevention checklists as well as client servicing tips.

As an incentive to comply with the program, this year Corroon & Black will introduce a quarterly awards program for each branch office, Mr. Watkins pointed out.

The awards—each of which will consist of a certificate and a monetary payment—are designed for the "behind-the-scenes service people" who will be nominated by their peers for their outstanding job performance, he explained. ■

A&A, through discussions with insurance buyers, found that clients wanted brokers who were honest and forthright; acknowledged inquiries and requests promptly; and met schedules, deadlines and delivered documents on time.

gram is the participation of all employees," Ms. Smith said.

Unlike the James and A&A programs, which were born of the hard-market E&O coverage crisis, Corroon & Black's recently introduced "I Make the Difference"

Professional Standards Resource Group—composed of eight to 12 Corroon & Black experts—travels to the brokerage's branch offices to ensure that the manual is being used.

The Corroon & Black program



WITHOUT THE RIGHT E&O COVERAGE, THEY'LL EAT YOU ALIVE.

Face it. You're a prime target for a lawsuit. In 1968, one in 50 agents was involved in a lawsuit. Today, it's one in eight. And could be one in four, depending on where you live.

Having E&O coverage can't stop you from being sued. But the right E&O coverage can protect you from spending a fortune. Or prevent the business you've worked hard to build from closing its doors forever.

Your E&O coverage is the most important policy you'll ever buy. So don't play games with it. Get PIA's Errors & Omissions Insurance Program. Quite simply, it's one of the most comprehensive policies available to independent agents. From First Dollar Defense with no deductible to Full Prior Acts coverage, you get protection you won't find just anywhere. And unlike many other E&O programs, it's been a consistent force in the marketplace for over 25 years.

So if you're going to swim with the sharks—and these days who doesn't—make sure you get out alive. Call PIA or complete this coupon. We'll show you how you can protect yourself without taking a big bite out of your budget. Do it today!

Underwritten by the Utica Mutual Insurance Company.

I NEED PROTECTION!
Show me how I can get it with PIA's E&O Insurance Program underwritten by Utica Mutual Insurance Company.
Name _____
Agency Name _____
Address _____
Zip _____
Phone () _____
E&O Policy Expiration Date _____
Clip and return to: PIA's Errors & Omissions Dept., PIA Services Inc., 400 N. Washington St., Alexandria, VA 22314* 1-388BI



400 N. WASHINGTON ST. ALEXANDRIA, VA 22314 703/836-9350

*In Wyoming contact: Nelson Insurance Agency, P.O. Box 311, Powell, Wyoming 82435

PAR loss control program builds loyalty

By LAURA MAZZUCA

Agencies and brokerages that turned to PAR Holdings Ltd. in the hard market of the mid-1980s to reduce their errors and omissions liability insurance costs now are sticking with the E&O captive because of its loss prevention program.

Indeed, members of Bermuda-based PAR are remaining with the captive even though they can obtain cheaper E&O coverage from commercial insurers.

"You're getting two things when you go into the program: market availability at a reasonable premium, and a good loss control program," said Joseph V. Gerlack, senior vp of The Woodsmall Cos., an agency in Kansas City, Mo., with \$59.7 million in 1988 premium volume.

Woodsmall has been a member of PAR, which specializes in reinsuring agents' and brokers' E&O risks, since 1987.

"We could probably get (E&O coverage) less expensively in the marketplace today, but next year we might not be able to buy it" if the market hardens, he said.

"It's a very strong program, and our management is 100% behind the concept," agreed Wallace Raabe, vp of Insurance Management Associates Inc., a \$100 million premium volume

agency in Wichita, Kan.

The PAR quality control program requires agencies to implement a detailed loss prevention program that is developed and administered by Hales & Associates Inc. of Oak Brook, Ill.

PAR's emphasis on E&O prevention is one of the aspects that makes the captive different from others, said Robert P. Ashlock, president of Assurex International of Columbus, Ohio, the agency network that co-founded PAR with the National Assn. of Casualty & Surety Agents in 1986.

While Mr. Ashlock would not elaborate on PAR's loss experience, he said it has been extremely low.

PAR, or Professional Agencies Reinsurance, started with 60 policyholders and has about 90 today. Member agencies must be owner-operated, which excludes publicly held brokerages.

Under the basic PAR program, limits are \$5 million. The coverage is written on a claims-made policy by Fireman's Fund Insurance Cos.

The Novato, Calif.-based insurer then reinsures the entire book of business to a group of 10 insurers that includes itself and American International Group Inc., Crum & Forster Inc., Home Insurance Co.; Maryland Casualty Co., Reliance Insurance Co., Royal Insurance Co., Transamerica Insurance Group, Tra-

velers Corp. and Zurich-American Insurance Co. Those companies then retrocede to PAR the first \$1 million layer of the coverage.

In addition, a \$5 million layer excess of \$5 million is available through the PAR program from Lloyd's of London underwriters, Mr. Ashlock said. Lloyd's does not retrocede any of this layer to PAR.

There generally are few policy exclusions "unless you represent a lot of schlocky companies," Mr. Gerlack said.

If the agent places a large amount of business with an unacceptable insurer—less than a B-plus rating or one that is non-admitted—claims relating to that insurer are excluded from the E&O coverage.

As of April 30, the end of PAR's first quarter, the captive reported \$8.1 million in capital and surplus and \$17.2 million in total assets.

Written premiums for the year ended Jan. 31, 1989, totaled \$9 million, and earned premiums totaled \$4.5 million.

PAR reported \$2.1 million of net income for the year ended Jan. 31.

In the first quarter of 1989, written premium totaled \$1.9 million, up 9.1% from first-quarter 1988. PAR reported net income of \$583,332 in the first quarter, a 32.7% increase from the same period last year.

Under the quality control program, E&O guidelines are established for a variety of agency operations, including drumming up new business; issuing quotations; processing renewals and cancellations; and explaining endorsements, said Mari M. Musilli, assistant vp of Sander A. Kessler & Associates, a \$45 million premium volume agency in Los Angeles that joined PAR in July 1986.

Formal procedures also are developed for insurer submissions and all premium financing arrangements.

Separate procedures are established for different divisions, such as life insurance, employee benefits and personal lines services.

In addition, formal job descriptions are drawn up. "Ninety-five percent of all agencies don't have them, but they should," Mr. Gerlack asserted.

These procedures are incorporated into an agency manual distributed to all employees.

An agency usually implements the quality control program over a three- to six-month period, he said.

PAR policyholders agree to an annual program audit and are required to provide monthly reports during the first year detailing any procedural changes in the agency, Ms. Musilli said. After a year, the frequency of the procedural updates are scaled back to quarterly.

And, 60 days before renewal, Hales conducts a random examination of an agency's files.

Because of the tight rein PAR keeps on E&O prevention procedures, members have experienced what they consider reasonable premium rates and have no intention of leaving the captive.

While the soft market has "slowed down our ability to attract new business," it has not negatively affected existing clients, Mr. Ashlock pointed out.

However, PAR has reduced new members' capital contribution requirement in an effort to attract new policyholders, he said.

PAR members originally had to put up 50% of their first-year premiums to join the captive, but this requirement was reduced to 33% for new policyholders as the market softened, according to Mr. Ashlock.

The typical PAR agent pays an average of \$100,000 in annual premiums; the minimum premium is \$40,000. PAR agents also must assume a self-insured retention of \$50,000 or more, depending on agency size, Mr. Ashlock added.

To many of the larger agencies that make up PAR membership, this is "a healthy chunk" to invest in the program, Mr. Gerlack said.

Most PAR agents have annual premium volumes of about \$50 million, according to Mr. Ashlock.

But Mr. Gerlack and other PAR participants noted that the benefits of membership—lower premiums in the hard market, a stable E&O market and access to consultants—far outweigh the initial investment.

When Woodsmall joined PAR, its problem was not excessive E&O claims but, rather, the cost of E&O coverage. "We found ourselves in a position that many of our clients were in," Mr. Gerlack said, explaining that the agency's own E&O premiums were skyrocketing.

"It became the largest single item in our expense costs outside of salary," he said.

For instance, in 1977, Woodsmall's E&O liability insurance cost was \$54 per employee, Mr. Gerlack said. But, by 1982, this cost had jumped more than eightfold to \$457 per employee.

The cost dropped 15% to \$388 in the soft market of 1983 and 17.8% to \$319 in 1984, but when the market hardened in 1985, the per-employee cost leaped more than fivefold to \$1,665.

And, when Woodsmall's E&O insurance costs reached \$2,900 per employee in 1986, "we said, 'Hey, this is it,'" Mr. Gerlack recalled.

In 1987, Woodsmall's first year in PAR, its E&O liability insurance cost was approximately \$2,600 per employee, including the capital contribution. Upon this year's renewal, the per-employee cost dropped to \$1,200.

Like Woodsmall, Sander A. Kessler & Associates saw a "substantial" reduction in E&O coverage costs during its first year in PAR, and premiums have dropped about 10% each year since then. "This made the financial commitment worthwhile," Ms. Musilli said.

Reaching a top level audience of 45,344*, Agent/Broker Topics provides specialized information for agents and brokers who sell insurance, reinsurance and related services.

Publishing the first Monday of every month as an integral part of Business Insurance — A/B Topics gives readers and advertisers a quality environment they can rely on. Our increased publishing cycle affords advertisers additional frequency discounts, more flexibility with our combination rate structure, and the availability of new ad sizes.

To reach agents and brokers there is no better media buy in the industry than BI's Agent/Broker Topics Demographic Section — ensuring the greatest impact for your advertising dollars. Call today to reserve space in upcoming issues:

*Includes pass-along

AUGUST 7, 1989

Errors & Omissions —
Prevention & Funding

SEPTEMBER 4, 1989

Fastest Growing/
Most Productive Agencies
Ad close: August 23

OCTOBER 2, 1989

IIAA Conference Report
Ad close: September 19

Agent/Broker Topics

Advertiser Index

Agent/Broker Topics

Issue of August 7

ADVERTISER	PAGE #
Environmental Compliance	40C
Great American Insurance Co.	40B
Professional Insurance Agent	40G
Rhulen Agency, Inc.	40D
Seaboard Underwriters	40F
Utica National Insurance	40E

Business Insurance

New York: 212/210-0228 Chicago: 312/649-5276 Los Angeles: 213/651-3710

Business Insurance

Continued from previous page
Participants; no minimum or maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Edmond F. Ryan, vp-defined contribution operations.

Meeker Sharkey Consultants Inc.

21 Commerce Drive, Cranford, N.J. 07016; 201-272-8100, ext. 410

Year founded: 1972; began offering defined contribution plan services in 1978.

Parent company: Meeker Sharkey Financial Group Inc.

Software: Software is leased from an outside vendor; can accommodate 65 investment funds and 12 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Northeastern states.

Staff: 12 total staff members; all involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, one ASA/FSA, one attorney.

Clients: 250 total clients; 60% with 1-100 employees, 35% with 101-1,000 employees, 5% with 1,001-5,000 employees. Average plan size, 100 participants; largest plan, 1,600 participants; minimum size plan, 10 participants; maximum size plan, 2,000 participants.

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

1988 gross revenues: \$500,000 total; \$230,000 from 401(k) plan services.

Principal officers: Gerard E. Desmond, president; Myles Gilsean, senior benefit attorney; John Chaplik, vp/consulting actuary.

William M. Mercer Meidinger Hansen Inc.

1211 Ave. of the Americas, New York, N.Y. 10036; 212-997-7171

Year founded: Began offering defined contribution plan services in 1978.

Parent company: Marsh & McLennan Cos. Inc.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; assists with selection and review of investment managers.

Service area: Nationwide.

Locations: 46 administrative and consulting offices in the United States.

Staff: 3,665 total staff members in the United States; 390 staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: 1,000 total clients; 10% with 1-100 employees, 50% with 101-1,000 employees, 33% with 1,001-5,000 employees, 7% with more than 5,000 employees. Average plan size, 1,400 participants; largest plan, 70,000 participants; no minimum or maximum size plan.

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

1988 gross revenues: \$524 million total.

Principal officers: Peter Coster, president; Robert A. Brochu, Joseph Holtzer, Frank Peabody III and Ronald M. Walker, executive vps; Philip E. Carlin, Chester D. Clark, Edward H. Davis, Robert E. Lindgren, Howard F. Lund, Timothy J. Lynch and Daniel C. White, managing directors.

Metropolitan Life/Metrorecords

1 Madison Ave., New York, N.Y. 10901; 212-578-5759

Year founded: 1868; began offering 401(k) plan administration services in 1982.

Parent company: Metropolitan Life Insurance Co.

Software: Software is written and maintained by the company; can accommodate 20 investment funds and 20 kinds of contributions; company does not offer software for use by clients.

Administration: Uses unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; investment management.

Service area: Nationwide.
Locations: Administrative and consulting offices in East Hanover, N.J.; San Ramon, Calif.

Staff: 38,000 total staff members; 150 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include eight CEBSs, eight MBAs, one CPA, five ASAs/FSAs, three attorneys, 15 FLMIs.

Clients: 70 clients; 5% with 1-100 employees, 60% with 101-1,000 employees, 20% with 1,001-5,000 employees, 15% with more than 5,000 employees. Average plan size, 3,600 participants; largest plan, 600,000 participants; minimum size plan, 100 participants; no maximum size plan.

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

1988 gross revenues: \$13 million from 401(k) plan services.

Principal officers: 401(k) plan administration: James Logan and Lawrence Kavana, vps; Chet Wydrinski, assistant vp.

Michigan National Bank

27777 Inkster Road, P.O. Box 9065, Farmington Hills, Mich. 48333; 313-473-3550

Year founded: 1940; began offering 401(k) plan administration services in 1984.

Parent company: Michigan National Corp.

Software: Software is leased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications, retirement planning for participants.

Service area: Michigan.
Locations: Administrative and sales offices in Detroit, Lansing and Grand Rapids, Mich.

Staff: 29 total staff members; 16 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA.

Clients: 45 total clients; 78% with 1-100 employees, 22% with 101-1,000 employees. Average plan size, 71 participants; largest plan, 291 participants; minimum size plan, 10 participants; maximum size plan, 3,000 participants.

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

1988 gross revenues: Not reported.

Principal officers: Steff Chalk, vp/sales manager; Mike Josephson and Ben Courson, vps; Joanne

Thomas and Ralph Faulhaber, second vps.

Miles & Associates Inc.

6101 Carnegie Blvd., Suite 155, Charlotte, N.C. 28209; 704-554-9795

Year founded: 1984.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

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

Service area: Southeast states.
Staff: 10 total staff members; eight staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two QPAs.

Clients: 400 total clients; 80% with 1-100 employees, 20% with 101-1,000 employees. Average plan size, 50 participants; largest plan, 300 participants; no minimum size plan; maximum size plan, 1,000 participants.

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

1988 gross revenues: Not reported.

Principal officers: Michael W. Miles, president; Leon V. Stodther, vp-operations.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3600, Seattle, Wash. 98101-2646; 206-624-7940

Year founded: 1947; began offering 401(k) plan administration services in 1978.

Software: Software is purchased from an outside vendor; can accommodate 300 investment funds and 300 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; interactive employee computer terminals.

Service area: Nationwide.

Locations: Administrative and consulting offices in Albany and New York, N.Y.; Atlanta; Boston; Chicago; Cincinnati; Dallas; Denver; Hartford, Conn.; Houston; Indianapolis; Los Angeles; Milwaukee; Minneapolis; Omaha, Neb.; Philadelphia; Phoenix, Ariz.; Portland, Ore.; St. Louis; San Francisco; Washington, D.C.

Staff: 750 total staff members; 40 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include five CEBSs, two CPAs, 15 ASAs/FSAs, two attorneys.

Clients: Total clients not reported; 60% with 1-100 employees, 30% with 101-1,000 employees, 5% with 1,001-5,000 employees, 5% with more than 5,000 employees. Largest plan, 10,000 participants; no minimum or maximum size plan.

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

1988 gross revenues: \$80 million total; \$2.5 million from 401(k) plan services.

Principal officers: James A. Curtis, chief executive officer; William R. Fleckenstein, chief financial officer.

Mitchell & Hartmann Inc.

13400 Riverside Drive, Suite 107, Sherman Oaks, Calif. 91423; 818-907-6800

Year founded: 1964; began offering 401(k) plan administration services in 1986.

Software: Software is purchased from an outside vendor; can accommodate six investment funds and eight kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash ac-

counting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

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

Service area: Nationwide.

Staff: Nine total staff members; five staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three ASAs/FSAs.

Clients: Total clients not reported; 90% with 1-100 employees, 10% with 101-1,000 employees. No maximum size client.

