

Business Insurance

December 10, 2001

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\$4

2001 plan costs up 11.2% and are expected to climb for 2002: Mercer

Health cost hikes growing

By JERRY GEISEL

Double-digit increases in group health care plan costs are back for the first time in nearly a decade, with no end in sight.

With health plans continuing to impose stiff rate increases, employers' total health plan costs for active employees in 2001 leaped by 11.2%, to an average of \$4,924 per employee, according to a survey of 2,800 employers released today by benefit consultant William M. Mercer Inc. in New York.

Total health care plan costs for large employers—defined as those with at least 500 employees—

jumped 12.1%, to an average of \$5,162 per employee; while costs for smaller employers rose 11.6%, to an average of \$4,649 per employee.

In Mercer's study, total health plan costs reflect employer and employee premium contributions for medical, dental, prescription drug, mental health and vision care.

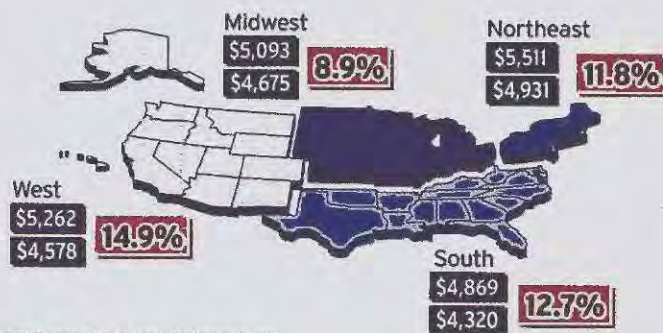
This year's cost increases, which are roughly six times higher than the overall increase in the consumer price index, are the highest since 1991, when costs increased 12.1%. After that, the rate of cost increases began to ease, as employ-

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Regional variations

Increases in per-employee health care costs by region*

■ 2001 avg. cost ■ 2000 avg. cost ■ % change



* For employers with at least 500 employees
SOURCE: WILLIAM M. MERCER INC.

GRAPHIC BY ADAM DOI

Bermuda attracts billions in capital for new facilities

By MICHAEL BRADFORD

It's getting hard to keep track of the new players in Bermuda without a corecard.

Since the Sept. 11 terrorist attacks, new insurance and reinsurance companies have been formed in the offshore domicile at a brisk pace, while billions of dollars of fresh capital have been committed to existing facilities located there. As of last week, new capital in Bermuda had surpassed \$9 billion.

Rates in an already-constricted market have spiked after the Sept. 11 attacks, and underwriters are rushing to take advantage of rising prices by raising new capital. Adding urgency are the looming Jan. 1 renewals, when insurance and reinsurance buyers will complete their programs for 2002.

Industry sources are split on

whether the rush to take advantage of market conditions will shorten the duration of the hard market. In addition, there is debate over whether the capital infusion will further stifle the growth of risk securitization.

"Clearly, it will shorten the cycle," said Donald Watson, a director with Standard & Poor's Corp. in New York. "There's a lot of new capital that has not been deployed yet. But by the middle of next year, it will be in place, and we will see a lot of relief. If you're buying reinsurance, it will be much more comfortable by the middle of next year."

But Elizabeth Farrell, vp with A.M. Best Co. in Oldwick, N.J., said that existing underwriters are not going to give up long-awaited profits any time soon. "The established

See BERMUDA/page 35

Enron outage hits insurers

Big losses in insurance, hedges

By RODD ZOLKOS

HOUSTON—The spectacular collapse of Enron Corp. will trigger an estimated \$2 billion in various liability coverages, bringing further pressure on hardening insurance prices.

What's more, because Enron has been the largest global player in the weather risk derivatives market, the crash of the Houston-based company certainly will have implications for that market. Observers predict, though, that not all the implications will be negative.

While the insurance industry's

exposure to Enron losses is considerable—reaching \$3.5 billion when the investment exposures of life insurers to Enron are included, according to Standard & Poor's Corp.—it should not threaten any individual company, analysts say.

"I think that what we're seeing so far is that the industry exposure is diversified and it shouldn't be of harm to anybody," said John Bareiss, senior director at Fitch Inc. in Chicago.

In the property/casualty industry, insurers' greatest exposure appears to be in surety bonds. Other coverages at risk include directors and officers liability for Enron and, possibly, for Dynegy Inc., a Houston-based energy company that withdrew an offer to purchase Enron. Another potential exposure is pro-

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Enron employees sue over huge stock losses in 401(k) plan/32

Spotlight Report:

BENEFIT TRENDS

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Late News

Cost of risk to rise, RIMS reports

Risk managers enjoyed a second straight year of declining risk costs in 2000, but the savings don't appear to be lasting, according to the 2001 RIMS Benchmark Survey. The survey, which is co-produced by the Risk & Insurance Management Society Inc. and Ernst & Young L.L.P., shows that the average cost of risk last year fell to \$4.83 per \$1,000 of revenue from \$5.20 in 1999, due to lower premiums and fewer property and workers compensation losses. However, "we have anecdotal evidence that the trend is reversing in 2001," Steve Lawrence, national practice leader with Ernst & Young's insurance risk management practice in New York, said in a statement. Large premium increases in the first half and the impact of the Sept. 11 terrorist attacks are expected to drive costs up for 2001, he said.



The Burt Reynolds movie "The Crew" sparked a cover battle.

Film financier wins dispute with AXA

A jury in New York State Supreme Court in Manhattan last week resolved two coverage issues in a film financing dispute in favor of Chase Manhattan Bank, a J.P. Morgan Chase & Co. unit. The decision clears the way for Chase to recover from AXA Reassurance S.A. for loan losses involving the 2000 Burt Reynolds movie "The Crew." In a declaratory judgment action filed by AXA last year, the jury found that Chase has a valid cut-through agreement allowing it to collect directly from AXA under a repayment guarantee, bypassing a fronting insurer on the program, Underwriters Reinsurance Corp. The jury also threw out AXA's claims that an employee of Bermuda-based broker Stirling Cooke Brown Holdings Ltd. misled AXA regarding the risk. The case involved Chase's \$20 million loan to Beverly Hills, Calif.-based George Litto Pictures Inc. for its

Continued on next page

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Inside

Court overturns state RRG fee

In a victory for the risk retention group industry, a federal judge in Michigan ruled that the state cannot impose a fee on premiums paid by policyholders for coverage written by RRGs licensed in other states. **Page 4**

A fond farewell

Publishing Director Kathryn J. McIntyre says thanks and goodbye. **Page 6**



Risk management is best defense

Despite a court ruling that puts California employers at risk of higher damage awards in sexual harassment cases, there is still plenty employers can do to minimize their risk, this week's editorial says. **Page 8**

Demand rising for accident cover

Employers are buying more personal accident coverage and other protection for employees inside and outside of danger areas in the wake of the Sept. 11 terrorist attacks and the war in Afghanistan. **Page 29**

Enron woes spur 401(k) lawsuits

More than 12,000 participants of Enron Corp.'s 401(k) plan, heavily invested in company stock, are suing the troubled energy company over losses in their savings plan. **Page 31**

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REPORTING WEEKLY ON CORPORATE RISK, EMPLOYEE BENEFIT AND MANAGED HEALTH CARE NEWS

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production of "The Crew." The financing was backed by AXA's guarantee that it would cover loan losses if the film failed to recoup its costs. A final accounting will not occur until April 2002, but the movie's distribution presale amounted to only \$14 million, of which \$11 million has so far been collected, and a claim under the guarantee is expected.

Halliburton unit hit with \$30 million asbestos award

Dresser Industries Inc., an energy company owned by Dallas-based Halliburton Inc., faces a \$30 million compensatory award after a Baltimore jury found it liable for asbestos-related injuries related to its products. The award by a state court jury is one of several asbestos-related awards against Halliburton. Halliburton said it plans to appeal the verdict. In a November filing with the U.S. Securities and Exchange Commission, Halliburton says it has \$704 million in reserves for open asbestos claims. Of that, \$38 million is covered by Halliburton spinoff Highlands Insurance Co., and other insurers cover \$541 million.

Workers comp insurer exits acquisition plan

American Physicians Capital Inc. has called off its proposed acquisition of RTW Inc., a Minneapolis-based workers compensation insurer. Both companies had signed a letter of intent Nov. 9 for a proposed deal under which AP Capital would have acquired all of the 10.3 million RTW shares outstanding for about \$3.10 per share. Neither company would specify why the deal fell apart. Susan Spivak, a research analyst in New York for ABN AMRO Bank N.V., said ABN AMRO was "very pleased" with

Late News

AP Capital's "decision not to take on the long-tail liabilities of a workers compensation company whose recent track record, in our view, is far from stellar." Representatives of RTW and AP Capital declined to comment. RTW subsequently said it will close its operations in Massachusetts and Missouri.

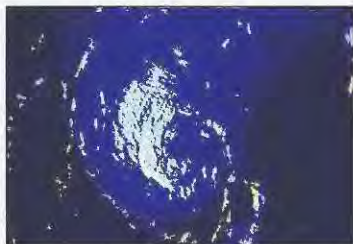


PHOTO: NOAA

An increase in Atlantic hurricane activity is forecast for next year.

Four intense hurricanes predicted for 2002

As many as four intense hurricanes—those with winds of 111 mph or greater—could form in the Atlantic basin next year, compared with an average of 2.3 such storms per season during the period from 1950 to 2000, said William M. Gray, professor of atmospheric science at Colorado State University. Mr. Gray expects 13 named storms to form,

with eight developing into hurricanes, compared with a 50-year average of 9.6 named storms and 5.9 hurricanes per season. He also predicts that there is a 58% chance that a hurricane will make landfall on the East Coast, including the Florida peninsula, next year, and a 43% chance that a hurricane will make landfall on the Gulf Coast. Meanwhile, London-based Tropical Storm Risk, a consortium of insurance industry and academic experts, predicts 13 tropical storms in the Atlantic basin between June and November 2002, of which eight will be hurricanes with sustained winds of more than 72.5 mph.

West Virginia passes malpractice relief bill

The West Virginia Legislature has passed a bill that would create several coverage options for health care providers. Addressing malpractice insurance availability and affordability problems, the bill adopted earlier this month by the state's General Assembly would, among other things, provide for an insurance program to be overseen by the state's Board of Risk and Insurance Management. The program would provide claims-made coverage with \$1 million per

occurrence and \$3 million aggregate limits, with an option to buy up to \$2 million per occurrence and \$4 million aggregate. Hospitals would be able to buy limits of up to \$3 million per occurrence and \$5 million aggregate.

Insurance college to return to Manhattan

The School of Risk Management, Insurance and Actuarial Science will move back to its Manhattan campus in January. SRM, formerly known as The College of Insurance, has been holding classes and housing students mainly in the boroughs of Queens and Staten Island since a the Red Cross took over a large section of its building in lower Manhattan after the Sept. 11 terrorist attacks. The Red Cross has moved out of the building, and SRM, which is part of St. John's University, is completing environmental testing and cleaning of the building, said Ellen Thrower, executive director of SRM.

Briefly noted

Annual property/casualty insurance premiums rose by an average of 16% to 19% in November, according to a survey by MarketScout.com. The increases do not yet reflect the impact of the Sept. 11 attacks, MarketScout said....Standard & Poor's Corp. has downgraded Atlantic Mutual Insurance Co. to BBB+ from A-, based on poor earnings, weakened capital and "challenging business position."...The London International Financial Futures & Options Exchange today will begin trading in weather futures. Six weather futures contracts will initially be listed on the LIFFE CONNECT electronic exchange. The contracts will use monthly and winter season indices based on daily average temperatures in London, Paris and Berlin.

Measures against supervisory harassment don't limit employer liability California strikes use of federal defense

By ROBERTO CENICEROS

SACRAMENTO, Calif.—A recent California appeals court decision could discourage employers from taking measures to prevent sexual harassment by supervisors, defense attorneys warn.

The ruling by the 3rd Appellate District of the California Court of Appeals in *Department of Health Services vs. The Superior Court of Sacramento County (McGinnis)* effectively bars employers from claiming in state court a federal defense against charges of sexual harassment by managers, the attorneys say.

Until now, employers often relied on two related U.S. Supreme Court decisions—*Faragher vs. City of Boca Raton, Fla.*, and *Burlington Industries vs. Ellerth*—to win summary judgments in harassment cases brought against them under California's Fair Employment and Housing Act. In 1998, the U.S. Supreme Court ruled in those cases that an employer could not be held liable if it had exercised care to prevent and remedy harassment or if an employee had failed to take ad-

vantage of corrective opportunities provided by an employer.

As a result of the Nov. 29 ruling by the state appellate court, though, even employers that take corrective measures to end harassment by managers no longer have a safe harbor in state court.

The state appellate court ruled that the defense does not apply in state courts because, among other things, the two Supreme Court cases addressed Title VII of the Federal Civil Rights Act of 1964, which the court held does not explicitly address employer liability for harassment by supervisors. Also, California's FEHA, which does address employer liability for supervisor harassment, offers no safe harbor to employers, according to the appeals court.

"It just knocks out a very logical defense," William Emanuel, head of the California employment practice area for the law firm of Jones Day Reavis & Pogue in Los Angeles, said of the appellate ruling. The Supreme Court went to great lengths to tell employers how to avoid liability, he said. But the rul-

ing by the California court might deter employers from taking proactive measures because, regardless of their actions, they would not have a defense, he said.

"It's an unfortunate narrowing of the state FEHA and eliminates a strong incentive that employers have under federal law...to take aggressive steps to prevent harassment," said Gary Siniscalco, an employment defense expert at the law firm of Orrick Herrington & Sutcliffe in San Francisco.

But employers still should conduct training seminars, maintain strict employment policies and take other actions to deter harassment, said Teresa R. Tracy, an employer defense expert at the law firm of Baker & Hostetler in Los Angeles. Those measures still help prevent lawsuits and could convince juries to keep punitive damages to a minimum, Ms. Tracy said.

The case at hand stems from a lawsuit brought by a state employee, Theresa McGinnis. Ms. McGinnis claimed a supervisor made inappropriate comments and touched her. Her employer recommended

disciplinary action against the supervisor after investigating and finding that he violated a workplace policy against harassment. The supervisor ultimately retired; court records indicate.

A state trial judge, in preliminary hearings, ruled the employer could be held strictly liable for the harassment if Ms. McGinnis proved her charges. The employer appealed, arguing that, following the Supreme Court rulings, it should be shielded from liability. The appellate court ruled in the plaintiff's favor, sending it back to the trial court.

The Department of Health Services has yet to decide whether it will appeal the case, said Barbara A. Morris, a state deputy attorney general who represented the department. Ms. Morris said that because no other California appellate court has addressed the issue, the ruling stands for all state trial courts.

Department of Health Services vs. The Superior Court of Sacramento County (McGinnis), 3rd Appellate District, No. CO34163.

Senate terrorism legislation sidetracked

By MARK A. HOFMANN

WASHINGTON—The legislative clock continues to wind down as senators wrestle with the issue of the U.S. government's role in guaranteeing insurance coverage for terrorism-related losses.