Charges: Time and expense.

1988 gross revenues: Not reported.

Principal officers: Lawrence Mitchell, president; Jeffrey F. Hartmann, vp.



National Benefit Consultants Inc.

4190 Telegraph Road, Suite 300, Bloomfield Hills, Mich. 48013; 313-644-5760

Year founded: 1968; began offering defined contribution plan administration services in 1978.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, written communication of plan features to

employees; consults on legal issues, plan design issues, compliance issues, employee communications; Internal Revenue Service compliance, trust asset accounting.

Service area: Nationwide.

Staff: 25 total staff members; six staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA, two CPAs, one ASA/FSA, one CPC, two QPAs.

Clients: 64 total clients; 70% with 1-100 employees, 30% with 101-1,000 employees. Average plan size, 70 participants; largest plan, 300 participants; no minimum or maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Brian Stevens, secretary/treasurer; Hal Lambert, president; Michael Stacey, vp.

Continued on next page

MAX-PRO Professional Software Solutions For Insurance Companies Retail Agencies • General Agencies Adjusters • Premium Finance
Designed for the IBM environment... PC, System/36™ and AS/400™
MAX-PRO 100 • 200 • 300... Property & Casualty Loss Accounting
MAX-PRO 500 Retail Agency
MAX-PRO 1000 General Agency
MAX-PRO 2000 Premium Finance
MAX-PRO 4000 Personal Auto... Policy Service • Direct & Agency Bill
MAXIMUM SOFTWARE PRODUCTS
P.O. Box 672491
Houston, Texas 77267-0127
(713) 872-1532 • FAX (713) 872-1637
Max-Pro and Maximum Software Products are trademarks of Maximum Financial Group, Inc. IBM is a registered trademark and System/36 and AS/400 are trademarks of IBM Corp.

What do the benefits departments of these companies have in common?
AT&T Allied-Signal American Airlines Atlantic Richfield Boise Cascade CBS Coca-Cola Colgate-Palmolive Federal Express General Motors General Signal Corp. Heinz USA Honeywell ITT Kraft Mead Corporation Miller Brewing PPG Pitney Bowes Polaroid Proctor & Gamble Sara Lee Upjohn Westinghouse Electric
They all have CEBS Graduates on their staffs!
Times have changed.
Benefits have moved onto the balance sheet and now play a major role in the economic viability of corporations.
Today's benefits manager needs a solid background in the economic, demographic and regulatory issues that are changing the industry.
That is why many corporations encourage participation in the Certified Employee Benefit Specialist (CEBS) program. Cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, CEBS is a ten course program covering areas essential to effective plan management.
To find out how CEBS can impact your company's bottom line, call or write:
CEBS Department International Foundation of Employee Benefit Plans 18700 W. Bluemound Road P.O. Box 69 Brookfield, Wisconsin 53008-0069 (414) 786-6700

Continued from previous page

National Benefit Services Inc.

6 N. Michigan Ave., Suite 1104, Chicago, Ill. 60602; 312-372-2150

Year founded: 1978; began offering 401(k) plan administration services in 1983.**Software:** Software is leased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.**Administration:** Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications, self-administered plans.**Service area:** Nationwide.**Staff:** Seven total staff members; five staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA, one CPA.**Clients:** More than 100 total clients; 24% with 1-100 employees, 75% with 101-1,000 employees, 1% with 1,001-5,000 employees. Average plan size, 250 participants; largest plan, 1,500 participants; no minimum or maximum size plan.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Gerald I. Kallish, president; Karen S. Bonn, vp.**Noble Lowndes**

33 Evergreen Place, East Orange, N.J. 07019; 201-675-8900

Year founded: 1935; began offering 401(k) plan administration services in 1982.**Parent company:** Trust & Savings Bank.**Software:** Software is purchased from an outside vendor; can accommodate 15 investment funds and 10 kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.**Service area:** Nationwide.**Locations:** Administrative and consulting offices in Chicago; New York and Garden City, N.Y.; San Francisco.**Staff:** 300 total staff members; 70 staff members involved in 401(k) plan record keeping, administration or consulting.**Clients:** 600 total clients; 30% with 1-100 employees, 70% with 101-1,000 employees, 10% with 1,001-5,000 employees. Average plan size, 200 participants; largest plan, 1,400 participants; maximum size plan, 5,000 participants.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Stephen Singer, president/chief executive officer (East Orange office); Fred Schick, managing director (Chicago office); Alex Sussman, president (Garden City office); James Becker, vp (New York office); Maurice Simmons, chief operating officer (San Francisco office).**P****Pension Planning Co. Inc.**

355 Lexington Ave., New York, N.Y. 10017; 212-867-4100

Year founded: 1945; began offering 401(k) plan administration services in 1982.**Parent company:** Republic Hogg Robinson Inc.**Software:** Software is written and

maintained by the company; can accommodate 99 investment funds and unlimited kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; conducts employee meetings; provides manuals.**Service area:** Nationwide.**Locations:** Consulting offices in Boston; Philadelphia; Atlanta; Cleveland; Detroit; Los Angeles; Boca Raton, Fla.; Washington, D.C.; Dallas.**Staff:** 50 total staff members; 20 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSs, six MBAs, five ASAs/FSAs, two attorneys.**Clients:** 60 total clients; 20% with one-100 employees, 60% with 101-1,000 employees, 20% with 1,001-5,000 employees. Average plan size, 450 participants; largest plan, 4,500 participants; minimum size plan, 10 participants; no maximum size plan.**Charges:** Determined by number of participants, complexity of plan, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** James Kahn, president; Donald Lockwood, executive vp/senior actuary; Jack Warshawchik and Paul D. Robinson, vps/actuaries; Doug Rabbion and Robert Heuer, vps; Gena Buckwald, director-record keeping services.**Pension Resources Inc.**

401 N. Michigan Ave., Chicago, Ill. 60611; 312-644-4422

Year founded: 1976.**Parent company:** Friedman, Eisenstein, Raemer & Schwartz.**Software:** Software is written and maintained by the company; can accommodate 24 investment funds and six kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting, unit value accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.**Service area:** Nationwide.**Staff:** 28 total staff members; 12 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one MBA, four CPAs, one EA.**Clients:** 800 total clients; 85% with one-100 employees, 14% with 101-1,000 employees, 1% with 1,001-5,000 employees. Average plan size, 50 participants; largest plan, 1,000 participants; no minimum size plan; maximum size plan, 10,000 participants.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** \$2 million total; \$800,000 from 401(k) plan services.**Principal officers:** Michael Schwartz, principal; Irwin Friedman and Irwin Steinberg, partners.**Prudential Asset Management Co.**

71 Hanover Road, Florham Park, N.J. 07932; 201-966-3215

Year founded: 1984; parent company began offering 401(k) plan administration services in 1980.**Parent company:** Prudential Insurance Co. of America.**Software:** Software is written and maintained by the company; can accommodate 10 investment funds and six kinds of contributions; company offers software for use by clients.**Administration:** Uses unit value accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Daily valuations, toll-free service for participants' account balance and account activity inquiries, clients' online access to company's computer, written communication of plan features to em-

ployees; consults on legal issues, plan design issues, compliance issues, employee communications; investment services and advice, enrollment videos, integration with non-qualified plans.

Service area: Nationwide.**Locations:** Administrative and consulting offices in Woodland Hills, Calif.; Moosic, Pa. Additional consulting office in Chicago.**Staff:** 150 total staff members; all involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include six CEBSs, six MBAs, five CLUs, three FLIMs. Additional staff provided through parent company.**Clients:** 1,500 total clients; 15% with one-100 employees, 50% with 101-1,000 employees, 30% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 1,500 participants; largest plan, 300,000 participants; minimum size plan, 1,000 participants; no maximum size plan.**Charges:** Determined by number of participants, complexity of plan, amount of assets under management, time and expense, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Harold Hopkins, vp-defined contribution programs; Steven Benson, vp-sales/marketing department.**R****Reilly Consulting Group Inc.**

424 Adams St., Milton, Mass. 02186; 617-696-8900

Year founded: 1955; began offering 401(k) plan administration services in 1984.**Software:** Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides tax advice.**Service area:** New England.**Locations:** Consulting offices in Danvers and Brockton, Mass.**Staff:** 12 total staff members; six staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, two MBAs, four CPAs, two attorneys, one CLU.**Clients:** 100 total clients; 85% with one-100 employees, 15% with 101-1,000 employees. Average plan size, 30 participants; largest plan, 220 participants; no minimum size plan; maximum size plan, 500 participants.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Francis M. Percuoco, Alfred P. Movano and J. Paul Freniere.**The Riggs National Bank**

808 17th St. N.W., Washington, D.C. 20006; 202-835-6767

Year founded: 1836; began offering 401(k) plan administration services in 1980.**Software:** Software is leased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.**Service area:** Maryland; Virginia; Washington, D.C.**Locations:** Administrative and consulting offices in McLean, Va.;

Bethesda, Md.

Staff: Total staff members not reported. Professional designations held by staff include one CEBS, one MBA, one CPA, five attorneys.**Clients:** 75 total clients; 80% with one-100 employees, 18% with 101-1,000 employees, 2% with 1,001-5,000 employees. Average plan size, 100 participants; largest plan, 4,000 participants; no minimum or maximum size plan.**Charges:** Determined by number of participants, complexity of plan, amount of assets under management, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Peter Welber and Fran Micka, senior vps; Joe Bicknell, vp; Randy Boer and Ellen Dawley, senior trust officers.**S****SEI Corp./Benefit Services Division**

2777 Stemmons Freeway, Suite 700, Dallas, Texas 75207; 214-689-3200

Year founded: 1971.**Parent company:** SEI Corp.**Software:** Software is written and maintained by the company; can accommodate 70 investment funds daily and 10 kinds of contributions; company offers software for use by clients.**Administration:** Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications, tax and investment advice.**Service area:** Nationwide.**Locations:** Administrative and consulting offices in Dallas; Boston; Jersey City, N.J.**Staff:** More than 200 total staff members; 125 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSs, two MBAs, one CPA.**Clients:** More than 325 total clients; 10% with 1-100 employees, 40% with 101-1,000 employees, 40% with 1,001-5,000 employees, 10% with more than 5,000 employees. Average plan size, 1,500 participants; largest plan, 20,000 participants; no minimum or maximum size plan.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** \$20 million total; \$16 million from 401(k) plan services.**Principal officers:** Henry H. Greer, president; Robert L. Hudon, senior vp/director-sales and marketing; B.D. Podpechan, vp-systems.**Martin E. Segal Co.**

730 Fifth Ave., New York, N.Y. 10019; 212-586-5600

Year founded: 1939; began offering 401(k) plan administration services in 1983.**Software:** Software is written and maintained by the company; can accommodate 10 investment funds and 10 kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.**Service area:** Nationwide.**Locations:** Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; Phoenix, Ariz.; San Francisco; Seattle; Washington, D.C.; Toronto; Edmonton, Alberta.**Staff:** 615 total staff members.**Clients:** Not reported. Average plan size, 700 participants; largest plan, 35,000 participants; no minimum or maximum size plan.**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.**1988 gross revenues:** Not reported.**Principal officers:** Martin E. Segal, chairman; Robert D. Paul, vice chairman; Robert D. Krinsky, president; Howard Fluhr, John F. Gentlemen and Dale B. Grant, executive vps.**Seligman Marketing Inc.**

130 Liberty St., New York, N.Y. 10006; 212-488-0220

Year founded: 1864; began offering 401(k) plan administration services in 1982.**Parent company:** J.W. Seligman & Co. Inc.**Software:** Record keeping is provided by an outside third party, which can accommodate four investment funds and six kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.**Service area:** Nationwide.**Locations:** Consulting office in Highland Falls, Pa.**Staff:** 125 total staff members; all involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include five CEBSs, 10 MBAs, five CPAs, three attorneys.**Clients:** 1,300 total clients; 69% with 1-100 employees, 23% with 101-1,000 employees, 7% with more than 5,000 employees. Average plan size, 270 participants; largest plan, 15,000 participants; no minimum or maximum size plan.**Charges:** Determined by number of participants.**1988 gross revenues:** Not reported.**Principal officers:** Gary S. Lesser, senior vp/director-retirement plan marketing.**Small Parker & Blossom Inc.**

4200 N. Knoxville, Peoria, Ill. 61614; 309-682-4200

Year founded: 1967; began offering 401(k) plan administration services in 1981.**Software:** Software is purchased from an outside vendor; can accommodate 11 investment funds and 10 kinds of contributions; company does not offer software for use by clients.**Administration:** Uses cash accounting, unit value accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.**Client support:** Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.**Service area:** Midwest.**Staff:** 34 total staff members; seven staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one FSPA, one MSPA.**Clients:** 120 total clients; 70% with 1-100 employees, 29% with 101-1,000 employees, 1% with 1,001-5,000 employees. Average plan size, 100 participants; largest plan, 1,700 participants; minimum size plan, 10 participants; maximum size plan, 2,500 participants.**Charges:** Determined by number of participants, time and expense, frequency valuations.**1988 gross revenues:** \$1.5 million total; \$400,000 from 401(k) plan services.**Principal officers:** John D. Blossom Jr., president; Carol Sears, vp-administration of qualified plans; Linda Byrne Blossom, vp-marketing of qualified plans.**State Mutual of America-Group Pensions**

440 Lincoln St., Worcester, Mass. 01605; 508-852-1000

Year founded: 1844; began offer-

Continued on next page

Continued from previous page
ing 401(k) plan administration services in 1981.

Parent company: State Mutual Life Assurance Co. of America.

Software: Software is written and maintained by company; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; investments.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Boston; Buffalo, N.Y.; Chicago; Dallas; Greensboro, N.C.; Los Angeles; Paramus, N.J.; Philadelphia; Pittsburgh; Rio Piedras, Puerto Rico; Richmond, Va.; San Francisco; Seattle; Tampa Bay, Fla.; Washington, D.C.

Staff: 275 total staff members, 225 involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include four CEBSS, 12 MBAs, 11 ASAs/FSAs, three attorneys, eight FLMI, eight CFCs, 20 CLUs.

Clients: 2,554 total clients; 52.9% with 1-100 employees, 46% with 101-1,000 employees, 1% with 1,001-5,000 employees, 0.1% with more than 5,000 employees. Average plan size, 295 participants; largest plan, 5,200 participants; minimum size plan, 100 participants; no maximum size plan.

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

1988 gross revenues: \$37.5 million total; \$19.5 million from 401(k) plan services.

Principal officers: Albert W. Buckbee II, vp-group pensions; Richard P. McGirr, vp-pension sales; John L. Wentzell, second vp-pension marketing.

State Street Bank & Trust Co.-Benefit Plan Services Division

225 Franklin St., Boston, Mass.
02101; 617-847-8477

Year founded: 1792 (parent company); began offering 401(k) plan administration services in 1981.

Parent company: State Street Boston Corp.

Software: Software is purchased from an outside vendor but maintained by company; can accommodate more than 200 investment funds and 36 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Staff: 430 total staff members; 250 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 20 CEBSS, 20 MBAs, five ASAs/FSAs, five attorneys.

Clients: 70 total clients; 5% with 1-100 employees, 15% with 101-1,000 employees, 35% with 1,001-5,000 employees, 45% with more than 5,000 employees. Average plan size, 6,500 participants; largest plan, 100,000 participants; no minimum or maximum size plan.

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

1988 gross revenues: \$40 million total; \$25 million from 401(k) plan services.

Principal officers: John Mulligan, vp/division head/marketing manager; Charles J. Golden, vp-plan investments; Phillip E. Jennings, vp-plan administration; Richard I. Davidson, vp-operations; Michael R. McKenzie, vp.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 550,
Houston, Texas 77056;
713-622-9830

Year founded: 1987.

Software: Software is leased from an outside vendor; can accommodate 10 investment funds; company offers software for use by clients.

Administration: Uses cash accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; investment analysis.

Service area: Nationwide.

Staff: 10 total staff members; four staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: 12 total clients; 30% with 1-100 employees, 55% with 101-1,000 employees, 15% with 1,001-5,000 employees. Average plan size, 350 participants; largest plan, 2,000 participants; minimum size plan, 75 participants; maximum size plan, 10,000 participants.

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

1988 gross revenues: Not reported.

Principal officers: James E. Stone, managing director; Kenneth L. Haynes and Thomas F. McCord, principals.

T

TPF & C

Centre Square W., 1500 Market St.,
Philadelphia, Pa. 19102;
215-569-6000

Year founded: 1934; began offering 401(k) plan administration services in 1983.

Parent company: Towers, Perrin, Forster & Crosby Inc.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants and to request account activity, clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative offices in Atlanta, Boston, Chicago, Dallas, Los Angeles. Consulting offices in 30 locations.