A somewhat ancillary issue—whether a terrorism insurance bill should contain significant tort reform provisions in addition to financial guarantees—is delaying a bill's introduction. Nevertheless, insurers are hopeful that a Senate bill will advance, perhaps as early as this week.

"It appears at least there is some light at the end of what has seemed like a very long tunnel," said Julie A. Rochman, senior vp for the American Insurance Assn. in Washington.

"It seems like the real sticking issue is legal reform, which is good for us, because clearly they've come to some sort of accommodation on the insurance issues," she said.

"We are very encouraged by the movement and the direct contacts we've had with some of the key players in both the Senate and the administration," said Carl M. Parks, senior vp-government relations for

the National Assn. of Independent Insurers in Washington.

'It appears at least there is some light at the end of what has seemed like a very long tunnel.'

Julie A. Rochman
American Insurance Assn.

The House of Representatives approved its own terrorism insurance bill on Nov. 29 (*BI*, Dec. 3). The House measure would set up a gov-

ernment loan program for insurers that sustained terrorism losses. Insurers have generally been cool to the idea of loans rather than cost sharing because it would do nothing to assure availability of coverage.

In the Senate, negotiators from both sides of the aisle managed to reach tentative agreement on the shape of a Senate bill drawn from elements of three competing proposals that were formally introduced in late November. According to sources familiar with the ongoing negotiations, the consensus Senate bill would probably require

industry aggregate terrorism losses to reach \$10 billion before the federal government would begin paying a share of claims. If losses exceeded \$10 billion, it is expected that insurers would have to retain 10% of their losses while the government picked up the remainder.

The Senate approach, however, might also provide additional protection for individual companies under some circumstances if the \$10 billion industry aggregate is not reached. Companies would be responsible for an as-yet-unspecified retention based on their market

See **TERRORISM**/page 33

NAFTA trucking legislation steering toward enactment

But insurance provision raising questions

By MEG FLETCHER

WASHINGTON—A bill that would impose extensive new safety standards on Mexican trucks and drivers operating in the United States has been sent to President Bush, but questions remain about an insurance provision in the measure.

The bill, H.R. 2299, stemmed in part from concerns that the North American Free Trade Agreement, which calls for increasing Mexican trucks' access to U.S. roadways, could lead to a deterioration of highway safety. Those concerns arose because of significant differ-

ences between U.S. and Mexican trucking safety standards and regulation (*BI*, March 19). President Bush, who is a strong supporter of NAFTA, is expected to sign the measure.

Although the bill has generally satisfied advocates of highway safety, insurance industry observers say that a financial responsibility provision in the bill raises an important question. Specifically, the U.S. Department of Transportation will have to clarify whether a requirement that mandatory commercial lines insurance be written by "an insurance company licensed in the United States" includes surplus

lines as well as admitted insurers. The original proposal would have eliminated participation by non-U.S. insurers.

And at least two groups plan to urge expansion of the ways that Mexico-based trucking companies may demonstrate their claims-paying ability.

The Kansas City, Mo.-based National Assn. of Insurance Commissioners favors adding other options, including allowing joint ventures with Mexican insurance affiliates, said Texas Insurance Commissioner Jose Montemayor, chairman of the NAIC's NAFTA subgroup.

See **NAFTA**/page 6



Pennsylvania has joined other states whose high courts have found that CGL policies do not exclude claims related to lead-based paint.

Pollution exclusion found not to apply to lead-paint claims

By MICHAEL PRINCE

HARRISBURG, Pa.—Siding with the majority of state high courts that have taken up the matter, the Pennsylvania Supreme Court has ruled that lead-based paint is not subject to the absolute pollution exclusion in commercial general liability policies.

In its unanimous ruling on Nov. 30, the court said the exclusion does not apply because the process by which lead from lead-based paint becomes available for ingestion by humans does not unambiguously meet the criteria set forth in the exclusion.

The case arose from a 1996 suit filed by Ethel Brown against two of her landlords whose properties contained lead paint. From 1988 to 1993, Ms. Brown and her son lived in rental property owned by Clifford and Barbara Steely. The Browns subsequently lived for more than two years in a rental property owned by Jack and Shirley Yeager. In her suits against the landlords of both properties, Ms. Brown claimed that her son suffered from lead poisoning and neurological problems as a result of exposure to the lead paint.

The Steelys had CGL policies written by Lititz Mutual Insurance

Co. of Lititz, Pa. After Ms. Brown filed her suit, Lititz sought a declaratory judgment that the pollution exclusion in the CGL policies relieves them from having to defend the suit. A trial court ruled against the insurer, but that decision was reversed on appeal. The Steelys then appealed to the state's highest court.

The Yeagers' insurer, State Farm Insurance Cos. of Bloomington, Ill., did not seek to invoke the exclusion.

The Supreme Court's analysis focused on the process by which lead from lead-based paint is made available for ingestion by humans. In particular, it considered whether that process could be described by one of four words—"discharge," "dispersal," "release" or "escape"—used in the policy to frame the exclusion.

"In determining whether there has been a discharge, dispersal, release or escape, it is necessary to assess the specific form of movement in question," states the opinion, which was written by Justice Thomas Saylor.

After evaluating the evidence presented to the trial court, the Supreme Court said "the process by which lead-based paint becomes

See **PAINT**/page 33

California voters may decide fate of comp benefit increase

By ROBERTO CENICEROS

SACRAMENTO, Calif.—Employers and insurers vow they will fight two ballot initiatives that would leave it to California voters to decide whether to increase workers compensation benefits, a move that would raise employers' costs by billions of dollars.

Thus far, the battle pits an injured worker and his spouse against opponents who say the initiatives would neither reform a broken system nor ensure that benefit increases reach those employees who are most severely injured.

Last week, opponents sent out press releases arguing that a huge increase in benefits would merely worsen the business climate in California and might cost the state jobs, despite the fact that proponents of an increase point out that California's workers comp income benefits for total disability are among the lowest in

the nation.

"Carriers are insolvent, businesses are laying off workers and local governments cannot balance their budgets," said Mark E. Webb, vp-state affairs in Sacramento for the American Insurance Assn. "Now is not the time to add billions of dollars in increased costs while doing nothing to reform a fundamentally flawed system."

Papers filed Nov. 29 with California Attorney General Bill Lockyer would create two initiatives that could be placed on the Nov. 2002 ballot. One, known as the Fairness for Injured Workers Act, would amend state labor law to increase benefits. The other, known as the Fairness for Injured Workers Amendment, seeks to change the state's constitution. The two proposals call for identical increases in weekly indemnity payments for a variety of classifications of injuries occurring on or after Jan. 1, 2003.

The ballot initiative proposals were filed by Genesa K. Duncan. Her filings follow vetoes by Gov. Gray Davis for three consecutive years of legislation that would have increased workers comp benefits. In one statement accompanying his veto, the governor said the legislation's reforms of the workers comp system were insufficient to justify its \$2.6 billion price tag.

Ms. Duncan is the spouse of Steve Duncan, the survivor of an oil refinery explosion that killed four workers more than two years ago. At that time, Tosco Corp. of Old Greenwich, Conn., owned the refinery in Avon, Calif. After the explosion, several government agencies found safety measures lacking and levied fines on Tosco. Mr. Duncan lost several fingers, suffered extensive burns and, after numerous surgeries, must now use a wheelchair.

The Duncans often have joined

See **COMP**/page 34

RRG law bars state premium fee: Judge

By RODD ZOLKOS

KALAMAZOO, Mich.—Federal law pre-empts Michigan from imposing a fee on premiums paid by policyholders for coverage written by risk retention groups licensed in other states, a federal judge has ruled.

Judge Richard Alan Enslen of the U.S. District Court for the Western District of Michigan-Southern Division in Kalamazoo ruled late last month in favor of Attorneys' Liability Assurance Society Inc., a Risk Retention Group, and Housing Authority Risk Retention Group Inc., a

Risk Retention Group. The two Vermont-chartered RRGs had filed suit earlier this year to bar the state's Office of Financial and Insurance Services from charging them the 0.5% fee on coverage written for Michigan policyholders.

The judge ruled that imposing such fees on RRGs is pre-empted by the federal Risk Retention Act amendments of 1986. Michigan officials argued unsuccessfully that the fee was in fact a tax, and consequently not subject to the RRA prohibition.

"We think the opinion is excel-

lent. The court has fully supported us in all the issues that were argued out, and we're just delighted with the result," said Donald Breakstone, senior vp and general counsel at ALAS in Chicago.

James E. Clemons, a partner with the Primmer & Piper law firm in Montpelier, Vt., suggested the ruling would have an impact throughout the risk retention group industry. "We just couldn't have gotten a better result," he said. "The whole industry's going to be happy."

The National Risk Retention Assn. had submitted an amicus

brief in the case "because we thought that there were several important principles there," said Philip C. Olsson of the Olsson, Frank & Weeda P.C. law firm in Washington, and the NRRA's general counsel.

Among those principles, he said, was that the RRA prohibits regulatory fees. Also, contrary to Michigan officials' arguments in the case, the only liability coverage RRGs are prohibited from writing is workers compensation, Mr. Olsson said.

The federal law allowing the formation of RRGs was originally

passed in 1981, then expanded in 1986. The law allows employers, professionals and others to form multiple-owner captives, which, after meeting licensing requirements in one state, can issue policies for members in any other state.

In recent years, RRGs have successfully challenged other states' efforts to regulate RRGs. In 1997, for example, Maryland regulators backed away from an effort to impose a \$1,000 anti-fraud fee on RRGs writing coverage in the state in the face of protest from the NRRA. In 1999, Hawaii regulators dropped a fee they sought to impose on RRGs after the group protested the move.

Mr. Olsson said he was pleased the judge in the Michigan case cited a 1996 federal court ruling, *NRRA vs. Brown*, in which the court upheld the RRG organization's argument that the federal law pre-empted statutes that Louisiana attempted to apply to RRGs. That ruling was upheld a year later by the 5th U.S. circuit Court of Appeals.

"The two (rulings) both addressed the regulatory fee issue and fit together like pieces of a jigsaw puzzle," Mr. Olsson said. "Taken together, they're beginning to form a growing body of precedent."

"With the growing body of precedent, states are beginning to have some understanding what they can and cannot do" with regard to RRGs, he said.

Mr. Olsson said he also thinks the judge's ruling that the risk retention groups in the Michigan case are entitled to recover legal fees from the state is significant.

"There's an incentive for a state official to be on the right side of this issue and not be on the wrong side and have to pay legal fees," he said.

Michigan officials have 30 days to decide whether to appeal the Nov. 28 ruling. "We are reviewing whether to appeal," a spokeswoman for the Office of Financial and Insurance Services said.

Attorneys' Liability Assurance Society Inc., a Risk Retention Group, and Housing Authority Risk Retention Group Inc., a Risk Retention Group, v. Frank M. Fitzgerald, U.S. District Court for the Western District of Michigan-Southern Division, Nov. 28, 2001; Case No. 5:01-CV-14.

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Errors & omissions

• A Dec. 3 story, "Employers Eager to Offer Catch-ups," provided an incorrect e-mail address for ordering copies of a William M. Mercer Inc. study. The correct address is shirley.butler@us.wmmerc.com.

• A listing for TECNORisk L.L.C. in the Dec. 3 Directory of Risk Management Information System omitted some information on claims/coverages managed and standard system features. TECNORisk's claims/coverages managed include general liability, property, auto and marine. Also, TECNORisk's standard features include claims management for protection and indemnity; cargo, hull and machinery; and all marine- and shore-side-related exposures.

NAFTA: Truck safety standards

Continued from page 3

The Washington-based American Insurance Assn. also plans to urge additional options that are available to U.S. trucking companies, such as self-insurance, said David Snyder, AIA assistant general counsel. "We want the maximum number of options so there is a maximum amount of capital available to draw upon," he said. Though insurance costs generally are rising, more sources of coverage should help increase availability, other sources said.

Even after enactment, it will take the Department of Transportation several months to implement policies and procedures to review the qualifications of Mexican drivers and trucking companies. Such reviews, which will increase the need for collecting and disseminating loss data, will identify those responsible drivers and trucking companies that should be given unrestricted access to U.S. highways. Mexican-based trucks currently may operate only within a narrow commercial zone along the U.S. border.

Borders are expected to open in

May 2002, if the Department of Transportation's inspector general certifies that all safety requirements are met, said David Golden, director of commercial lines for the National Assn. of Independent Insurers in Des Plaines, Ill.

The bill "will set in motion a plan for the safe and orderly opening of the border" that the Bush administration failed to do, said Judith L. Stone, president of Advocates for Highway & Auto Safety, a Washington-based coalition of consumers, health, safety and insurance organizations and companies. The Department of Transportation previously proposed "inadequate and flawed procedures for screening out unsafe drivers and motor carrier companies from Mexico," she said.

Highway safety advocates had complained that Mexican law allowed trucks to exceed U.S. weight limits and to operate without front-wheel brakes. In addition, Mexican law imposed less restrictive driver licensing standards, which did not include limitations on the duration of shifts and did not require drug testing.

Under Congress' bipartisan agreement, the rules for Mexican-based trucks and drivers "will be much more comparable" to current rules for U.S. and Canadian trucking companies, said the AIA's Mr. Snyder.

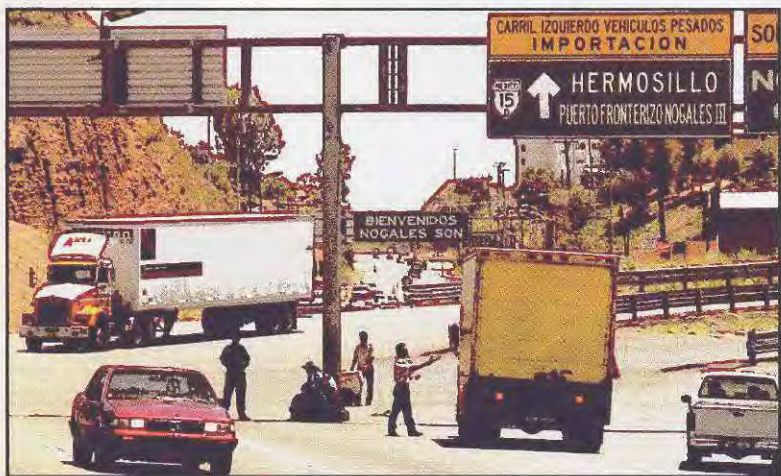
In addition, Mexican trucking companies can be granted conditional operating authority, but only after a safety audit. Full compliance reviews are required within 18 months of the program's implementation, including onsite visits to carriers' Mexican headquarters in half of the cases.

In addition, vehicles bearing stickers from the Commercial Vehicle Safety Alliance, a North American safety organization, may still face inspections at the carrier's place of business or as they cross the border. Also, state-of-the-art scales for weighing trucks must be in place at the top-five border entry points, with five more added within one year. The bill also calls for a study on future needs.