Staff: More than 4,500 total staff members; 387 staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: 120 clients; 10% with 101-1,000 employees, 75% with 1,001-5,000 employees, 15% with more than 5,000 employees. Average plan size, 3,500 participants; largest plan, 46,000 participants; minimum size plan, 2,000 participants; no maximum size plan.

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

1988 gross revenues: More than \$400 million total; \$9.3 million from 401(k) plan services.

Principal officers: James E. Kieley, president/chief executive officer; Charles E. Peartree, executive vp.

Touche Ross & Co.- Actuarial, Benefits & Compensation Consulting

1633 Broadway, New York, N.Y.
10019; 212-492-2498

Year founded: 1973.

Parent company: Touche Ross & Co.

Software: Software is purchased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; employee videos.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston, Detroit, Chicago, Dallas, Los Angeles, Minneapolis. Additional consulting office in Hartford, Conn.

Staff: 200 total staff members; 30 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 10 CEBSS, 10 MBAs, 10 CPAs, 21 ASAs/FSAs, 10 attorneys, four Ph.D.s, one FCAS, 17 EAs, two CLUs, 32 MAAs.

Clients: Not reported; 7% with 1-100 employees, 85% with 101-1,000 employees, 5% with 1,001-5,000 employees, 3% with more than 5,000 employees. Largest plan, 6,000 participants; no minimum size plan; maximum size plan, 20,000 participants.

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

1988 gross revenues: Not reported.

Principal officers: David E. Dresner, national director; Susan Achenbach, Ainar D. Ayala Jr., Bruce Bengston, Richard Berens, Jack R. Broesamle Jr., Brian Cameron, Jon Flitter, Tim Garmager, Robert Ingram, James Karter, Jay Lingo, Jan Lommele, Steve Ogren, Jeremiah R. Riddle, Leon Smith, Mark Sobel, Robert Starkey, David L. Stone, Keith Swenson, Adrian Theriault, Jack Whiting and Robert Zieminski, partners.

Trust Consultants Inc.

155 Bovet Road, San Mateo, Calif.,
94402; 415-378-8700

Year founded: 1971; began offer-

ing 401(k) plan administration services in 1983.

Parent company: Marsh & McLennan Group Associates Inc.

Software: Software is purchased from an outside vendor; can accommodate 12 investment funds and six kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communications of plan features to employees; consults on plan design issues, compliance issues, employee communications, plan document preparation.

Service area: Nationwide.

Locations: Administrative and sales office in Glendale, Calif.

Staff: 50 total staff members; 10 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two attorneys, three EAs, two CPCs.

Clients: 2,100 total clients; 98% with 1-100 employees, 2% with 101-1,000 employees. Average plan size, 30 participants; largest plan, 250 participants; no minimum size plan; maximum size plan, 600 participants.

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

1988 gross revenues: Not reported.

Principal officers: Lawrence Gilsdorf, president; Mark Weimer, executive vp; John Ringlein, chief financial officer; Jean Willis, senior vp.

U

Urbach, Kahn & Werlin P.C.

66 State St., Albany, N.Y. 12207;
518-449-3166

Year founded: 1964; began offering 401(k) plan administration services in 1984.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full

share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; feasibility studies, tax advice, retirement planning.

Service area: Nationwide.

Locations: Administrative and consulting offices in New York and Buffalo, N.Y.; Burlington, Vt.; Los Angeles.

Staff: 280 total staff members; 15 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three MBAs, 60 CPAs, 15 attorneys, one EA, one CLU, one CFC.

Clients: 200 total clients; 60% with 1-100 employees, 40% with 101-1,000 employees. Average plan size, 50 participants; largest plan, 400 participants; no minimum or maximum size plan.

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

1988 gross revenues: Not reported.

Principal officers: Steven N. Fischer, president; Marilyn A. Pendergast, shareholder in charge; David A. Pratt, director-employee benefit consulting services.

W

Williams, Thacher & Rand

630 Third Ave., New York, N.Y.
10017; 212-949-1344

Year founded: 1975; began offering 401(k) plan administration services in 1981.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Clients' online ac-

Continued on next page

Q. Does it take too long to get your 401(k) statements?

It shouldn't. At least it shouldn't have to. At AMG our standard turnaround time for 401(k) statements and management reports is 15 days—98% of the time. And with 99% accuracy. If you'd like more information on our record keeping and administration services give us a call and see why at AMG too long is anything over 15 days.

AMG

3800 North Wilke Road, Suite 250 Arlington Heights, Illinois 60004 (312) 577-6000

Excellence
In Full Service
Management
for
Captives/Risk Retention
Groups

TOLL FREE 800-USA-RISK
State's Largest
Independent



H. Lincoln Miller, CEO Michael T. Rogers, COO
Experts in alternative market mechanisms. Prime Movers of Law.
Vermont Insurance Management
P.O. Box 306, Montpelier, Vermont 05601

Get the advantages of Vermont's largest and most experienced independent captive manager. Full service from formation to operation, regulatory reporting, accounting, reinsurance, investment. Exclusive providers of the most comprehensive and timely financial reporting available. Plus the choices and cost savings available only through an independent.

Transit suit

Continued from page 1

vealed in its financial statements, according to the lawsuit. However, RICO permits triple damages to be recovered, bringing the defendants' potential liability to \$3 billion.

While the two Clarendon companies had not been formally served with the complaint as of last Wednesday, Clarendon America strongly denied the receiver's charges.

In a statement, Clarendon America said it is "outraged by the allegations contained in the Transit liquidator's complaint. There was no fraud. There was no conspiracy. The demand for damages of \$1 billion is absurd."

Maintaining that its reinsurance and surety agreements with Transit were legitimate, Clarendon America also said it may take action against the receiver's lawyers under federal procedural rules that require a diligent effort to verify the facts on which charges are based.

"These allegations so frivolously made are so damaging to the reputation of Clarendon America that Clarendon America's counsel is considering seeking sanctions against the liquidator's counsel for failure to properly ascertain whether the allegations were supported by the facts," the insurer's statement said.

Geoffrey Tytheridge, chief financial officer for Clarendon (Bermuda),

declined to comment.

Clarendon America is wholly owned by Kansa Corp. Ltd. of Finland. Clarendon (Bermuda) is a unit of Bermuda-based Clarendon Group Ltd., which in turn is owned by several shareholders, including Rodrigo Rocha and Kansa.

Clarendon America had policyholders surplus \$224.9 million as of Dec. 31, 1988, while Kansa had \$182.4 million as of Dec. 31, 1987, according to Best's Insurance Reports International Edition. Clarendon Insurance Co. (Bermuda) Ltd. had \$65.6 million in capital and surplus as of Dec. 31, 1986, Best also reports.

The five former Transit officers, meanwhile, either declined to comment or could not be reached.

Roger L. Stanard, a Woodland Hills, Calif., lawyer representing Mr. Gregory and Mr. Hsu in other Transit-related litigation, said the two men "certainly feel that the claim is without merit and evidences a misunderstanding of the insurance business by the receiver."

David E. Reynolds, a Los Angeles lawyer representing Messrs. Bowie, Steinhorn and DeGennaro, said he was "surprised" by the complaint and noted that at least one of the Clarendon contracts in question was reviewed and approved by the Missouri Insurance Division before Transit was declared insolvent.

Separately, a grand jury in Cole

County, Mo., is investigating possible criminal wrongdoing by Missouri-domiciled Transit's former directors and officers, two sources familiar with its liquidation say.

Richard Callahan, Cole County prosecuting attorney, said that as a matter of policy he could neither confirm nor deny the existence of a grand jury investigation.

Transit Casualty, ordered liquidated by a Missouri state judge in December 1985, is now estimated to be insolvent by \$2 billion to \$2.5 billion, making it one of the largest—if not the largest—insurer insolvency in U.S. history.

Transit's gross losses are estimated at \$3 billion to \$4 billion, according to Special Deputy Receiver J. Burleigh Arnold. These figures include an estimated \$2.5 billion in losses attributable to excess liability business written by National Underwriting Agency Inc. of Chicago, a Transit managing general agent, he said, adding that the figure is based on a recent actuarial study of the NUA business made by Coopers & Lybrand.

Transit's gross losses will be reduced by an estimated \$1 billion to \$1.5 billion in reinsurance recoverables, agents' balances receivable and other assets of the defunct insurer's estate, Mr. Arnold said.

The allegations in the receiver's complaint against Clarendon generally echo charges leveled by Mr. Arnold and others of the Transit receivership in congressional hearings earlier this year (BI, April 17).

Testifying before the House Oversight and Investigations Subcommittee, receivership officials charged that the Clarendon transactions artificially inflated Transit's surplus at a time when Transit's parent, Beneficial Standard Corp., was pursuing a plan to sell off all of its assets, in-

cluding Transit.

In March 1985, Beneficial Standard reported that it had completely written off its investment in Transit as of year-end 1984. Beneficial Standard later liquidated all of its other holdings, distributing the proceeds to shareholders.

The receiver's lawsuit outlines an alleged scheme in which the five Transit officers, Clarendon America and Clarendon (Bermuda) conspired to create an illusory boost to Transit's surplus in 1983 and 1984 through the use of reinsurance and surety bond agreements.

In 1984, Transit entered into an aggregate stop-loss reinsurance agreement with the two Clarendon companies, effective Nov. 15, 1983, covering losses occurring between 1980 and 1983, the complaint says. The stop-loss agreement provided total coverage of \$25.3 million for a premium of \$16.6 million, effectively boosting Transit's net income in 1983 by \$4.6 million.

Clarendon (Bermuda) wrote 97.5% of the portfolio reinsurance cover, while Clarendon America wrote 2.5%, according to Clarendon America President Ralph Milo.

At the time of the agreement, both Transit and the Clarendon companies knew that Transit had lost control of its MGA programs, that it was suffering "serious negative cash flow," and that without the reinsurance cover, Transit would lose its A rating from A.M. Best Co. and would lose business as a result, the complaint says.

Despite knowing in early October 1985 that Transit was insolvent, Transit's board approved a commutation of the stop-loss agreement under which the \$16.6 million premium was returned with \$2.9 million in interest.

"In the context of Transit's known financial condition and hemorrhaging negative cash flow, the commutation of the aggregate stop-loss agreements had no purpose other than to benefit Clarendon at the expense of the receiver," the suit charges.

In March 1985, Transit also entered into a surety bond agreement with Clarendon America, paying an \$8 million premium in return for Clarendon America assuming the liability for a \$23.8 million shortfall in collateral held by Transit for unauthorized reinsurance.

But, the surety was structured so that Clarendon actually assumed little or no risk: Any reinsurance recoverables written off by Transit would reduce the coverage available under the surety by the same amount, the complaint says. Before the agreement was signed, Transit wrote off \$14.4 million in recoverables, the suit says.

Transit and Clarendon back-dated the surety agreement to November 1984 to avoid violating a New York Insurance Department regulation forbidding such transactions that became effective in 1985, the suit charges.

The surety bond allowed Transit to report an additional \$19.5 million in surplus, including an estimated tax credit of \$3.7 million, in its 1984 statutory statement. At the same time, the suit charges, Beneficial Standard filed a 10-K report with the Securities and Exchange Commission reporting that it had written down its investment in Transit to zero because it could not quantify Transit's liabilities.

Roughly two months before Transit was declared insolvent in December 1985, the insurer's board also voted to terminate the surety agreement,

Continued on next page

1989 Benefit Communication Institute

October 16-18, 1989
The Copley Plaza
Boston, Massachusetts



COMMUNICATING WITH
WORKFORCE 2000

Experienced Communicators will update you on . . .

- Communication clarity • Cost efficient communication methods
- Measuring the effectiveness of your benefit communication program

Presenting . . .

Hands-on demonstrations to introduce the latest benefit communication technology

To add this program to your schedule, please contact the Registrations Department of the International Foundation of Employee Benefit Plans.



International Foundation
OF EMPLOYEE BENEFIT PLANS

P.O. Box 69 • Brookfield, WI 53008-0069 • (414) 786-6700

401(k) plan administrators

Continued from previous page
cess to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.
Locations: Administrative and consulting offices in Baltimore; Washington, D.C.; Indianapolis; Philadelphia; Richmond, Va.

Staff: 150 total staff members; 30 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSS, three MBAs, 15 ASAs/FSAs, one attorney, five EAs.

Clients: 700 total clients; 20% with 1-100 employees, 50% with 101-1,000 employees, 25% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 500 participants; largest plan, 10,000 participants; minimum size plan, 25 participants; no maximum size plan.

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

1988 gross revenues: \$10 million

total; \$2.5 million from 401(k) plan services.

Principal officers: Charles Thacher, Thomas Rand, Robert Williams, Terry Stokes, Ron Copeland and Michael Casey.

The Wyatt Co.

Research & Information Center,
1850 M St. N.W., Suite 400,
Washington, D.C. 20036-5801;
202-887-4600

Year founded: 1946; began offering 401(k) plan administration services in 1981.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants and to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; investment performance analysis.

Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Honolulu; Houston; Irvine, Los Angeles, San Diego and San Francisco, Calif.; Memphis, Tenn.; Miami; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix, Ariz.; Portland, Ore.; San Juan, Puerto Rico; Seattle; Stamford, Conn.; Upper Montclair, N.J.

Staff: 2,800 total staff members; 390 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 344 ASAs/FSAs, 38 attorneys.

Clients: 1,960 total clients; 57% with 1-100 employees, 32% with 101-1,000 employees, 9% with 1,001-5,000 employees, 2% with more than 5,000 employees. Average plan size, 900 participants; largest plan, 50,000 participants; no minimum or maximum size plan.

Charges: Determined by time and expense.

1988 gross revenues: \$290 million total; \$41 million from 401(k) plan services.

Principal officers: Michael H. Davis, president/chief executive officer; Leroy B. Parks, vp/treasurer; Robert L. Barnes, Michael D. Evans and Albert C. Simmonds III, vps.

Y

Yaffe & Co. Inc.

800 N. Charles St., Baltimore, Md.
21201; 301-332-1166

Year founded: 1976; began offering 401(k) plan administration services in 1982.

Software: Software is purchased from an outside vendor; can accommodate a total of 30 investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; can accommodate loan provisions; can perform 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; monitors 415 and 402(g) limits, government reporting.

Service area: Metropolitan Baltimore.

Staff: 45 total staff members; eight staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSS, one CPA, two ASAs/FSAs, one attorney.

Clients: 75 total clients; 10% with 1-100 employees, 60% with 101-1,000 employees, 30% with 1,001-5,000 employees. Average plan size, 850 participants; largest plan, 2,500 participants; minimum size plan, 100 participants; maximum size plan, 5,000 participants.

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

1988 gross revenues: Not reported.

Principal officers: Rian M. Yaffe, president; Judy H. Cox, principal. ■

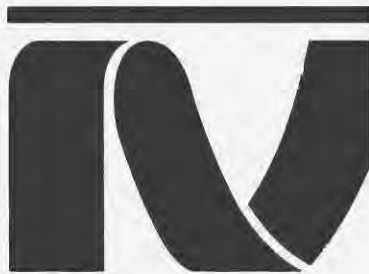
Trying to communicate new and complex benefit options to employees?

Then you need Investment Communications, Inc.

As a recognized leader in the development of multimedia communications materials for group health and employee benefit plans, we can produce a custom-designed, user-friendly package that meets your specific needs.

Videotape • Brochures • Workbooks
Newsletters • Mailers

Experience counts, you'll benefit from ours
... concept to completion.



INVESTMENT
COMMUNICATIONS, INC.

110 Greene Street, Suite 301
New York, NY 10012
Telephone: (212) 925-9099
Fax: (212) 431-8093

For information, call Joan Robins,
Marketing Director.

Deliberations near in Howden execs' trial

By STACY SHAPIRO

LONDON—A jury is expected to begin deliberations soon in the criminal trial of two former Alexander Howden Group Ltd. executives accused of stealing millions of dollars from Howden and Howden-managed Lloyd's of London syndicates.

Justice MacNeill is expected this week to summarize for the jury the mountains of evidence in the 14-week trial of former Howden Chairman Kenneth V. Grob and flamboyant Lloyd's underwriter Ian Posgate, who also headed Howden's Lloyd's underwriting management unit.

Crown Prosecutor Michael Hill last week told the jury in Southwark Crown Court that he was dropping eight charges of false accounting and publishing false statements that were pending against Mr. Grob.

The jury still will decide whether Mr. Grob is guilty of 16 charges of theft of approximately 7 million pounds (\$11.3 million at current exchange rates) from Howden, its subsidiaries and/or Mr. Posgate's Lloyd's syndicates 126-129, Mr. Hill said. Mr. Grob denies all charges.