"We are pleased that this legislation specifically requires a study to determine just how many inspectors are actually needed to do the job," said the NAI's Mr. Golden. "The border will open in phases as staff and facilities are put in place, and that process will help to ensure that trucks and drivers entering the United States meet U.S. safety standards."

One driver-related requirement has received intense scrutiny of late.

"The regulation that every (hazardous material) driver's license be checked is a response to the 9/11 terrorist attacks," said Martin Rojas, director for cross-border operations for the Washington-based American Trucking Assn. The rules require only random checking of half of all other drivers' licenses.



President Bush has received a bill from Congress that would mandate safety standards for Mexican trucks operating in the United States.

Commentary

Thank you all, and farewell

As the prolific Chicago commentator Mike Royko once said of writing columns, "Blood drips out of my fingers every time."

This is especially true as I write my last column for *Business Insurance*.

I've been tossing and turning over what to write about this week. I've pestered my friends for ideas. I've started this column in more directions than a redesigned clover leaf intersection.

Finally, with the deadline upon me, on my way home from New York on Thursday, it hit me—simply thank all the people who have made this such a great run.

Thank you, Susan Alt, for hiring me 25 years ago, even if you started me as a glorified secretary.

Thank you, Al Malecki, for making me editor at the ripe old age of 28 and for always supporting me. You epitomized what it means to be a mentor.

Thank you, Hank Greenberg, for calling me on the carpet over an article on the front page of my first issue as editor in June of 1980. I walked out of that meeting—which to this day I remember as vividly as if it were yesterday—a more secure person. I decided that if you couldn't make me come apart at the seams, no one could. I'm happy that for most of the last 21 years, we have been on speaking terms.

Thank you, Keith and Rance Crain, who own this publication, for your commitment to editorial integrity. I've always been proud to work here and to recruit others knowing that we were hired to be the best journalists we could be, without concern for the economic consequences.

Thank you to every person who invited me to speak and moderate panels over the years and to those who sat on those panels. Speaking and moderating not only made me focus on the bigger picture but also served as a reality check for me.

Thank you to all the people who have worked at *BI* with me over the last 25 years, both the current talented staff and the gifted people who left us for personal and professional reasons. The phrase "team effort" is often overused, but that is really what it takes to get this publication into our readers' hands each week.

Thank you to all the people who have engaged me in

work on not-for-profit boards. I've received so much more than I have given from my association with the Angus Robinson Jr. Memorial Foundation; The Spencer Educational Foundation; the Insurance Industry Council for the City of Hope; and the new School of Risk Management, Insurance and Actuarial Science (formerly The College of Insurance).

Finally, I thank every one of you who has taken the time to talk to me, to help me understand the issues, to share a tip, to give *BI* a scoop, or to point out an error or a shortcoming in our coverage. I've always said that we are only

as good as our sources. While I don't dare begin naming names because there are so many of you, I must acknowledge as a group the Risk Managers of the Year and members of the Risk Management Honor Roll. It wasn't part of the deal when you received the awards, but you have always been

there for me and our reporters, to teach us when we were clueless and to comment on controversial issues when others would not.

Among the responses from friends I received when pleading for a topic for my final column came this: "There is some sweet comfort at having selected a career in an industry that gives us all some feeling of an extended family."

How true.

Just as a family does, we've celebrated the good times and mourned our losses.

A reporter from a daily newspaper once questioned my objectivity in covering this business when I said that I counted among my sources many friends. I assured him that my friends never tried to compromise our work at *Business Insurance*.

Thank you, all of you, who helped make this a wonderful career.

Some of us at *Business Insurance* joke that we are so dedicated to this publication that when we bleed, we bleed *BI* blue, referring to the color of our logo.

There's a lot of that blue all over my keyboard today. Goodbye, and God bless.

Kathryn McIntyre's past commentaries can be found at www.businessinsurance.com. She can be reached at kmcintyre@xtra.co.nz



Kathryn J. McIntyre

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Schillerstrom



Editorial

California dreaming in harassment case

CALIFORNIA EMPLOYERS that opt to drop anti-harassment efforts in the wake of a misguided appeals court ruling only would be making a bad situation worse.

In a controversial recent case, the California appeals court said that, under state law, employers cannot rely on defenses set by the U.S. Supreme Court to avoid vicarious liability for sexual harassment by supervisors. We think the ruling is wrong, but the damage to employers could be compounded if they become discouraged and decide that, because they would have nothing to gain by preventing harassment, why bother?

As we report this week, some defense attorneys warn that, in light of the ruling, employers in the state now have little incentive to take steps to prevent and correct harassment by supervisors, because they can be held strictly liable anyway. But to take that approach would be negligent and indicates poor risk management.

No matter how unattractive the decision may be, any employer that ceases efforts to prevent harassment by supervisors and to protect employees puts itself at the risk of being hit with more lawsuits and greater damages by a jury.

In the case in California, a state agency argued that it should not be held strictly liable for a supervisor's harassment of a female employee.

The state agency cited an affirmative defense set by the U.S. Supreme Court in two decisions: *Faragher vs. City of Boca Raton, Fla.*, and *Burlington Industries vs. Ellerth*.

The high court's decisions in *Faragher* and *Burlington Industries* essentially held that, as long as the alleged harassment does not result in a "tangible employment action," such as the termination or demotion of the employee, an employer could reduce or eliminate its liability if it were to take steps to prevent or remedy harassment, or if an employee were to fail to take advantage of the corrective measures offered by the employer.

In the California case, the employer was not notified by the employee of harassment until two years after it

had begun. Once it had been alerted to the situation, the employer investigated and disciplined the offending supervisor, who took retirement from the agency.

A state trial court ruled in favor of the plaintiff, though, and the California Court of Appeals agreed. In its decision, the appeals court pointed out that California's anti-harassment law differs from the federal law prohibiting harassment in several ways. In particular, the appeals court held that the state law, unlike the federal law, explicitly deals with employer liability for supervisor harassment. In addition, the court held, the defense available under federal law did not apply to California's law.

The employer in the case has not yet decided whether to appeal the ruling. If it is not challenged, employers in the state could face unlimited liability for harassment by supervisors under state law. Federal law, in contrast, provides responsible employers with a defense and caps damages.

Regardless of the outcome of this case, California employers can and should take steps to eliminate harassment, which should minimize their exposure to lawsuits and legal damages.

An employer should not only have an anti-harassment policy on paper but should make sure that it is clearly communicated and successfully implemented within the workplace. In addition, there must be an effective complaint system that provides confidentiality and protection from retaliation. Finally, enforcement must be fair and swift.

Such a policy represents not only good risk management practice but an employer's acceptance of its moral obligation to provide a safe workplace for its employees.

Ideally, an employer that takes such measures to protect employees would not be held liable under state law for the actions of a rogue supervisor. But even if, as in California, such defenses are not automatically available, we believe reasonable and effective anti-harassment policies go a long way toward reducing employers' exposure.

Letters to the Editor

Comments on Lloyd's were ill-informed

The Dec. 3 *BI* article "Lloyd's Ups Its Estimate of Retained Sept. 11 Losses" was extremely disappointing in that it devoted considerable space to the views of Christopher Stockwell, the chairman of the Lloyd's Names Assn.

Contrary to your article, neither Mr. Stockwell nor the LNA represents the interests of individual names at Lloyd's. Indeed, we are not aware of any currently underwriting names who are its members, nor do we recognize its existence. The Assn. of Lloyd's Members performs that function.

Mr. Stockwell has made a career from supporting litigation against Lloyd's. He does not have any access to information about the effects of the World Trade Center losses on Lloyd's, and his comments on the Central Fund and the alleged "spiral" are no more than conjecture.

It was, therefore, disappointing that a highly regarded publication such as *Business Insurance* should provide a platform for such ill-informed speculation.

Julian James

Director, Worldwide Markets

Lloyd's of London

London

Stockwell not a voice for active names

Your article on Lloyd's on the front page of the Dec. 3 issue may have given readers the impression that Christopher Stockwell is the spokesman for names who are actively underwriting at Lloyd's. In fact, he does not underwrite himself, and his association has a small membership, the majority of whom have ceased underwriting.

The Assn. of Lloyd's Members, of which I am chairman, has over 5,000 members and has the largest number of members continuing to underwrite at Lloyd's. It is, therefore, a far more reliable source for the collective views of names.

In contrast to Christopher Stockwell, we believe that Lloyd's explanations of the marked disparity between the revisions for net losses and gross losses are reasonable and consistent with other information. The ALM publishes detailed survey and statistical analysis of the results of Lloyd's syndicates. We have seen no concrete evidence to suggest that there is any spiral operating among syndicates at Lloyd's for the years or account that are affected by the recent terrorist attacks.

Furthermore, again in contrast to the views expressed by Christopher Stockwell in your article, the information we have seen indicates to us that Lloyd's has good reason to believe that the Central Fund will be more than adequate to meet the impact likely to result from the terrorist attacks.

Michael Deen

Chairman

Assn. of Lloyd's Members

London

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Benefit Trends

[Spotlight Editor: Jerry Geisel]

Rising costs, falling economy hit firms

By MICHAEL PRINCE

After years of vigorous growth, benefit consultants' revenue increases slowed dramatically in 2001 as employers' budgets for consulting services shrank.

But the economic difficulties of many employers are generating more work for consultants. Business has shifted from one field to another, causing some consulting areas to post strong growth while others saw steep declines in business. On average, however, the year was significantly more downbeat than any in the past half decade and markedly worse than anticipated when the year began.

"Relative to budget, 2001 has been a tough year," said Dan McCaw, chairman and chief executive officer of William M. Mercer Inc., the U.S. operation of William M. Mercer Cos. L.L.C.

This year's difficulties, however, have not dampened consulting firms' collective enthusiasm for long-term prospects. Tight budgets

have ended or delayed many projects, but employers' long-term need to attract and retain employees will create more demand for consulting. "It's just that right now there is an overriding concern with cost reduction and value," said Ainar Aijala, global managing director at Deloitte & Touche L.L.P. in New York.

The slowing economy drove down growth rates to levels not seen in years. Half of the 10 largest firms had lower growth rates in 2001 compared to 2000. And while five firms saw 2000 growth exceed 15%, only one, Buck Consultants Inc., reached that level this year. The average growth rate was 9.7%, below the 15.8% average rate in 2000.

Business Insurance annually ranks the largest benefit consulting firms, based on revenues from worldwide employee benefit consulting, defined as providing advice on benefit issues on a fee-for-service basis. Revenues from outsourcing services are included, but re-

See CONSULTANTS/page 20

WORLD'S LARGEST EMPLOYEE BENEFIT CONSULTANTS

Ranked by worldwide benefit consulting revenue; based on estimated 2001 figures

Company	Gross revenues from benefit consulting ¹ (in millions)			Offices	
	2001	2000	% change	U.S.	Non-U.S.
William M. Mercer Cos. L.L.C.	\$1,466.2	\$1,382.8	6.0%	40	96
Hewitt Associates L.L.C. ²	1,303.0	1,153.0	13.0	26	54
Towers Perrin	1,043.0	959.9	8.6	35	36
PricewaterhouseCoopers L.L.P., Global HR Solutions ³	940.0	885.0	6.2	21	36
Watson Wyatt Worldwide ⁴	803.0	720.0	11.5	32	55
Aon Consulting Worldwide ⁵	790.0	725.0	9.0	80	68
Buck Consultants Inc.	489.0	403.0	21.3	29	26
Deloitte & Touche - Human Capital Advisory Services	462.0	411.7	12.2	25	23
Ernst & Young L.L.P. - Human Resource Services	270.0	260.0	3.8	16	10
Milliman USA Inc.	190.0	170.0	11.8	35	5
Total	\$7,756.2	\$7,070.4	9.7%	339	409

¹ Excludes revenues from claims administration, compensation consulting, insurance commissions and other nonbenefit consulting. ² Fiscal year ending Sept. 30. ³ Fiscal year ending June 30 for 2001; fiscal year ending Sept. 30 for 2000. ⁴ Fiscal year ending June 30. ⁵ BI estimate.

SOURCE: BI SURVEY

Defining a new health plan design

Defined contribution approaches gain ground

By JOANNE WOJCIK

Skyrocketing health care costs and the sluggish economy are giving the defined contribution health plan approach the push it needs to become more mainstream.

And the fact that established health insurers are beginning to offer their own versions of these innovative plans, once available only through startup companies, is lending the approach the legitimacy it needs to gain even more momentum.

"I view this as the next wave in private-sector health care," said Tom Beauregard, a consultant at Hewitt Associates L.L.C. in Norwalk, Conn. "It's not just cost-shifting; it's making cost evident to the consumer so the buyer controls the supply."

"Because of how the economy is doing, employers will be looking at more creative solutions, like defined contribution," said Laurel Pickering, executive director of the New York Business Group on Health, an employer coalition.

"We do it with retirement savings plans. Medical is the next step," said Bill Flannery, director of compensation and benefits at New

York-based Novartis Corp., which began offering a defined contribution-style plan to retirees last summer.

But while benefit experts have generally embraced the concept, there is still some disagreement about what moniker these health plans should carry, mostly as a result of the backlash Xerox Corp. experienced two years ago when it began exploring the idea (BI, Dec. 20, 1999).

"There is a lot of talk and a lot of confusion," said Randall K. Abbott, national practice leader for workforce benefit strategies at Watson Wyatt Worldwide in Philadelphia.

The defined contribution approach, Mr. Abbott said, is a broad strategy that can be applied in several ways. The reason it is called "defined contribution" is that it is analogous to defined contribution pension plans, in which employers deposit a specific sum of money each year. Employees generally have discretion over where the contributions are invested.

Among the varieties of defined contribution health plans are:

- Consumer-driven, or self-directed plans,

See DEFINED/page 16

Health inflation increases for 2002

Rising drug costs fuel 13%-15% cost hikes

By SALLY ROBERTS

As employers brace for another round of double-digit health plan cost hikes in 2002—this one worse than the last—they are looking for ways to ease the pain.

While a strong economy and tight labor market over the past several years have deterred employers from passing costs on to employees, more employers now are looking at cost-shifting to save money and avoid layoffs.

Escalating prescription drug costs continue to be the main factor behind cost increases for 2002, experts say. They note, however, that medical service costs—including those for inpatient and outpatient hospital services—also are on the rise and, in some cases, are outpacing drug cost increases. The medical cost increases can be attributed in part to health care providers' successful efforts to negotiate higher reimbursement rates with managed care plans. At the same time, a relaxation of managed care cost controls has led to

higher utilization, which also is contributing to the overall cost increase.

Health plan rates overall are increasing, on average, by 13% to 15% for the 2002 plan year, according to benefit consultants that have recently surveyed clients. Such increases are about two percentage points higher than the average rate hikes imposed this year and will make 2002 the third straight year of double-digit increases for many employers.