In addition, the jury will decide whether Mr. Posgate conspired to defraud and/or to steal money from his syndicates by dishonestly using the syndicates' reinsurance premiums to finance the secret purchase of the Banque du Rhone et de la Tamise by himself, Mr. Grob and three other former Howden directors. Mr. Posgate denies the two charges.

A third defendant, former Howden Director Jack Carpenter, was released from court last month by Justice MacNeill for medical reasons.

In his closing remarks in the trial last week, Mr. Hill told the jury: "Either we have proved against Mr. Grob for the theft of funds or we have proved nothing against him."

As for Mr. Posgate, "we must prove that he was a party to the theft and conspired to steal the funds from his syndicates' names... or we have proved nothing against him."

The primary allegation that the prosecution has attempted to prove, Mr. Hill told the jury, is that money was illegally diverted through reinsurance programs from Mr. Posgate's syndicates to offshore companies belonging to Mr. Grob, Mr. Carpenter and former Howden Directors Allan Page and Ronald Comery to fund the secret purchase of the Banque du Rhone.

Mr. Comery has died and Mr. Page was too ill to be charged.

In addition, the prosecution alleged that Mr. Posgate conspired with these men to use quota-share reinsurance premiums paid by his syndicates to fund the purchase of the bank through a secret investment syndicate in which Mr. Posgate held a share.

The prosecutor noted that documents showed that reinsurance premiums were paid by Mr. Posgate's syndicates to Southern International Reinsurance S.A., which was owned by Messrs. Grob, Carpenter, Comery and Page. The premiums then flowed through offshore companies owned by the four ex-Howden executives to purchase the Banque du Rhone, Mr. Hill said.

The contracts written by SIR may be argued to be legitimate reinsurance contracts, "but in reality the contracts weren't there for commercial reasons at all... but for one purpose only: to purchase the Banque du Rhone," he said.

Mr. Hill told the jury that Howden, which decided to sell the bank in 1978, failed to find a buyer. But evidence shows that by May 1979, "the idea of a private syndicate came into being" to buy the bank and that the purchasing syndicate came to fruition in December 1979, he said.

To buy the entire bank, the purchasers would have to come up with 28 million Swiss francs (\$17.4 million at current exchange rates), said Mr. Hill. But they decided to buy only 51% of the bank's shares, lowering their investment to 14 million Swiss francs (\$8.7 million), plus interest, he said. "Even for the rich that's quite a lot of money."

But "not one penny-piece of the money of Mr. Grob or Mr. Comery or Mr. Carpenter or Mr. Page went into the purchase of one fraction of the B.d.R.," Mr. Hill stressed. "That is a fact which the Crown would like you to recall at all times."

The "crucial and critical" element to the plan, however, was Mr. Posgate's cooperation, either "knowingly or unknowingly," said Mr. Hill. He explained that the second and third payments for the purchase of the bank were financed directly by Mr. Posgate's syndicates' quota-share reinsurance premiums. In addition, reinsurance premiums paid by the syndicates were to be used to replenish accounts from which the money for the initial payment was taken.

Mr. Hill said that Mr. Posgate "steadfastly and stoutly denies" he was drawn into the scheme, noting that Mr. Posgate said that he never knew of the scheme and, if he had, he wouldn't have become involved because it was dishonest.

"Don't worry yourselves on what Mr. Posgate did and didn't know," said Mr. Hill. The prosecutor pointed out that that evidence showed that trusts were set up in Liechtenstein and Panama to hold 10% of the Banque du Rhone's shares on behalf of Mr. Posgate.

"It doesn't matter if he (Mr. Posgate) knew it or that he took part in the conspiracy," said Mr. Hill. "That's what (the offshore trust) is there for."

The trial will conclude with closing remarks from Mr. Grob's and Mr. Posgate's attorneys and Justice's MacNeill's instructions to the jury.

Posgate testimony

Continued from page 2

Instructions from former Howden Treasurer Allan Page, who has been judged too ill to stand trial. Mr. Posgate furthermore said he wrote the document quickly, adding that its contents did not sink in while he was taking Mr. Page's dictation.

However, when Mr. Hill in court asked Mr. Posgate to recopy the document as it was slowly dictated by the prosecutor, Mr. Posgate asked Mr. Hill to stop twice because he was going too fast.

Meanwhile, Mr. Posgate admitted that on March 31, 1981, he flew to Geneva on tickets bought by Howden—to pick up 37,000 pounds (\$60,000 at current exchange rates) in cash from the Banque du Rhone. However, he said he did not know this money had been debited from SIR's bank account.

Mr. Posgate explained that he had been paying higher interest rates to the bank on loans than other members of the Howden board. He then complained to Mr. Grob, who said the bank would reimburse Mr. Posgate. While Mr. Posgate signed a document for the cash that says the money came from SIR, Mr. Posgate told the jury that he didn't believe the words "SIR" were on the document when he signed it.

Mr. Posgate also admitted that sometime in September or October 1981, he left a handwritten note in Mr. Grob's office that said he had placed the bottom three layers of his syndicates' catastrophe reinsurance treaty with Howden broker Alan Williams to be placed with Howden subsidiary Sphere Drake Insurance Co. Ltd. At the bottom of the note, Mr. Posgate wrote "can I have pic-

ture/car?"

He has been accused of placing his syndicates' reinsurance with Howden units in exchange for bribes.

"That evening I went over to see Mr. Grob—whatever is said we'd try to have a rapport—and there was no one there as often happened. I left the memo," he said. "Then I was stupid as is my want... so I put down a facetious remark."

Mr. Posgate pointed out that he was due for a new company car at the time. "It was almost a face-saver," he said, adding that he was not "asking for a bribe."

A copy of the note was found in Mr. Grob's safe by auditors for Alexander & Alexander Services Inc., which conducted a fair value audit of Howden in July 1982 after A&A acquired the British company.

"It's disgraceful" that Mr. Grob kept the note, said Mr. Posgate. "I would have expected him to throw it away."

Mr. Posgate said he felt like a "leper" during the course of the A&A audit because A&A officials and accountants did not talk to him about the suspicious transactions.

At one stage, Mr. Posgate admitted that he had an evening drink with former A&A Chairman John A. Bogardus Jr. and told Mr. Bogardus that Mr. Grob and the others were "crooks" and that he was "tainted." But Mr. Posgate told the jury, "it was wrong of me to say that the 'Gang of Four' or Mr. Grob were crooks... They were amoral. They didn't know what was right or what was wrong about underwriting."

Mr. Posgate also said he told Mr. Bogardus that if a Pissarro painting that Mr. Grob had given him as

a gift was, in fact, owned by Howden, "then he could collect it." But, Mr. Posgate said Mr. Grob told him it was bought by Mr. Grob's own money in Switzerland.

A&A later sued Mr. Posgate for the art work, among other things. Mr. Posgate said he eventually bought the work back from A&A for \$1,000 more than it was worth (BI, May 29).

During Mr. Posgate's testimony, Mr. Grob's attorney, Aller Jones, accused Mr. Posgate of lying since 1983, when he gave evidence to the British Department of Trade and Industry, until the present. Mr. Jones suggested that Mr. Posgate was lying because he failed to disclose his interest in the sale of the Banque du Rhone to Howden shareholders and because "you are so consumed with hatred for Mr. Grob that you'd do anything to damage him."

But Mr. Posgate denied that he hated Mr. Grob and said rather that he "admired" the former Howden chairman. "I would much rather be in a bunker with Mr. Grob in the Falklands War than with Mr. Bogardus," said Mr. Posgate.

Mr. Jones also alleged that Mr. Posgate knew that the four Howden directors owned SIR because Mr. Grob had offered him a one-fifth share in the Panamanian company. Mr. Posgate denied the allegation.

Associate Editor Carolyn Aldred in London contributed to this story.

We've just taken the "bugs" out of insurance for exterminators!

...AND WE INVITE AGENTS AND BROKERS TO WORK WITH US TO COMPETE FOR THIS BUSINESS WITH THIS UNIQUE BROWNYARD PLAN!

It features:

- Liability written on an Occurrence basis
- Warranty Coverage
- Sudden & Accidental Pollution Liability
- Care, Custody & Control Coverage
- No deductibles
- Contractual Coverage (For Assumed Liability)
- Personal Injury (Invasion of Privacy, etc.)
- Advertising Liability
- Medical Payments
- Umbrella Liability to \$4 million

Plus—you gain the professionalism of The Brownyard Group. For full information and applications, call or write today.

We Take On The Tough Ones

BROWNYARD BROTHERS

20 Fourth Avenue, Bay Shore, N.Y. 11706-9838
800-645-5820 (In NY 516-666-5050) • Fax: (516) 666-5723

New from Brownyard



Transit liquidation suit

Continued from previous page

which the complaint labels a "sham" intended to inflate Transit's surplus.

In addition to the RICO charges, the receiver's complaint accuses Messrs. Bowie, Gregory, DeGennaro and Steinhorn of breaching their fiduciary duties to Transit, and charges all the defendants with conspiring to breach those duties.

In an interview, Clarendon America's Mr. Milo denied the allegations, saying that the stop-loss reinsurance contract was a "state-of-the-art reinsurance arrangement" for the time, negotiated at arms length "in the normal course of business."

Cecelia Kempier, a lawyer with LeBoeuf, Lamb, Leiby & MacRae in New York, who is representing

Clarendon America, added that the agreement was reviewed and approved by the Missouri Insurance Department in the course of a year-end 1983 examination of Transit.

While the suit charges the commutation was intended to benefit Clarendon, in fact, it "reduced the amount of profit we could have made," Mr. Milo said. Regarding the surety bond, he said "the concept of it and the way it was structured were not that unusual."

Mr. Milo also denied that the bond was intentionally back-dated to circumvent New York regulations, noting that Clarendon America had executed a binder on the bond in December 1984. "That seems to have escaped the liquidator's files."

Editorial Index Service

The Business Insurance Editorial Index Service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes 3 quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

Take advantage of this cost effective tool and fill out the coupon today or call 212/210-0137

Business Insurance

Business Insurance Editorial Index
220 East 42nd Street, New York, NY 10017

Please send me the following index(es):
Full Index Service at \$100* 1989
Softcover edition at \$100* each 1986 1987 1988
Hardcover edition at \$150* each 1981 1982 1983
 1984 1985

TOTAL ENCLOSED \$ _____
PAYMENT MUST ACCOMPANY ORDER —
 Visa Mastercard Optima
 American Express Check Enclosed
(make check payable to Business Insurance)
* foreign postage additional

Account # _____ Exp. Date _____
Signature _____
Name _____
Title _____ Phone _____
Company _____
Address _____
City _____ State _____ Zip _____

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$101.50 per column inch, minimum of one inch. Straight classified is \$8.25 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.

PUBLIC NOTICE

BINFORD INSURANCE COMPANY, a New Mexico corporation, does not have any authorized agents for the issuance of any line or class of business, direct or reinsured or as reinsurance. No person or firm has any agency authority or valid power of attorney for the production of any business. The company hereby disclaims liability for any and all acts of such unauthorized persons or firms.

The only person authorized to bind the company is James R. Zuhlke, President. Direct inquiries or reports of unauthorized activity to Mr. Zuhlke at 1501 Woodfield Road, Suite 204 South, Schaumburg, IL 60173, 800-346-6449.

EXECUTIVE DIRECTOR

The Independent Insurance Agents of Illinois, a trade association with approximately 1500 members are searching for a qualified candidate to fill the position of Executive Director. Interested candidates should submit a resume with salary requirements, educational background and prior employment to the Chairman of the Search Committee. Resumes must be postmarked prior to Nov. 1, 1989. Candidates will be interviewed after November 15, 1989. The position will be available April 1, 1990. Send replies to:

James M. Hardesty
Chairman Search Committee
416 N.E. Jefferson
Peoria, IL 61603

V.I.P. RESOURCES, INC.

Executive Recruiters
Domestic & International
EMPLOYEE BENEFITS

200 Park Ave., Suite 303E
New York, New York 10166
(212) 344-2100

OPPORTUNITY WANTED:

PROPERTY-CASUALTY
INSURANCE COMPANY.

SEEKING TO PURCHASE ENTITY
LICENSED IN 40+ STATES. PREFER CLEAN SHELL. REPLY TO:
Box 2546, Business Insurance, 740
Rush St., Chicago, IL 60611-2590

For a

**Concise
and
Logical
Approach
to
Risk
Management
Recruiting**

LOGIC

Associates, Inc.

**EXECUTIVE SEARCH
CONSULTANTS**

170 Broadway
New York, N.Y. 10038
(212) 227-8000

RISK MANAGER

Industry experience in P&C and claims, excellent managerial skills, to administer WC and Multi-Line (P&C) pools. Duties include: determining premiums, brokerage supervision, oversight of loss control and claims administration staff. Computer experience with knowledge of dBase III and Lotus 123 a plus. Salary commensurate with experience and background. Send resume and salary history to:

Insurance Pool Administrator
535 Cordova Rd. #448
Santa Fe, NM 87501

STRUCTURED SETTLEMENT SPECIALISTS

Respected national firm seeks to expand operations in existing and new markets.

- established clientele and territories
- all major annuity markets
- training development and support services
- attractive compensation and benefits

Respond in confidence to:

Lorrie Miller
(800) 354-4096
(800) 759-3557

Kenneth H. Wells & Associates, Inc.
3300 South Parker Road
Suite 200
Aurora, Colorado 80014

SURPLUS LINES BROKERS NEEDED

We are the exclusive Marketing representative for a quality Bermuda based property and casualty insurer. The company has strong financials, excellent re-insurance, and numerous references. We offer above average commissions for quality books of business. Liberal contingency plan. 70% of all net collected premiums remain in a dedicated claims account at a location of agent's choice. Interested in traditional lines of excess and surplus coverages such as transportation, livery, bonding, marine, pollution, malpractice, umbrellas, etc. Programs or purchasing groups are preferred. Send Agency info, plus brief outline of goals to:

Insurance Group
5600 N. River Road #750
Chicago (Rosemont), Illinois 60018

Senior Actuarial Analyst

The Jefferson Insurance Group, a rapidly growing, New Jersey-based Excess/Surplus Lines Insurance Carrier has an opening for an ambitious person who will learn - and eventually take over - responsibility for preparing actuarial exhibits. These include loss reserving, rate reviews, limits profiles, and other analysis needed by the financial, underwriting and claims departments.

The successful candidate must have a college degree, with a minimum of 2 actuarial exams. At least two years experience as an actuarial assistant, preferably in property-casualty, and insurance company background are required. Computer skills a must.

We offer a competitive salary and excellent benefits package. To be considered for this exceptional career opportunity, forward your resume with salary requirements to:

**HUMAN RESOURCES DEPARTMENT
JEFFERSON INSURANCE GROUP**
Harborside Financial Center
Suite 702, Plaza No. 3
Jersey City, New Jersey 07311-3892
An Equal Opportunity Employer M/F/H/V

Marketing Director

SAIF Corporation is Oregon's non-profit workers' compensation insurance company. If you are talented, energetic and like a challenge, then consider this opportunity with us.

We are seeking a take-charge individual with demonstrated initiative who can direct the corporation's marketing program and meet the desired objectives. The individual in this position must be results oriented with a high energy level and a proven track record of accomplishment. Candidates must also have demonstrated leadership experience in marketing management, analytical/problem solving skills, and excellent communication skills. A thorough knowledge of workers compensation and/or casualty insurance is preferred.

SAIF Corporation is located in the heart of Oregon's Willamette Valley which offers a quality lifestyle and easy access to all types of recreation. We provide a professional working environment and a comprehensive benefit package. Salary is negotiable depending on qualifications and experience. For confidential consideration send a resume and salary history to the address below.



SAIF Corporation
Personnel Division
400 High St SE
Salem, OR 97312

SAIF CORPORATION

**MAXIMIZE YOUR
CAPABILITIES,
MINIMIZE YOUR
RISKS.**

Professionals Serving
Professionals
In Risk & Insurance
Management Recruiting.