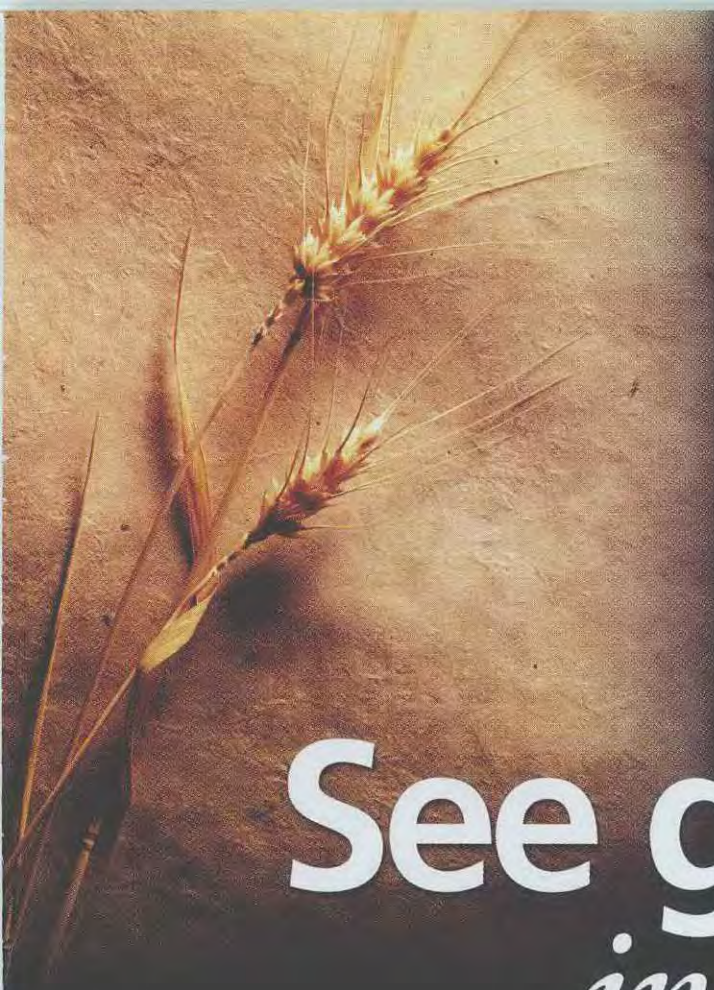
Rates will increase even further for employers in 2002, according to Watson Wyatt Worldwide, which estimates employers now face health care premium increases in excess of 15% in 2002 due to the economic recession and claims associated with the Sept. 11 terrorist attacks (BI, Dec. 3).

"Everything is working against employers," said Mark White, senior consultant for Watson Wyatt in Washington.

Prescription drugs continue to be the biggest driver of health care cost increases, experts say.

Mary Case, a principal in

See COSTS/page 14



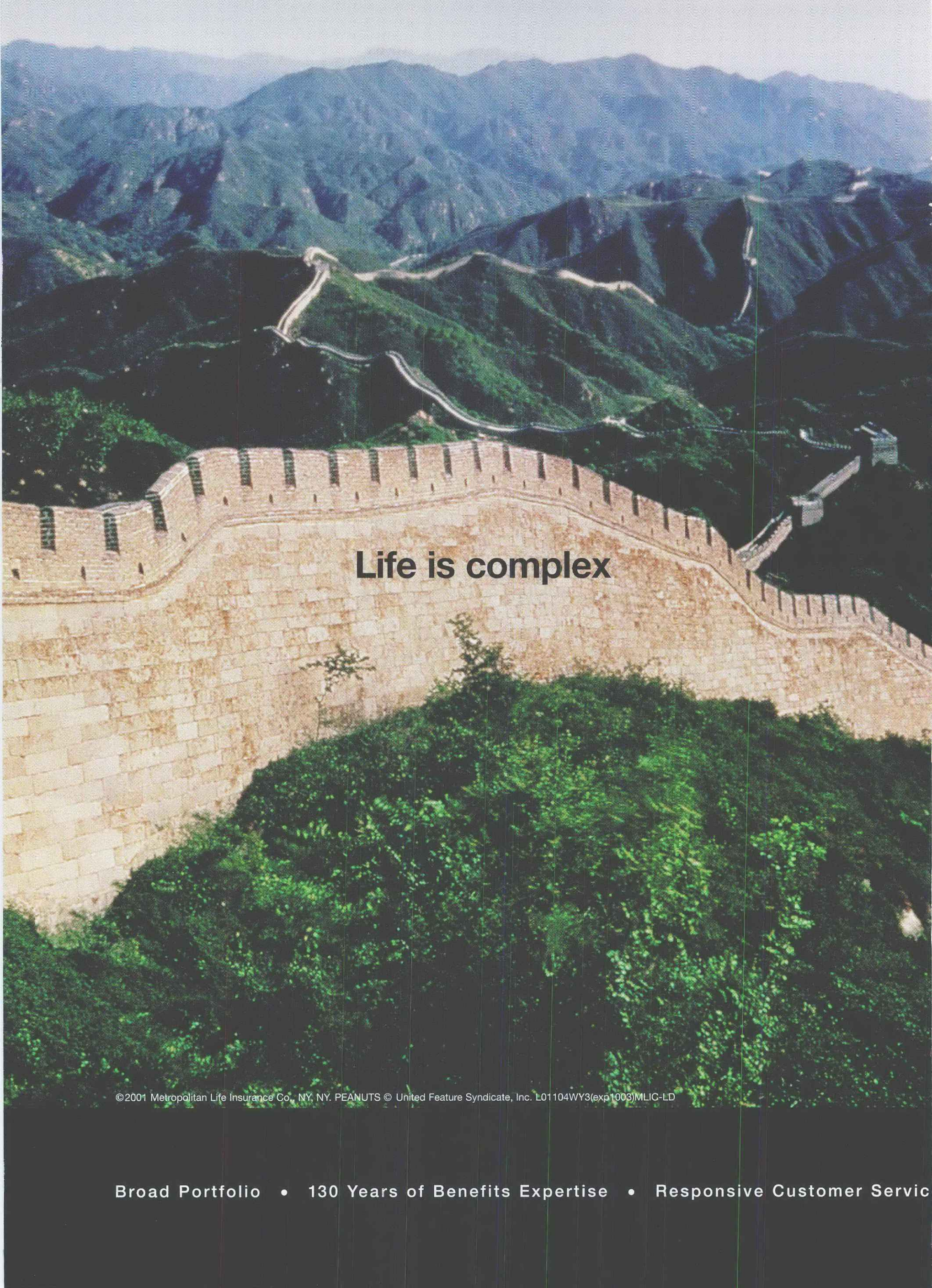
See gold *in bales of straw*

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An aerial photograph of the Great Wall of China, showing its iconic crenelated top and stone construction. The wall snakes across lush green mountain ridges, disappearing into the distance. The foreground shows a steep, grassy slope. The overall scene is majestic and evokes a sense of complexity and scale.

Life is complex

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A black and white photograph of a child sitting on a sandy beach, building a sandcastle. The child is seen from the back, with their hair and shirt visible. They are using their hands to shape the sand. To the left, there are some beach toys, including a red bucket and a shovel. The sandcastle is in the foreground, and the ocean is visible in the background.

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Costs: Health care inflation increases for 2002

Continued from page 10

New York at Unifi Network, a division of PricewaterhouseCoopers L.L.P., said she is seeing a minimum 20% prescription drug cost increase for employers in 2002. Ms. Case attributed this to the same factors that have driven increases for several years—new drugs, heavy advertising and higher utilization.

Even though patents have expired for some drugs—including the popular antidepressant Prozac—that will not provide much savings for employers, because new, costly drugs continue to emerge,

consultants note.

And drug cost increases are likely to continue, experts say.