**RICHARD
MEYERS &
ASSOCIATES, INC.**

**EXECUTIVE SEARCH
CONSULTANTS**

573 Springfield Avenue,
Summit, NJ 07901
201 - 522-9444
Fax 201 - 273-5630

LEGAL NOTICES

INSURANCE LAWYERS

West Coast law firm with practice emphasis in insurance matters, including broker's and agent's liability, errors and omissions, contractual disputes, insurer insolvency and liquidation proceedings, agent and broker/company disputes and regulatory matters, available for representation. **Daniel Warriner & Associates, 575 Anton Blvd., Suite 710, Costa Mesa, CA 92626, (714) 662-1001**

BUSINESS OPPORTUNITIES

BUSINESS OPPORTUNITY

Fortune 50 insurance company is seeking to acquire an existing block of Defined Contribution recordkeeping business. Will consider buying the business or a private label of services and/or product arrangement. Block should average employer size over 100 employees. Replies kept confidential. Provide complete information to Product Head, **Box 2547, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

PART-TIME WORK O'HARA & ASSOCIATES INSURANCE LITIGATION CONSULTANTS

Our expanding business requires ADDITIONAL INSURANCE PROFESSIONALS, located throughout the United States to work with our clients, plaintiff and defense law firms, for consultation and expert testimony on insurance litigation matters.

We need specialists in all classes of Insurance including Underwriting, Claims, Agency and Brokerage.

Liberal hourly fees paid on a case by case basis. If you are retired, semi-retired or self-employed and interested in this exciting and rewarding field, call or send your resume with emphasis on your specialty area to:

Jack Samuol
6355 Topanga Canyon Blvd.
Suite 531
Woodland Hills, CA 91367
(800) 288-1906

HELP WANTED

FLORIDA P & C AGENCY

Seeking VP Branch Mgr/Producer and Producer Services. Growth market opportunity for two ambitious persons with our established agency. Resume to: **AGENCY, P.O. Box 2067, Lakeland, FL 33806.**

POSITIONS WANTED

INSURANCE AGENCY MANAGER

11 years experience in all facets of agency operation. Chicago area now but will relocate. Reply to: **Box 2548, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

INSURANCE AGENCY UNDERWRITER/MARKETER

Property-Casualty background, thoroughly experienced; desires downtown Chicago or Western Suburbs. Reasonable Salary. Reply to: **Box 2493, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

Advertise in The Professional Marketplace

FAX your classifieds for the next issue:

FAX: 312/280-3189
PHONE: 312/649-5340

Contact:
Margaret Hikido, Classified Ad Manager, to reserve space.

401(k) loans

Continued from page 2

However, another aspect of the final rule also will cause employers some headaches, benefits experts predict.

The regulations make clear that employers will have to check rates being charged by several commercial lenders before coming up with a rate structure.

This rule will add complications and in some cases make loans more expensive to participants, benefits experts say.

"A reasonable rate of interest is one which provides the plan with a return commensurate with the prevailing interest rate charged on similar commercial loans by persons in the business of lending money," according to the regulation.

"An employer appears charged with the responsibility of checking rates at a number of lending institutions," said Jim Geld, a principal with William M. Mercer Meidinger Hansen Inc. in New York.

And, plan participants may have to pay a higher interest rate on their pension plan loans.

For example, many 401(k) plans currently may set the interest rate at 1% or 2% above or below the prime rate or tie it to the interest rate offered to participants selecting a Guaranteed Investment Contract.

In some cases, especially those involving pension plans offered to unionized employees, interest rates on loans have been well below prevailing market rates.

vailing market rates.

"While the facts and circumstances would always be important in a loan transaction, it appears that a plan loan rate less than or equal to the prime rate will, under the final regulations, generally not be considered reasonable," according to an analysis by Buck Consultants Inc. in New York.

Employers, though, will have the flexibility of charging different interest rates based on the creditworthiness of a borrower.

For example, employers could charge active employees a lower interest rate than a former employee who is not working.

"The Department believes that no particular standard rate will consistently reflect the appropriate risk relative to return ratio for all plans and all participant loans," according to the regulation.

"With respect to setting loan rates, the department suggests that plan administrators conduct the same type of inquiry that would be prudent prior to making any other type of investment," the regulation says.

The release of the final regulations comes at a time of increased popularity of pension plan loan provisions.

For example, a Hewitt Associates survey found that 62% of employers with a 401(k) plan offered a loan provision in 1987.

And, among companies with a loan provision, 53% added them between 1985 and 1988 (BI, Oct. 3, 1988).

Employers view loan provisions

in 401(k) plans as a way to encourage increased participation by low-paid employees, who are especially concerned about access to their funds.

Participation by low-paid employees is important for a 401(k) plan to pass the tough non-discrimination tests laid down by the Tax Reform Act.

In addition, loan programs allow employees to withdraw 401(k) funds without being hit with a 10% excise tax that the Tax Reform Act imposes on most preretirement withdrawals of funds.

"Loans have become more important than ever to the success of 401(k) plans," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

As a result, even though some aspects of the Labor Department ruling up loan programs to non-active participants—will be burdensome, benefit experts doubt that employers will terminate their loan programs.

"It is one more compliance burden. But it will not be the straw that breaks the camel's back," said Mercer's Mr. Ge.d.

And, benefit experts are cheering other provisions in the final regulations.

For example in a significant change from proposed rules issued last year (BI, Feb. 29, 1988), the final rules allow participants to use half of their vested account balances as collateral or security for a loan from a plan; the proposed rules had questioned

Proposal would increase Social Security wage base

WASHINGTON—Social Security payroll taxes paid by employers and highly paid employees would increase under a provision cleared by the House Ways and Means Committee.

Under the provision, included in a budget reconciliation bill, the Social Security Administration would include pretax contributions to 401(k) salary reduction plans in the calculation formula it uses annually to determine the maximum amount of wages subject to the FICA tax.

The calculation currently does not consider the pretax contributions employees make to 401(k) plans.

For 1989, the maximum amount of wages subject to the FICA tax is \$48,000. Wages up to this ceiling are subject to a 7.51% FICA tax paid both by employers and employees.

According to the Social Security Administration, the proposal could boost the maximum wage base 2% higher than it normally would rise.

The proposal would go into effect for wages earned after Dec. 31.

The proposal would not alter how pretax contributions are counted in calculating an individual employee's wages for FICA tax purposes. An individual's wages deferred under a 401(k) plan already are subject to FICA taxes under a 1984 law.

whether the vested portion of an account balance could be used as collateral.

"Clearly, the Department of Labor heard employer comments on this issue. The department realized that loan programs would not work unless vested account balance could be used as collateral," Mr. Geld said.

"Without such a change, it would have been difficult, if not impossible, for plan participants to get a loan from their 401(k) plan," Mr.

Saveth added.

In addition, the final regulations apply to loans made or renewed after Oct. 18, 1989; the proposed regulations had a retroactive effective date of Jan. 1, 1975.

"Clearly, a prospective effective date was appropriate because the Labor Department had not provided any guidance on loans in the past," said David Walker, national director of Arthur Andersen & Co.'s compensation and benefits practice in Washington, D.C.

Pension plan filing fees

Continued from page 1

\$200 per-plan-participant fee when they terminate fully or overfunded pension plans.

The measures also would bar employers from recovering excess assets when they terminate overfunded pension plans.

In addition, the House committee bill includes an amendment that would require employers to share control of their defined benefit and defined contribution plan assets with their employees (BI, July 24).

"With the kind of fees and restrictions being proposed, it makes you wonder how many employers will want to set up new benefit plans or continue existing programs," said Fred Green, chairman of The Wyatt Co.'s actuarial practice committee in Detroit.

"It's tragic. Legislators complain about gaps in coverage, yet they are creating disincentives for companies to offer benefit plans," said the APPWP's Mr. Weizmann.

While the proposed filing fees in the Senate and House committee bills vary, in both cases the sums are substantial.

For example:

• For pension and welfare plans with more than 500 participants, the Senate committee bill calls for a \$1,000 fee for each Form 5500 an employer must file, while the House committee bill proposes a

\$500 fee.

• For pension and welfare plans with between 100 and 499 participants, the Senate committee bill proposes a \$500 fee for filing Form 5500, while the House committee bill calls for a \$250 fee.

• For pension and welfare plans with fewer than 100 participants, the Senate committee bill sets a Form 5500 filing fee of \$250, while the House committee bill sets a \$100 filing fee.

The two measures also would impose a \$100 fee for each summary plan description an employer must file with the Labor Department.

SPDs, which also are distributed to employees, provide an outline of how an employer's benefit plans operate.

The descriptions must be filed at least every 10 years and must be filed more often if a company makes any significant changes to its benefit plans.

Under House committee bill, the fees would be imposed on Form 5500s and SPDs filed after July 13, 1989, while the Senate committee bill sets an effective date of July 20, 1989.

Multiemployer pension and wel-

fare plans would be exempt from the proposed filing fees.

Neither proposal explains why the bills exempt multiemployer plans, which are established in accordance with collective bargaining agreements.

However, benefit lobbyists make note of the strong, traditional ties between organized labor and the two congressional labor committees.

Estimates on how much revenue the new filing fees would generate are not yet available, but the amount is expected to be substantial.

For example, in 1987, the most recent year for which complete information is available, more than 1

million Form 5500s were filed with the federal government, while more than 200,000 SPDs were filed. At the most, 25% of these forms were filed by multiemployer plans.

The Senate committee bill makes no mention of how revenues from the filing fees would be used. The House committee bill stipulates that the money would be used to help the Labor Department enforce ERISA.

But benefit lobbyists say the real reason behind the proposed filing fees is to generate revenue to compensate for the revenue that would be lost by banning pension plan asset reversions, which both committees have proposed.

Currently, employers generally are required to pay a 15% federal excise tax on reversions recovered from terminated overfunded pension plans.

Even using the revenue generated from the filing fees to beef up ERISA enforcement would not defuse employers' anger, benefit experts say.

"I always thought the purpose of income taxes was to enable the federal government to enforce laws," said the APPWP's Mr. Weizmann.

"This is going to strike a very raw nerve with employers," said Frank McArdle, a consultant in Hewitt Associates' Washington, D.C., office.

It is not clear, though, whether the proposed filing fees will gain congressional approval.

Benefits experts say the two congressional tax committees—the Senate Finance Committee and the House Ways and Means Committee—are apt to agree with employers that the proposed filing fees are really a tax on employers with benefit plans.

And, tax committee staffers are very cool toward the proposed new fees, benefits experts said.

"The tax committees are likely to view the fees as taxes and therefore an item which falls in their jurisdiction rather than the labor committees'," Mr. McArdle said, adding that the tax committees probably will not view these fees favorably.

The House and Senate budget reconciliation bills must be cleared by the Ways and Means Committee and Finance Committee, respectively, before they can go on to the full House and Senate for approval.

If the House and Senate bills contain different and conflicting provisions, and they assuredly will, the differences must be worked out by a House-Senate conference committee. Resulting compromise legislation then would go back to the House and Senate for a final vote.

'With the kind of fees and restrictions being proposed, it makes you wonder how many employers will want to set up new benefit plans or continue existing programs,' says Fred Green of The Wyatt Co.

The professional marketplace

London
England - exec. furnished modern apt. Chelsea. 3 bedrooms & 2 1/2 baths. 5 mins Sloane Sq. Available by day/wk with maid service. Telex 3587 NETWK or Write P.O. Box HM 1921, Hamilton HMHX, Bermuda. PHONE 809-295-1512 or FAX 809-295-1464

HEADQUARTERS FOR INSURANCE & EMPLOYEE BENEFITS PERSONNEL
SERVING ALL AREAS INCL. ACTUARIAL, UNDERWRITING & CLAIMS, RISK, COMPENSATION & BENEFITS MGMT.
CALL
BILL KELLY
(LIFE & HEALTH AND EMPLOYEE BENEFITS)
ANDREW DAVIS
(PROPERTY/CASUALTY AND RISK MGMT.)
don HOWARD
PERSONNEL
135 WILLIAM STREET
NEW YORK, N.Y. 10038
(212) 227-9000

INSURANCE COMPANY FOR SALE
Historically profitable commercial lines property and casualty insurance company for sale. Premium volume approximately \$6,000,000. Licensed and operating in two states. Experienced management team in place and available. Interested principals respond to:
Box 2541
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

SEARCH CENTRE, INC.
We are the source for Insurance and Benefits Personnel Nationwide
Plan Administration, Management, Consulting
• Defined Contribution
• Defined Benefit
Please contact:
Mr. Pat Atkinson
1400 Opus Place
Ste. 960
Downers Grove, IL 60515
312/963-3033
Outside Illinois
1-800-543-2553

RETAIL PRODUCERS WANTED
SPECIALTY PROGRAMS ARE NOW AVAILABLE
Target States
AL. IN. MS. TX. DE. KS. NE. WA. GA. LA.
OH. WI. ID. MI. OK. WV. IL. MO. SD. WY.
Target classes for Liability Coverage
Campgrounds
Mini Golf Courses
Day Care Centers
Real Estate Agents
Go Kart Tracks
Restaurants & Bars
Insurance Agents
Riding Academies & Stables
Limousines
Service Stations
Short-Term Rental Car
Special Events
Strategy Games
Taxi Cabs
Water Parks & Water Slides
Protected Territories are available to qualified Producers for most Classes
For more information regarding these Programs call:
Toll Free 1-800-272-7230; In Missouri 1-314-997-3666
Or Write To: A. B. Carter Inc.
10420 Old Olive Rd., P.O. Box 66842
St Louis, MO 63166

BI CLASSIFIEDS WORK!

10%-15% rate of return is 'fair': Nader

By GLENN HUNTLEY

SAN DIEGO—Consumer advocate Ralph Nader says 10% to 15% would be "a fair and reasonable" rate of return for efficient property/casualty insurers in California.

However, insurers should first be required show that they are not hiding profits by overreserving or engaging in inefficient operations, Mr. Nader said.

Mr. Nader made his remarks during a debate on Proposition 103 during the opening session of the 82nd annual convention of Independent Insurance Agents & Brokers of California on July 30 in San Diego.

The debate was held two days before California Insurance Commissioner Roxani Gillespie an-

nounced that the Insurance Department will use an 11.2% return on equity per line benchmark in determining whether to order rollbacks on Proposition 103-regulated lines of insurance (see story, page 2).

Although Ms. Gillespie's rate of return guideline fits within Mr. Nader's suggested profit range, the California Insurance Department thus far is applying the standard to all insurers, without inquiring about their reserving practices or the efficiency of their operations.

Among other things, Proposition 103 rolls back "charges" for most lines of property/casualty insurance to at least 20% below November 1987 levels for one year and subjects all rate increases after November 1989 to prior approval by the Insurance Department (BI,

'I think it's a mistake to focus on numbers,' says Harvey Rosenfield of Voter Revolt.

Nov. 14, 1988).

The California Supreme Court in May upheld most of Proposition 103, but it struck down as unconstitutional a provision that would have required insurers to be "substantially threatened with insolvency" before they could receive relief from the mandatory rollback.

The court said charges should be judged on the historic basis that

they cannot be "excessive, inadequate or unfairly discriminatory" (BI, May 8).

Ms. Gillespie subsequently announced that the Insurance Department would individually examine—by line of coverage—insurers' requests for relief from Proposition 103-mandated rollback of insurance charges.

The Insurance Department is interpreting "charges" as earned premiums (BI, July 31).

Most property/casualty insurers in California have applied to the California Department of Insurance for relief from the mandated rollbacks.

Mr. Nader's position on insurers' rate of return surprised insurance industry officials.

"If a reasonable rate of return means what Ralph Nader suggests it means, it is a far more generous rate of return than this industry has enjoyed writing auto insurance in this state for the past 10 years," said Robert Vagley, president of the Washington, D.C.-based American Insurance Assn.

A higher rate of return might put "upward pressure on rates," Mr. Vagley pointed out during a news conference after the debate.

Under questioning by the insurance industry debate panel, Mr. Nader said a reasonable rate of return would be "15%, 10%, 12%—in that range." The audience of agents applauded his comment.

"Would you agree on 15%?" asked A. William Bailey Jr., president-elect of the Independent Insurance Agents of America.

"It depends, because there are so many lines and structures. Obviously, you can't have a uniform rate like that, but that's a general industry rate of return," Mr. Nader said.

Later, during the news conference, Mr. Nader further qualified his statement, adding that insurers should first have to show that they are not overreserving and are not engaging in inefficient practices before they are allowed a fair rate of return.

"I am perfectly aware that you can hide rates of return by excessive reserving and you can hide rates of return by excessive waste and excessive executive salaries and tiers of middle management that aren't being very productive," Mr. Nader said.

"So don't take my point literally until you also take my points about reserving and inefficiency in the insurance industry," Mr. Nader continued.

But, during the news conference, Harvey Rosenfield, director of Los Angeles-based Voter Revolt, the consumer group that sponsored the Proposition 103 ballot initiative, said: "I think it's a mistake to focus on numbers."

"The real issue is: Are we talking about a fair rate of return for your efficient, competitive company or are we talking about a fair rate of return for your typical slothful, wasteful multimillion-dollar-salaried-executives' insurance company?"

Mr. Rosenfield noted that he has urged Ms. Gillespie to adopt guidelines that would reward efficient insurers with higher rates of return.

During the debate, Emmett J. Vaughan, insurance professor at the University of Iowa in Iowa City, said he doubted whether the Insurance Department would find that any insurer is making excessive profits.

"I am looking for someone to show me 10 companies, five companies, one insurance company that has a price-earnings ratio that indicates excessive profits," Mr. Vaughan said.

But when Mr. Rosenfield asked

Mr. Vaughan whether he thought a 30% return on equity requested by Progressive Casualty Insurance Co. of Mayfield Village, Ohio, for private passenger automobile insurance lines would be justified, the insurance professor replied: "I think they probably don't need an exemption from the rollback."

Progressive official could not be reached for comment.

Voter Revolt plans to intervene in Progressive Casualty's rate relief case, according to Mr. Rosenfield.

Mr. Vaughan, though, lambasted Proposition 103 as illogical.

"Let's be honest. What passed Proposition 103 was not any inherent logic; it was a pure and simple opportunity for one group of people to vote to have somebody else pay part of their bills," Mr. Vaughan asserted.

And, consumer groups like Voter Revolt are looking at the wrong source when they blame the Insurance Department for slow implementation of Proposition 103, said Thomas Conneely, president of the Sacramento-based Assn. of California Insurance Companies, during the debate.

"I believe the efforts to cover up the defects in Proposition 103 by complaining about how long it's going to take the insurance commissioner's office to wade through the paper swamp should stop. The proposition itself, after all, created the bureaucratic structure that leads to that paper swamp," Mr. Conneely said.

And, noting that only Nevada and South Carolina have adopted rollback laws in the wake of Proposition 103, the AIA's Mr. Vagley challenged Mr. Rosenfield's prediction that the California initiative would spur a national movement.

The Nevada law requires insurers issuing or renewing commercial and personal auto liability insurance policies beginning Nov. 1 to roll back their "charges" to 15% below July 1988 levels for one year. However, insurers can seek relief if they can show the rollbacks would substantially threaten them with insolvency (BI, July 3).

The South Carolina Auto Reform Act of 1989 rolls back personal auto insurance rates 5% and freezes them at that level for two years. The law followed the expiration of a two-year freeze on personal auto rates.

"Despite your bravado last November about this sweeping the country, it really hasn't," Mr. Vagley said.

But Mr. Rosenfield responded that the national insurance reform movement has been bolstered by the California Supreme Court's decision on Proposition 103.

During the news conference, consumer advocates said they support draft antitrust guidelines currently being offered for public review by California Attorney General John Van de Kamp's office that state surplus lines are not exempt from the insurance law's insurance charge rollback and prior rate approval provisions (BI, July 31).

Proposition 103 repealed insurers' exemption from state antitrust law.

"Consumers are quite concerned about the surplus lines market because of the lack of any control," said J. Robert Hunter, president of the National Insurance Consumer Organization of Alexandria, Va.

Also participating in the debate was David Gates, Nevada insurance commissioner and president of the National Assn. of Insurance Commissioners.

The panel was moderated by IABC Past President David F. Wilson.

REINSURANCE:

A VITAL LINK

Over the next weeks BI will publish three important issues on a vital link in the insurance chain:

Reinsurance. Bringing information critical to the commercial insurance buyer, BI provides readers with what they need to know about all aspects of the insurance chain to make solid decisions.

Business Insurance links one market segment to the next by reporting news and trends that impact commercial insurance markets. That's why loyal readers turn to BI first each week for news and market indicators.

Lock into a position of strength by advertising in all three Reinsurance feature issues from the one publication that brings the commercial insurance industry together: Business Insurance.

AUGUST 28

**Reinsurance: International Markets
Ad close: August 15**

Distributed at the Rendez-Vous de Septembre in Monte Carlo, the largest gathering of reinsurers worldwide, BI editors will devote this issue to trends in the international reinsurance market with particular attention to current events and future outlooks at Lloyd's of London, a major player on the international scene.

Watch for details on these upcoming REINSURANCE issues:

September 18
MONTE CARLO
RENDEZ-VOUS REPORT
Ad close: September 5

November 6
TRENDS & ISSUES
Ad close: October 24

New York: 212/210-0228 • Chicago: 312/649-5276 • Los Angeles: 213/651-3710

Captive ruling

Continued from page 1
wholly owned insurance companies.

But, the appellate ruling also can be useful to the IRS. It not only upholds the IRS position that premiums paid directly by a parent to a captive are not deductible, but it also endorses the IRS position that no amount of unrelated insurance written by a captive changes that fact (see related story).

The IRS has long held that corporations cannot deduct premiums paid to wholly owned captives. And, in 1977 the IRS officially announced its "economic family" theory in Revenue Ruling 77-316.

In essence, the "economic family" theory states that since a corporation and a wholly owned captive subsidiary are part of one "economic family" and the corporation ultimately bears the profits or losses of the captive, the transaction between parent and captive does not constitute insurance for tax purposes.

The IRS maintains that premiums paid to captives are the equivalent of additions to self-funded loss reserves and, therefore, cannot be deducted.

In 1987, the IRS further strengthened its position by issuing Revenue Ruling 88-72, which explicitly states that corporations cannot deduct premiums paid to a wholly owned insurance subsidiary regardless of how much unrelated business the captive writes (*BI*, Nov. 28, 1988).

In the Humana case, the IRS had denied \$21 million in tax deductions claimed by Louisville, Ky.-based Humana for medical malpractice and general liability insurance premiums paid to its captive insurer from 1977 through 1979.

Humana sued and on Aug. 14, 1985, a Tax Court panel upheld the IRS position. And, on Jan. 26, 1987, the full 19-member U.S. Tax Court upheld the IRS' decision to deny all of the deductions (*BI*, Feb. 9, 1987; Aug. 26, 1985).

Humana appealed and the 6th U.S. Circuit Court of Appeals, in part, reversed the Tax Court.

Both the Tax Court and the appellate court focused on the different economic relationships among

Humana, its Colorado-based captive insurer Health Care Indemnity Inc. and other Humana subsidiaries.

In its ruling, the Court of Appeals flatly dismissed the IRS "economic family" theory.

The court said: "Under no circumstance do we adopt the economic family argument advanced by the government."

Citing a 1943 U.S. Supreme Court ruling in *Moline Properties vs. Commissioner*, the appellate court said that each corporate taxpayer is a separate entity for tax purposes.

Next, the court looked at whether the premiums paid by Humana and premiums paid by the sister subsidiaries constitute "true insurance" for tax purposes.

Again citing a 1943 U.S. Supreme Court decision in *Helvering vs. Le Gierse*, the court defined insurance as comprising both risk shifting and risk distribution.

The court explained that when a wholly owned captive subsidiary sustains a loss, it will appear on the parent company's balance sheet as a reduced asset. Therefore, the court said there is no risk shifting between a parent corporation and its captive.

As a result, the court ruled, premiums Humana paid directly to its captive on behalf of hospitals the company owned were not "true insurance" and not deductible.

However, the court said a sister subsidiary's balance sheet is not affected by a loss to the captive. Therefore, the appellate court, reversing the Tax Court, ruled that premiums paid to the captive by Humana subsidiaries to insure hospitals they owned are true insurance and tax-deductible.

"There is simply no direct connection in this case between a loss sustained by the insurance company and the affiliates of Humana," the court said.

Therefore, the court found "risk shifting exists between the subsidiaries and the insurance company."

Furthermore, the court commented that "an arrangement between a parent corporation and a captive insurance company in which the captive insures only the risks of the parent might not result in risk distribution," because "any loss by the parent is not subject to the premiums of any other entity."

"However, we see no reason why there would not be risk distribution in the instant case where the captive insures several separate corporations within an affiliated group and losses can be spread among the several distinct corporate entities."

"There was both risk shifting and risk distribution between the subsidiaries and the captive insurance company," the court said.

"Absent a fact pattern of sham or lack of business purpose, a court should accept transactions between related though separate corporations as proper and not disregard them because of the relationship between the parties," the court said.

The appellate court said the Tax Court erred in Humana's case by relying on its own 1978 decision in *Carnation Co. vs. Commissioner*.

The appellate court said *Carnation* dealt solely with the "parent/subsidiary" issue and, therefore, does not support denying premium payments made by subsidiaries.

In a footnote, the appellate court also noted that the *Carnation* case involved an undercapitalized foreign captive. And, it noted that there was a capitalization agreement between the captive and the parent company.

"These weaknesses also provided a sufficient basis from which to find no risk shifting and to decide the case in favor of the Commissioner," the court said.

In the Humana case, Health Care Indemnity was fully capitalized, and there was no similar indemnification agreement, the court noted.

In its decision, the appellate court recognizes that corporations will be able to structure—or restructure—their operations so as to take full advantage of the court's ruling by making payments to captive insurers through subsidiaries.

However the court said, "such an argument provides no legal justification for denying the deductions in the brother-sister context."

Attorneys say many corporations already meet the "brother/sister" standard outlined by the court.

"In most cases, premiums to captives are paid by subsidiaries or through subsidiaries," said attorney Mr. Sciortino of Baker & McKenzie in New York.

In fact, about 93% of the premiums paid to Health Care Indemnity

were paid by Humana subsidiaries, according to Art Hipwell, assistant general counsel for Humana.

Based on this calculation, Humana expects to recover a \$9 million tax refund and \$17 million in interest.

In addition, Humana is litigating the same issue for the tax years 1980-1985 and is contesting the issue for all years through to the present.

If the decision applies to all years subsequent to 1979, as of July 27, the company estimates that it would recover an additional \$24 million in tax refunds and \$27 million in interest.

The decision also could be very helpful to other companies.

"It is not a big deal for the remaining corporations to pay premiums through their subsidiaries," said Mr. Sciortino, predicting many corporations will quickly restructure to meet this rule.

"Unquestionably, a lot of companies are now structured to meet this requirement," agreed attorney J. Patrick Whaley of Musick, Peeler & Garrett in Los Angeles.

However, Mr. Whaley cautioned that corporations outside the 6th Circuit "must be very cautious" in claiming deductions for captive premiums paid by subsidiaries.

The court's ruling is only binding on companies in the 6th Circuit, which encompasses Kentucky, Michigan, Ohio and Tennessee. However, companies outside the 6th

Circuit can cite this decision in their battles with the IRS over tax deductions for premiums paid to captives.

Mr. Whaley, who represented Carnation in the earlier Tax Court case, cheered: "The court says the economic family theory is clearly erroneous and not applicable at all."

"The court just threw the economic family doctrine out," agreed Brian Seery, another tax attorney with Baker & McKenzie in New York.

"The 6th Circuit has rightly recognized that valid business transactions between valid corporations need to be recognized," said Humana's Mr. Hipwell.

Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York, criticized the appellate court for its discussion of what constitutes "true insurance."

"Trying to decide what is or is not insurance is like trying to decide how many angels can dance on a head of a pin," he said.

Mr. Harkavy also expressed concern that the IRS would seek legislative relief from the court's decision. The IRS could try to slip such a provision into tax legislation that is now pending in Congress.

The Humana decision marks a long-awaited win for the business community.

As Humana's Mr. Hipwell said: "It is a win for corporations and it is a win for rational thinking that recognizes the real world in terms of business insurance." ■

Update

AmEx to sell Fireman's stock

Continued from page 2

public offering for \$906.4 million, reducing its stake in Fireman's Fund to 41% (*BI*, Oct. 28, 1985). Subsequent stock sales and Fireman's Fund share repurchases reduced American Express' stake in the insurer to about 20%.

Briefly noted

The Senate late last week was voting on an Appropriations Committee budgetary bill containing an amendment approved Thursday that would delay enforcement of **Section 89** until Oct. 1, 1990. However, the amendment would not delay the development of Section 89 regulations by the Treasury Department, unlike Section 89 delay legislation approved by the House July 28 (*BI*, July 31). . . . The U.S. Bankruptcy Court judge presiding over the reorganization of **Maxicare Health Plans Inc.**, has rejected motions by insurance regulators in Illinois, Idaho and Ohio who were seeking regulatory authority over Maxicare units. The decision follows the judge's June 9 rulings on similar motions by regulators in Arizona, Louisiana and Texas, in which he said that a global reorganization of the company is the best way to protect Maxicare enrollees (*BI*, June 19). . . . **Swanco Insurance Co.** is petitioning for a rehearing by the 8th U.S. Circuit Court of Appeals after the court ruled last month that the Arizona-domiciled insurer must be licensed in Iowa before it can write coverage for a risk purchasing group that includes Iowa residents (*BI*, July 24). . . . The New Jersey Supreme Court, in overturning a lower court decision, ruled that claimants seeking compensation from **vaccine makers** must prove which company made the vaccine that caused injury. The New Jersey ruling conflicts with an April New York Court of Appeals ruling that plaintiffs may sue pharmaceutical firms based on their market share without having to prove which company produced the drug that caused injury (*BI*, April 10). . . . The Texas Supreme Court refused to hear an appeal by six major **cigarette producers** that are being sued by the survivors of a woman who died of lung disease for allegedly conspiring to promote and conceal the health risks of smoking. A state appellate court, in overturning a lower court's summary judgment excusing all of the tobacco companies from the case except American Tobacco Co., which produced the smoker's brand, ruled that effective advertising could influence somebody to smoke a different brand. . . . The Missouri Division of Insurance is warning **Bel-Aire Insurance Co.**, which specializes in writing insurance for purchasing groups, that it may not use the Missouri Guaranty Fund as a means of soliciting business. A Bel-Aire attorney who drafted an opinion letter in June 1988 stating that the guaranty fund would safeguard current and potential policyholders from any state said a former Bel-Aire employee sent the opinion letter to a broker but that it was not intended to be circulated or used to attract business. . . . **Pepsico Inc.** and its directors and officers insurer have settled a \$22.1 million coverage battle. The settlement with Continental Casualty Co., a unit of Chicago-based CNA Financial Corp., was sealed, so no details are available. . . . **The Center for Claims Resolution**, the successor to the Asbestos Claims Facility, has received another full year of funding. Ten insurers of the 21 asbestos producers that belong to the facility have committed to providing another \$10 million to the CCR, which accounts for roughly 70% of its budget. Producers pay the remaining costs. . . . W.R. Berkley Corp. has terminated negotiations to acquire the assets of Seattle-based **Unigard Security Insurance Co.** from John Hancock Mutual Insurance Co. . . . Individuals who fear they may develop cancer from **exposure to asbestos** do not have the right to damages unless they can prove a "reasonable medical probability" of developing the disease, the New Jersey Supreme Court has ruled.

Deductibility not determined by unrelated business: Court

By STACY ADLER

CINCINNATI—The amount of unrelated business written by a captive insurance company does not determine whether premiums paid by its owner are tax-deductible, according to a federal appellate court.

The ruling by the 6th U.S. Circuit Court of Appeals directly criticizes a famous 1987 ruling by the U.S. Tax Court.

In the 1987 ruling involving Gulf Oil Co., the U.S. Tax Court suggested, in a footnote, that if a captive writes more than 50% of its policies for third parties, premiums paid by the parent company to the captive might be tax-deductible (*BI*, Jan. 18, 1988; Nov. 30, 1987).

The Tax Court reasoned that by writing policies for third parties, a captive was transferring risk from the parent company to other companies.

However, the 6th U.S. Circuit Court of Appeals disagreed in a scorching footnote of its own in a July 27 decision involving Louisville, Ky.-based Humana Inc. (see story, page 1).

Citing a 1943 U.S. Supreme Court decision, the appellate court said that the test of whether a transaction constitutes insurance—and therefore is tax-deductible—is whether or not there is both risk shifting and risk distribution.

"It is unclear in the language employed by the tax court majority in *Gulf Oil* whether the appearance of unrelated third-party premiums constitutes risk shifting and risk distribution," the court said.

"If the appearance of unrelated third-parties creates 'risk transfer' and by this the court means both risk shifting and risk distribution, the tax court majority ignores the fact that risk shifting and risk distribution are two separate and distinct prongs," the court continued.

"The tax court majority cannot collapse the two-prong test into one and claim that the appearance of unrelated third-parties creates enough risk transfer. Such is not the law," the court concluded.

Several attorneys are predicting that the IRS will use the footnote from the 6th Circuit in its ongoing battle with corporations over the deductibility of premiums paid to captive insurers.

One current case involves Chicago-based Sears, Roebuck & Co. (*BI*, March 13).

Sears is suing the IRS claiming it does not owe \$52.4 million in back federal income taxes, about one-third of which relates to premiums Sears paid to three of its insurance subsidiaries.

Sears is claiming that it should be allowed to deduct \$44.7 million in premiums because 99% of the policies written by subsidiaries Allstate Insurance Co. and Northbrook Excess & Surplus Insurance Co. are for third parties.

Since Sears does not pay any portion of its premiums through subsidiaries, only the appellate court's ruling that parent companies cannot deduct premiums applies, explained Sears attorney Patrick Heffernan of Hopkins & Sutter in Chicago.

As a result, Mr. Heffernan said he expects the IRS to cite the 6th Circuit's decision in the Sears case.

The 6th Circuit's opinion also could be cited in tax litigation involving San Francisco-based Harper Group and the IRS.

Harper is suing the IRS in U.S. Tax Court over deductions for \$2.7 million in premiums paid to its Hong Kong captive, Rampart Insurance Co. Ltd.

About 30% of the business written by Rampart was for third parties.

However, Harper subsidiaries paid the premiums to Rampart, which the 6th Circuit held in Humana makes the premiums deductible. ■

Antitrust suit

Continued from page 1
representatives from all 19 state attorneys general offices involved in the litigation attended a strategy meeting in Baltimore all last week.

In his proposed order to dismiss the case, Judge Schwarzer said that alleged activities by insurance industry defendants in the litigation do not amount to an illegal conspiracy and are protected under the McCarran-Ferguson Act.

The attorneys general present no "specific facts which raise a triable issue as to boycott or coercion," says Judge Schwarzer in the proposed ruling.

Although the proposed ruling was not made public, a copy of the ruling was obtained by *Business Insurance*.

The proposed ruling will be addressed Sept. 15 at a hearing that will be attended by attorneys representing the 31 insurance industry defendants, the 19 state attorneys general and private parties whose suits were consolidated in the litigation.

In light of the proposed ruling, some observers expect a major focus of the oral arguments will be Judge Schwarzer's tentative decision that the defendants' alleged actions are protected under McCarran-Ferguson's limited antitrust immunity.

California's Mr. Greene said last week following the Baltimore meeting that if Judge Schwarzer's final ruling mirrors his proposed memorandum, the attorneys general will appeal to the 9th U.S. Circuit Court of Appeals.

"We have an uphill battle before Judge Schwarzer," commented George Sampson, assistant attorney general for New York.

"I am much more sanguine about our chances in the 9th Circuit," Mr. Sampson continued.

Individual states also may consider filing separate actions against insurance industry defendants under state antitrust laws if the federal litigation is dismissed, Mr. Greene said.

Daniel Huck, deputy attorney general for West Virginia, pointed out that it is "possible" that West Virginia will file a lawsuit against the defendants under state antitrust law.

A lawsuit filed by the Texas attorney general under state law al-

ready is pending (see related story).

Meanwhile, defense attorneys say it is premature to celebrate Judge Schwarzer's proposed order, though the attorneys add that they are confident that the judge ultimately will dismiss the case and that the dismissal will be upheld on appeal.

"I think it's presumptuous for any lawyer to make any guess as to what the judge will or will not do," said Alan H. Silberman, an attorney with Sonnenschein Carlin Nath & Rosenthal in Chicago, which represents defendant Allstate Insurance Co.

Edmond Rondepierre, senior vp and general counsel to General Reinsurance Corp. in Stamford, Conn., one of the defendants, noted that in complicated cases courts often give lawyers some indication of what they want to hear in oral arguments.

"There has been no ruling, no judgment. He's letting the attorneys know what points he expects to hear on oral argument" on Sept. 15, he said.

Mr. Rondepierre added, however, that he remains hopeful that the case will be dismissed on the basis of an affirmative defense, like McCarran-Ferguson immunity, without going through the expense of discovery.

Another defense attorney said: "The court's decision is tentative, but the memorandum reflects a great deal of thought and consideration of all of the arguments. We feel confident that the court's tentative ruling will ultimately become the court's final ruling."

A spokesman for the Aetna Life & Casualty Co., another defendant, said the insurer said at the time the suit was filed that it has no merit and the company will be ultimately vindicated.

"We're pretty confident that will still be the resolution of the matter," he said.

"The decision is extremely well-reasoned. It is the correct decision. We are hopeful that it will stand," commented Aubin K. Barthold, an attorney with Hancock, Rother & Bunshoft in San Francisco, which represents Edwards & Payne (Underwriting Agencies) Ltd. in the litigation.

"His proposed decision is based on an abundance of authority and should withstand any appellate scrutiny," Mr. Barthold pointed

out.

However, many other defendants in the case or their attorneys refused to comment, noting that the decision is not final.

The attorneys general allege in the litigation, which originally was filed in March 1988, that insurance industry defendants—including major U.S. insurance companies, five reinsurance companies, the Insurance Services Office Inc. and several London-based underwriters—engaged in illegal activities to restrict the availability of liability insurance coverage.

The plaintiffs contended that the activities were not protected by the McCarran-Ferguson Act because they involved "boycott, coercion and intimidation," which are not covered by the antitrust exemption in the act.

However, Judge Schwarzer says in his proposed ruling that "there is not even a suggestion that any underwriter or reinsurer (or anyone else) was prevented from having free and unimpeded access to any market."

In the 58-page proposed ruling, which was sent to coordinating attorneys for defendants and plaintiffs July 27, Judge Schwarzer said he not only intends to grant the McCarran-Ferguson motion to dismiss but also several other of the defendants' motions for dismissal (*BI*, July 31).

Judge Schwarzer said that determining whether McCarran-Ferguson gives the defendants immunity from the antitrust charges involves a three-step analysis to determine whether:

- The defendants' conduct is within the scope of the business of insurance.

Judge Schwarzer notes that the plaintiffs do not dispute that the defendants involved in primary, excess and umbrella insurance are in the business of insurance.

Although the attorneys general do contend that reinsurers are not involved in the business of insurance, Judge Schwarzer maintains in the proposed order that the plaintiffs' "own description establishes that reinsurance is an integral and vital part of the business of insurance."

- The alleged actions are state-regulated.

Judge Schwarzer concludes that the business of insurance, including the promulgation of policy forms, is state-regulated.

"Each state has an insurance department with jurisdiction over policy forms," Judge Schwarzer explains.

- The defendants' activity involves boycott, coercion or intimidation, which are specifically exempted from the antitrust protections afforded to insurers under McCarran-Ferguson.

According to Judge Schwarzer, the issue raised by the attorneys general's allegations is "not whether defendants used pressure to reduce the coverage available to buyers of insurance. The issue is whether they entered into concerted refusals to deal that denied consumers access to the markets for the desired coverages."

The judge states that the plaintiffs fail to allege that the defendants staged a "boycott." They "charge no more than an agreement to restrict coverage."

The issue, says Judge Schwarzer, is "not whether defendants used pressure to reduce the coverage available to buyers of insurance. The issue is whether they entered into concerted refusals to deal that denied consumers access to the markets for the desired coverages."

Judge Schwarzer concludes they did not. "There is no charge and no evidence that any defendants conspired to refuse to do business with any person or firm to achieve their objectives, or that by other improper means they enforced their collective decisions against

Texas to continue to press state action

By MICHAEL BRADFORD

AUSTIN, Texas—The antitrust lawsuit filed in Texas state court against insurance industry defendants will not be imperiled even if a federal judge ultimately dismisses similar antitrust litigation pending in federal court, asserts the state's attorney general.

"We don't foresee that a ruling in California would have any effect on the Texas attorney's general suit," said a spokeswoman for Texas Attorney General Jim Mattox, who filed the suit in March 1988 at the same time the federal antitrust action was filed in U.S. District Court in San Francisco.

A dismissal of the federal antitrust litigation would not affect the Texas case "for a variety of reasons," the spokeswoman said, though she said she was "not willing to specify" those reasons.

The spokeswoman would say only that the Texas case "is in state court" and that it names "different parties" as defendants.

However, the cases do have many common defendants.

One notable difference between the two cases is that U.S. District Judge William M. Schwarzer called for attorneys in the federal court litigation to file any motions to dismiss the case before discovery proceedings began. However, discovery in the Texas suit was allowed to proceed before such motions were considered.

The Texas suit still is in the discovery phase and no hearing dates are scheduled.

Defense attorneys in the Texas suit, meanwhile, say it is too early to tell how the Texas case would be affected if the federal litigation is dismissed.

Many defense attorneys said last week they were not comfortable discussing Judge Schwarzer's memorandum. Others said they had not seen the judge's proposed order.

Still, "I hope the Texas attorney general will take a close look at this judge's ruling," said Minor Carter, senior vp for USF&G Corp., a defendant in the Texas suit.

Mr. Carter also observed that antitrust lawsuits against insurers "for reasons we think are valid, have been extremely rare. So any decision tends to have an affect on another."

"If he really does dismiss it, it likely will have an impact," agreed Curtis L. Frisbie Jr., an attorney with the Dallas firm of Gardere & Wynne and counsel for Liberty Mutual Insurance Co.

The Texas suit, which was amended in March, contains some of the same charges as the federal litigation, but the state court suit also alleges violation of state antitrust and deceptive trade practice statutes (*BI*, March 27). The Texas suit seeks more than \$480 million in fines.

others," he says.

The insurers' behavior was within the antitrust immunity granted by McCarran-Ferguson, according to the judge.

"The purpose of McCarran Act immunity is to permit joint action by insurers and underwriters within the states' regulatory schemes to formulate policy terms and determine coverage," he explained. "It follows that an agreement not to underwrite particular risks is a likely corollary to any collective policy form development."

In addition to his proposed rulings pertaining to McCarran-Ferguson, Judge Schwarzer's proposed order also explains his reasoning for his proposals to grant other defense motions to dismiss the case.

Discussing his proposed ruling to dismiss the case based on the state action doctrine—which provides immunity from antitrust laws if the alleged anti-competitive restraint reflects a state policy and if the state actively supervises any private anti-competitive conduct—Judge Schwarzer says: "There is no question that all of the states have clearly articulated and affirmatively expressed policies permitting collective policy form development activities."

He concludes this state involvement takes the form of policy form approval, which "was sufficient protection of the public interest."

But, this portion of the ruling would not apply to litigation filed by attorneys general in Alaska, California, Colorado or Montana, states that did not have procedures for approving policy forms at the time of the alleged antitrust violations. The defendants also did not assert this defense against these states' suits.

In addition, Judge Schwarzer says the plaintiffs' claim that foreign reinsurers participated in a global conspiracy with U.S. insurers and certain trade organizations

to restrict coverage makes "no attempt to show the existence of such a connection to support the finding of a single overall conspiracy, and the allegations of the complaint would not permit proof of one."

The judge also says he intends to dismiss claims against foreign defendants on the basis of subject matter jurisdiction and comity, or a reciprocal respect for foreign law.

He notes that "enforcement of any judgment would be difficult and limited at best" against the foreign defendants.

But, Judge Schwarzer did rule that the attorneys general had standing to bring the litigation.

Judge Schwarzer explains: "To have standing to assert an antitrust claim, a plaintiff must allege that it has suffered harm as a direct result of the defendant's conduct and that this harm is within the scope of the protection of the antitrust laws."

Judge Schwarzer states that the plaintiffs' "allegations suffice to establish agreements, the direct effect of which, if true, would be to restrain the availability of desired coverages in the markets in which plaintiffs purchase insurance."

Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society in New York, theorized that Judge Schwarzer's proposed memorandum will be used by both proponents and opponents of the McCarran-Ferguson Act in congressional debates on the law.

For example, he said proponents of amending or repealing McCarran-Ferguson will tell Congress: "We are not getting the relief we need from the courts, so you must repeal McCarran-Ferguson."

On the other hand, the insurance industry could cite the dismissal of the litigation, if granted, as support that their activities are legitimate and, therefore, McCarran-Ferguson should be left intact. ■

Insurance services guide

InPhoto Surveillance

USA
800-822-8220
FAX: 800-752-0720

Advertise in

The Insurance Services Guide
FAX your advertisement for the next issue
FAX: 312/280-3189
PHONE: 312/649-5340
Contact Margaret Hikido
to reserve space.

INSURANCE SOFTWARE PACKAGES, INC.

Value Leaders In Risk Management Software

Employee Health Benefits Management System

Ideal For Self Insureds, TPA's, Associations & Carriers

- Eligibility Determination
- Fully Adjudicating
- Validates ICD-9 & CPT-4 Entries
- Identifies Duplicate Claims
- Produces Checks & EOB's
- Automatically Prints Form Letters
- Management & Ad Hoc Reports
- Lag Study Reports
- Unlimited Claims Capacity
- Easy Installation & Conversion
- Full Training & Continuing Support
- And Much More...

Installations Coast To Coast - Call For A Free Demo Diskette

INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56th Street, Tampa, FL 33610
US (800) 237-8133 FL (813) 621-6069



MassPort to appeal air crash award

BOSTON—The Massachusetts Port Authority intends to appeal a federal judge's ruling that it must pay up to \$63 million in damages resulting from an airline disaster at Boston's Logan Airport more than seven years ago.

U.S. District Court Judge Robert E. Keeton also ruled that the U.S. government is liable for at least \$2.2 million in damages to the passengers and crew of the aircraft, and is jointly and severally liable with MassPort for \$11.9 million in hull damages.

Federal Aviation Administration controllers work at the airport, which MassPort operates.

In the disaster, a World Airways DC-10 in January 1982 skidded off an icy runway into Boston Harbor. Two of the 209 people on board, were never found and presumed drowned. There were no other fatalities (BI, Feb. 1, 1982).

Most of the award, which includes about \$28.5 million in prejudgment interest, will be paid to World Airways' aviation hull and liability insurers, said Peter J. Black, an attorney with Meehan Boyle & Cohen in Boston, which represents World Airways on behalf of Associated Aviation Underwriters of New York.

AAU and others paid the airline \$48.5 million for the stated value of the DC-10, which at the time was a record hull loss (BI, Feb. 8, 1982).

They also paid \$5.4 million to passengers and survivors of victims in the accident.

Reston, Va.-based World Airways, now a charter airline, would receive less than \$50,000 of the recent award, Mr. Black said.

However, MassPort intends to appeal the decision, says Richard Meyer, MassPort's director of risk management.

MassPort's primary liability insurance was written by Aviation Office of America Inc., which was then a wholly owned subsidiary of Crum & Forster Inc. The first-dollar coverage had limits of \$5 million for bodily injury and \$3 million for property damage.

MassPort also had \$100 million in excess liability insurance underwritten by Lloyd's of London syndicates (BI, March 27).

In his July 21 ruling, Judge Keeton ruled:

- MassPort and the U.S. government are jointly and severally liable for \$11.9 million in damages for the jet's hull value. As a result, the airline's insurers can pursue either MassPort or the government for the amount.

Mr. Black expects the airline's insurers will seek the entire amount from MassPort, because the government does not have to pay prejudgment interest under the Tort Claims Act.

MassPort, however, is entitled to seek at least

partial compensation from the government for any amount owed the insurers, said Mr. Meyer. "My understanding is we are going to pursue the FAA," he said, adding that MassPort and the FAA may reach some settlement.

- MassPort alone is liable for an additional \$20.9 million for the hull, as well as \$27 million of prejudgment interest on both the \$11.9 million award and the \$20.9 million award.

- MassPort and the government are each liable for \$1.7 million in personal injury claim settlements, while MassPort also owes \$1.5 million in prejudgment interest.

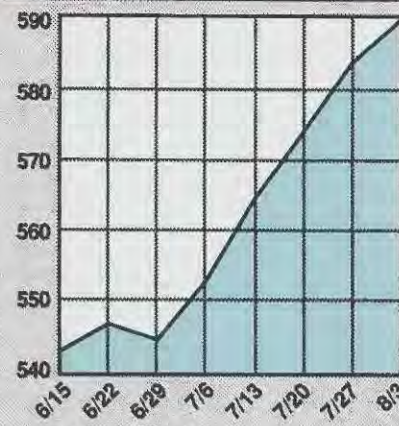
- Both the government and World Airways must pay Hughes Aircraft Co. \$14,400 for damage to its property from the crash. MassPort must also pay \$13,000 in prejudgment interest.

- The government must contribute \$527,500 to MassPort's settlement with the jet's crew.

Judge Keeton, though, did not hand down a ruling involving payments to the plane's pilot and co-pilot. MassPort seeks a new trial on non-economic damages awarded to the pilots.

A jury awarded the pilot about \$1 million and the co-pilot about \$500,000. Prejudgment interest bolstered these awards to about \$2.5 million. The pilots claimed emotional distress and lost earnings capacity (BI, April 10).

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Communications Research Group

There was no looking back for insurance industry stocks last week, as the *Business Insurance* stock index rose 5.8 points to 589.9 on Aug. 3, from 584.1 on July 27. Advancing issues were led by Belvedere Corp., up 13.4%; Trenwick Group Inc., up 10.3%; and Arthur J. Gallagher & Co., up 10.0%. Declining issues followed Western Health Plans Inc., down 29.5%; Nobel Insurance Ltd., down 11.1%; and Sierra Health Services 10.9%. The most active issue during the period was Sears, Roebuck & Co. (Allstate Insurance Co.), 3.5 million shares traded. The *BI Index* gained 1.0% for period; the Standard & Poor's 500 was up 1.1%; and both the Dow Jones 30 Industrials and the New York Stock Exchange Composite climbed 1.0%.

Proposition 103

Continued from page 2

must be rolled back to 20% below November 1987 levels for one year beginning Nov. 8, 1988.

In a May ruling upholding most of Proposition 103, the state Supreme Court permitted insurers to seek relief from the 20% rollbacks if they can prove the reductions would deny them a fair rate of return (BI, May 8).

More than 440 insurers filed nearly 4,000 applications for relief by individual lines of coverage.

The largest premium refunds were proposed for earthquake, fire, inland marine and homeowners insurance, while the department ordered minimal or no refunds for automobile insurance, which was the focus of the fight that led to the passage of Proposition 103.

Because regulators grouped some lines of coverage together in their initial analysis, it was not possible to determine what share of the total proposed refunds involves commercial lines.

The proposed refunds are the Insurance Department's response to applications for relief from Proposition 103's provisions filed by: 20th Century Insurance Co.; Allstate Insurance Co.; California State Automobile Assn.; Progressive

Casualty Insurance Co.; SAFECO Insurance Co.; State Farm Fire & Casualty Co.; and United Services Automobile Assn.

These seven insurers were selected for initial review because the department considers them to be among the most efficient property/casualty insurers in the state, Insurance Commissioner Roxani Gillespie said.

"The rest of the industry should take heed because this may lead us to very demanding standards of efficiency," she said in a statement.

While most of the rollbacks were ordered for personal lines, several insurers were found to exceed the 11.2% rate of return standard on selected commercial lines.

For instance, the department's analysis of commercial multiperil coverage written by State Farm indicated that a rollback of \$22.3 million, or 8.3% of 1988 earned premiums, is necessary.

SAFECO should refund \$900,000, or 9.2% of earned premiums, for commercial automobile insurance, the department said.

The most extreme case was personal earthquake coverage written by United Services. The department ordered the insurer to refund \$10.2

million, or 92.7% of 1988 earned premiums.

Insurers said they planned to defend their current rates during the hearings next month.

"We believe the rates that we filed met the constitutional test" of a fair return set by the state high court, an Allstate spokesman said.

SAFECO also plans to make a strong case for its current practices. "While we believe our filings justify the rates we charge, we recognize that the issues raised by Proposition 103 are complex," the company said in a statement.

But even final rulings after the public hearings are subject to challenge in the courts.

"That's what we're afraid of—that this could be hung up in the courts for years," a State Farm spokesman said.

The amounts that the Insurance Department ordered each insurer to refund are:

- 20th Century, \$14 million, or 1.4% of 1988 earned premiums.
- Allstate, \$85.7 million, or 6%.
- California State Automobile Assn., \$44.8 million or 4%.
- Progressive Casualty, \$1.6 million, or 1%.
- SAFECO, \$19.5 million, or 7.9%.
- State Farm, \$83 million or 7.9%.
- United Services, \$56.7 million, or 17.3%. ■

British Issues

August 3 Companies	Price	P/E	Div. %	Yield	1 Week High-Low
Comml Union	417	15.8	29.3	7.0	420-414
Genl Accident	1014	9.5	70.7	7.0	1016-142
Gdn Royal Exch	215	11.3	15.7	7.3	222-214
Royal	423	12.9	34.0	8.0	423-414
Sun Alliance	308	8.9	17.0	5.5	310-308

Brokers	Price	P/E	Div. %	Yield	1 Week High-Low
Bradstock	200	13.7	10.0	5.0	200-200
CE Health	452	12.9	34.5	7.6	465-449
Hogg Robinson	142	11.8	9.3	6.6	142-142
Lloyd Thompson	220	14.7	8.0	4.2	220-220
PWS Holdings	46	11.5	3.3	7.2	46-46
Sedgwick Grp	255	18.0	16.7	6.5	255-255
Steel Brf Jones	237	15.8	15.3	6.5	239-237
Willis Faber	218	16.1	15.3	7.0	232-218

Source: Philip Oisen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

AUGUST 3, 1989

7/28/89 THRU 8/3/89

BROKERS

	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt Bk. value	
Alexander & Alexander Svcs	NYSE	28.75	8.0	22.3	28.75	22.63	836	1.00	3.5	17.7	2.90	9.91
Corroon & Black Corp	NYSE	36.13	-1.7	16.1	36.88	30.75	135	1.24	3.4	15.5	7.62	4.74
Gallagher Arthur J. & Co	NYSE	24.75	10.0	47.8	23.75	16.13	53	0.52	2.1	17.4	5.33	4.64
Hall Frank B. & Co	NYSE	3.88	-6.1	34.7	4.63	2.50	119	0.00	0.0	-1.9	0.00	N/A
Hibb, Rogal & Hamilton	OTC	17.75	-1.4	16.4	0.00	0.00	74	0.20	1.1	15.4	4.60	3.86
Marsh & McLennan Cos. Inc.	NYSE	69.88	2.8	24.2	69.50	55.13	530	2.50	3.6	17.2	6.48	10.78
Poe & Assoc. Inc.	OTC	8.50	0.0	3.0	8.75	8.25	8	0.40	4.7	9.7	1.43	5.94
BROKERS	AVERAGE		1.7	23.5					2.6	13.0		

CONGLOMERATES & HOLDING COMPANIES

	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt Bk. value	
Berkley W.R. Corp.	OTC	36.00	7.5	22.0	36.25	29.25	274	0.40	1.1	7.6	21.28	1.69
Berkshire Hathaway Inc. DEL.	NYSE	7750.00	3.7	64.9	7996.00	-7725.00	164	0.00	0.0	-27.4	2468.63	8.92
ITT (Hartford Group)	NYSE	61.75	0.4	23.2	62.75	49.75	1661	1.48	2.4	10.4	56.33	1.10
Sears Roebuck & Co. (Allstate)	NYSE	47.00	2.2	15.0	48.00	40.13	3529	2.00	4.3	16.0	36.09	1.30
CONGLOMERATES	AVERAGE		3.5	31.3					2.0	1.6		

INSURERS/REINSURERS

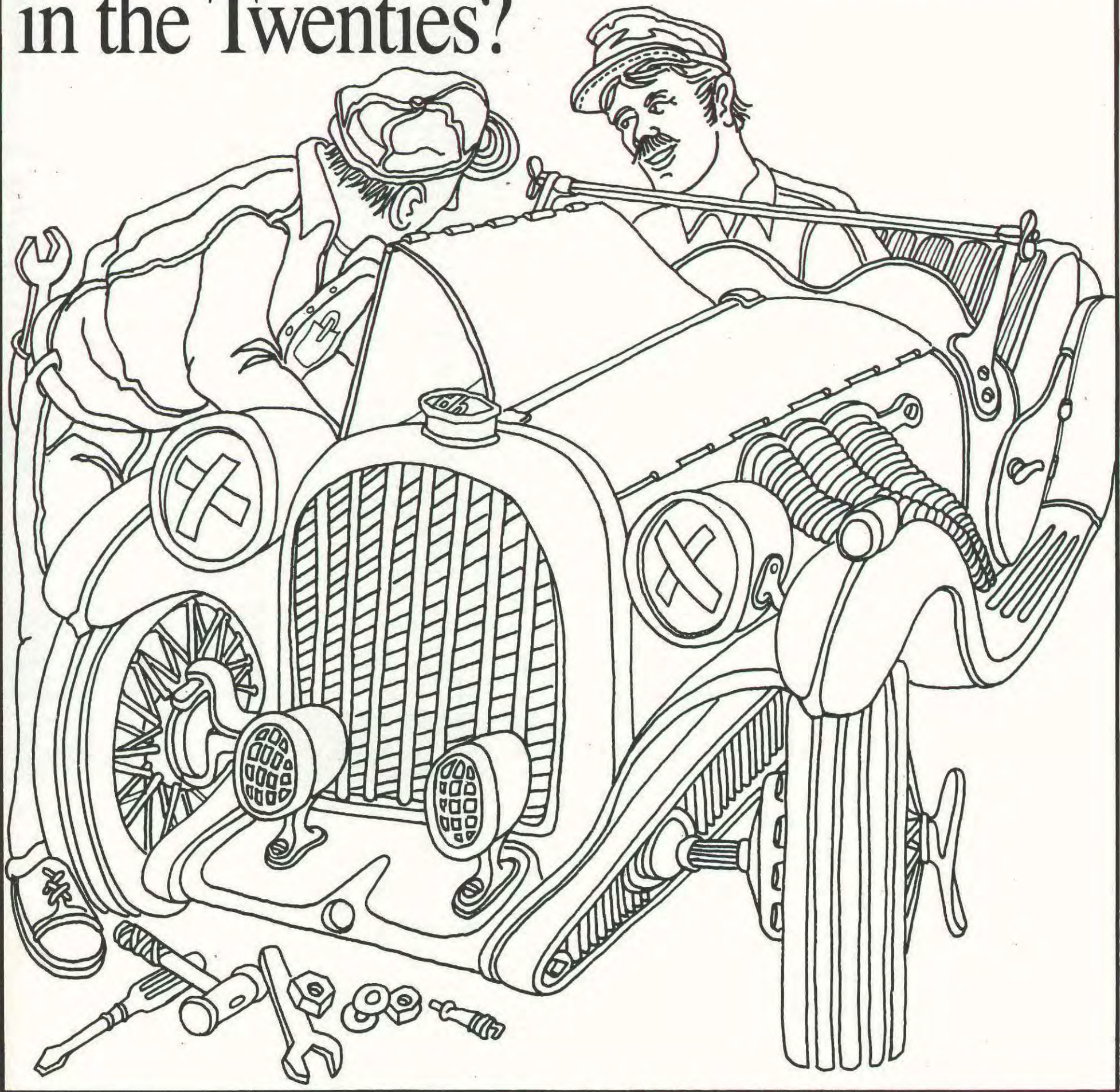
	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt Bk. value	
Aetna Life & Cas Co	NYSE	59.38	1.5	25.7	59.75	46.75	1550	2.76	4.6	8.2	58.11	1.02
AmBase Corp	NYSE	15.13	6.2	37.5	16.13	11.00	777	0.20	1.3	5.3	18.66	0.81
American General Corp	NYSE	37.75	0.3	26.3	38.50	29.50	1030	1.50	4.0	9.8	28.04	1.35
Amer Heritage Life Inv	NYSE	26.50	0.0	2.9	27.88	25.00	5	1.20	4.5	10.1	22.47	1.18
Amer Indty Fin'l Corp	OTC	11.00	-2.2	4.8	13.00	9.50	8	0.56	5.1	7.1	17.38	0.63
American Int'l Group	NYSE	95.13	1.2	40.4	94.38	66.25	1618	0.48	0.5	13.3	33.55	2.84
Aon Corp	NYSE	36.50	2.1	30.4	38.00	27.00	271	1.40	3.8	12.7	16.67	2.19
Argonaut Group	OTC	62.25	7.3	42.3	0.00	0.00	125	1.00	1.6	8.1	36.83	1.69
AVEMCO Corp	NYSE	25.38	-2.4	-1.9	26.13	22.63	32	0.40	1.6	13.6	9.20	2.76
Baldwin & Lyons Inc.	OTC	19.75	1.9	32.7	19.75	14.50	327	0.20	1.0	6.6	17.57	1.12
Belvedere Corp.	AMEX	5.25	13.4	16.7	6.50	4.50	9	0.04	0.8	8.2	8.43	0.62
Chandler Insurance	OTC	10.38	0.0	49.6	10.88	7.00	208	0.00	0.0	5.9	9.53	1.09
Chubb Corp	NYSE	76.50	3.4	31.9	76.13	57.63	619	2.32	3.0	8.4	53.50	1.43
CIGNA Corp	NYSE	59.75	0.8	26.8	59.88	45.88	1040	2.96	5.0	10.4	53.08	1.13
CNA Fin'l Corp.	NYSE	83.38	6.9	37.8	84.25	57.63	183	0.00	0.0	13.0	54.52	1.87
Continental Corp	NYSE	36.75	2.1	13.5	36.63	31.50	861	2.60	7.1	25.0	42.10	0.53
Durham Corp	OTC	33.50	0.8	1.5	0.00	0.00	9	0.92	2.7	19.4	26.32	1.27
Fireman's Fund Corp	NYSE	37.75	2.4	29.1	38.75	29.00	851	0.60	1.6	9.9	32.74	1.15
Fremont Gen Corp	OTC	16.88	0.0	26.2	18.25	12.13	56	0.60	3.6	13.0	17.61	0.96
Frontier Insurance Group	OTC	20.50	3.8	64.0	20.25	11.13	44	0.00	0.0	10.9	7.53	2.72
General Re Corp	NYSE	75.63	4.3	36.3	76.25	54.38	1012	1.36	1.8	14.2	29.04	2.60
Hanover Ins Co	OTC	28.75	0.9	7.5	30.25	25.75	174	0.44	1.5	5.9	31.47	0.91
Hartford Steam Boiler	OTC	22.00	4.8	22.2	0.00	0.00	34	0.48	2.2	7.3	18.94	1.16
Hartford Steam Boiler	OTC	50.00	0.5	35.1	50.00	34.75	344	1.60	3.2	13.4	13.04	3.83
Kans City Life Ins	OTC	35.00	-0.7	1.4	0.00	0.00	19	1.04	3.0	12.5	39.22	0.89
Kemper Corp	NYSE	46.50	4.5	93.8	47.25	22.75	956	0.84	1.8	8.1	28.91	1.61
Lawrence Ins Group	AMEX	7.00	0.0	-11.2	8.50	6.63	1	0.24	3.4	14.9	3.19	2.19

BROKERS

	Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt Bk. value	
Liberty Corp S.C.	NYSE	37.50	0.0	4.2	38.00	32.50	81	0.80	2.1	21.4	21.17	1.77
Lincoln Nat'l Corp.	NYSE	54.75	0.7	24.4	55.13	42.75	168	2.48	4.5	14.0	39.21	1.40
NAC Re Corp.	OTC	30.75	9.8	45.3	32.00	20.63	181	2.00	0.7	14.0	15.21	2.02
Navigators Group	OTC	26.75	0.9	33.8	0.00	0.00	3	0.00	0.0	11.4	15.22	1.76
Nobel Ins Ltd.	OTC	2.00	-11.1	-57.9	0.00	0.00	73	0.42	1.0	-7.7	7.76	0.26
Northwestern Nat'l Life	OTC	37.50	0.7	20.5	39.13	26.88	227	1.20	3.2	13.5	37.50	1.00
Ohio Cas Corp.	OTC	48.13	3.0	34.6	0.00	0.00	343	2.08	4.3	7.2	33.30	1.45
Old Rep Int'l Corp.	OTC	26.25	3.4	9.4	0.00	0.00	80	0.74	2.8	13.3	26.50	0.99
Onion Cap Corp.	NYSE	23.00	0.5	49.5	23.00	15.38	43	0.84	3.7	7.5	12.93	1.78
Phoenix Re Corp.	OTC	9.75	0.0	2.6	0.00	0.00	34	0.00	0.0	5.4	12.99	0.75
Protective Life Corp.	OTC	15.75	0.0	18.9	16.25	12.88	177	0.70	4.4	45.0	14.54	1.08
Re Capital Corp.	AMEX	12.50	-1.0	36.9	12.88	9.13	6	0.00	0.0	11.2	12.60	0.99
RLI Corp.	NYSE	8.50	-4.3	11.4	9.25	7.13	17	0.36	4.2	8.1	10.71	0.7

Duncanson & Holt.

Didn't they win the Le Mans back in the Twenties?



Unless you're in insurance, you might not know that Duncanson & Holt, Inc. has a very special track record. We were America's first accident and health reinsurance pool. And this year, as we celebrate our Twentieth Anniversary, we're still way out in front.

We stay that way because of our ability to devise innovative, forward looking products. Right now, we manage four pools with 45 member companies, performing all underwriting, marketing, administration and support systems on their behalf. Our current earned premium is in excess of \$150 million and our per occurrence capacity is \$50.0 million.

If you want to increase your leverage by revving up your capabilities, call our offices in Atlanta, Chicago, Dallas, New York, Philadelphia, Portland, Maine, San Francisco or Seattle. We can help bring you up to speed. **DUNCANSON & HOLT, INC.**