"I would have hoped (prescription drug costs) would have slowed down, but they're still growing at a very rapid pace, and I haven't seen anything that causes me to believe it's going to stop," said Gene Householter, senior vp in the large group division of Blue Cross of California in Woodland Hills.

Employers also are being hit as providers obtain big increases in their reimbursement rates with health plans, which pass those costs

on to employers.

"Hospital costs, in particular, are increasing at a higher rate than other cost components," said Ralph Kimmich, director of benefits and compensation for Southwest Airlines in Dallas. While Mr. Kimmich is still forecasting the airline's self-insured health care costs for 2002, he said he expects a 12% to 13% rise.

At the same time, the relaxation of utilization review and medical management practices among managed care plans has led to increased use of health care services, consul-

ants say.

Paul B. Ginsburg, president of the Center for Studying Health System Change in Washington, noted that much of this change in recent years has stemmed from employers telling their plan providers that they want less restrictive products.

"One of the reasons for loosening of managed care—and the consequent greater leverage for providers—was that cost containment has not been a high priority for employers in the last few years," he said. "This was a reflection, until recently, of their strong profitability

and the fact that labor markets were so tight. Now, with the recession...it is setting the stage for a change in strategy on the part of employers," he said.

For the most part, changes in plan design are taking the form of higher coinsurance and copayments. But more employers also are looking to increase employee premium contributions.

"That's a pretty big shift from a couple of years ago, when the labor market was tight and employers were focused on attracting and retaining employees," Watson Wyatt's Mr. White said. "Now, with all the layoffs and expense-control directives, if an employer can save money by increasing contribution levels, it may be able to hold on to more people on staff."

According to Watson Wyatt's most recent health care cost survey, 56% of the 200 employers surveyed said that employee contributions will increase with or exceed the medical trend rate, or premium increase, in 2002.

But not all employers are willing to go so far.

'I would have hoped (prescription drug costs) would have slowed down, but they're still growing at a very rapid pace.'

*Gene Householter
Blue Cross of California*

"We're going to try not to do that....It's just bad (public relations) to employees," said Iris Owen, assistant vp-risk management for Pizza Inn Inc. in Dallas, referring to increasing contribution levels. She noted, however, that Pizza Inn received a 39% rate increase from its health insurer for the 2001 plan year, so she switched to a new plan. The new plan led to a 20% increase, and the company was able to negotiate an 8.5% increase for 2002.

Cost-shifting is most pronounced in prescription drug plans.

Employers that have not already implemented multitiered copayment drug programs, to encourage the use of generics and less expensive brand-name drugs, are doing so now, experts say. And, employers that have implemented such programs are redesigning those plans.

Joe Marlow, senior vp in the health and welfare practice of Aon Consulting Inc. in Philadelphia, said that "an increasing number of clients" are adding a fourth tier for lifestyle drugs that are viewed as medically unnecessary. Under these plans, some employers are requiring employees to cover as much as 50% of the cost, he said.

Jim Barone, vp-sales and marketing for Anthem Blue Cross & Blue Shield in Denver, said that the health plan is offering a new four-tiered drug program for injectable drugs. Under the program, members using such drugs pay a 30% copayment with an out-of-pocket limit.

These plans offer "a greater sensitivity about the costs of some of the treatment patterns," he said.

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Defined: Interest growing in consumer-driven plans

Continued from page 10

in which an employer allocates to employees sums of money that are held in medical spending accounts and used to pay out-of-pocket health care costs. Money remaining in an employee's account at the end of the year can be rolled over to the next year.

The plans also provide high-deductible indemnity coverage and sometimes cover preventive health care services at 100%. Some versions also include a flexible spending account into which employees can deposit pretax funds to pay for

uncovered medical expenses. But, under current tax law, any money remaining in the flexible spending account is forfeited at year end.

- Design-your-own plans, in which an employer gives employees a basic plan for a preset dollar amount and then offers employees the option to "buy up" the coverage using their own money. In some cases, employees can even build their own health care provider networks.

- Qualified vouchers, in which an employer gives employees money they must use to purchase cover-

age in the individual market.

The contribution is not taxable income to the employee as long as it is used to purchase health insurance.

- Discretionary vouchers, in which an employer gives employees money they can use any way they want. Under these programs, the contribution is taxable income to the employee.

By far the most popular type of defined contribution health plan today is the consumer-driven, or self-directed, plan, which Minneapolis-based Definity Health be-

gan aggressively marketing less than two years ago.

Definity now has 17 employer clients, and last month it obtained the endorsement of the San Francisco-based Pacific Business Group on Health, which has 44 employer members.

Definity's direct competitor in the consumer-driven plan business, Lumenos Inc., has a handful of large employer clients including Novartis Corp., Pitney Bowes Inc. and Pharmacia Corp., as well as 100 or so smaller companies, according to Doug Kronenberg, chief strategy

officer of Alexandria, Va.-based Lumenos.

Aetna Inc. unveiled its consumer-driven health care plan, called Aetna HealthFund, in September.

"I'm amazed at how much interest there's been," said Russ Fisher, senior vp-national accounts for Aetna in Hartford, Conn. "We're seeing a lot of quotation activity for 2003."

United HealthCare is piloting yet another version at Xerox, spokespersons for both companies confirmed.

"If there are stages in the early adopter phase, I think we're past the first one," said Bill Maloney, a principal at William M. Mercer Inc. in Phoenix.

The next phase, which will bring what Mr. Maloney calls "transparency of pricing" by showing employees what doctors and hospitals actually charge and what prescription drugs really cost, is already emerging in the form of the design-your-own plan.

Humana Inc. recently launched such a plan, called Emphasis, said Dr. Jack Lord, Humana's chief innovations officer in Louisville, Ky. Using new technology, employees assemble customized health plans based on individual preferences, such as whether they prefer copayments or a deductible with coinsurance, and whether they want coverage for preventive health care and alternative medicine. Plan members then use a computer application to calculate how their choices will affect their monthly premium contributions.

'I'm amazed at how much interest there's been. We're seeing a lot of quotation activity for 2003.'

Russ Fisher
Aetna Inc.

"Product design has been boring in the past, where maybe we change the copayment or the deductible. It's an entirely new ball game now," Dr. Lord said.

While Humana may be the latest to embrace this concept, it isn't the first. Minneapolis-based Vivius Inc. is using the Internet, in conjunction with other technology, to enable employees to create their own preferred provider networks, computing premiums based on the fees charged by each doctor or hospital participating in these customized PPOs.

Voucher plans have not generated much employer interest, though.

"We can't move to a total voucher system overnight," because the market for individual coverage is insufficient to support it, explained Carolyn Pare, chief executive officer of the Buyers Health Care Action Group, an employer coalition in Bloomington, Minn.

But, "over time, we can move into a more defined contribution state, if we facilitate the move toward it and create a more-free market," Ms. Pare said.



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Consultants: Rising costs, falling economy hit firms

Continued from page 10

enues from claims administration and compensation consulting are excluded.

New York-based Mercer again is the world's largest benefit consultant, with estimated 2001 revenues of \$1.47 billion, a 6% increase. Optimism when the year started quickly faded, though, and Mercer was forced to lay off about 150 employees in May.

"The economy deteriorated far beyond what we could possibly have imagined," said Timothy Lynch, Mercer's vice chairman in

New York.

Hewitt Associates L.L.C. remained No. 2, with revenues up 13% to \$1.30 billion. With continued growth in outsourcing, Lincolnshire, Ill.-based Hewitt is closing the revenue gap between it and Mercer.

Revenue growth was surprisingly strong, "particularly with the economic environment in the U.S. and other markets where we operate," said Dale Gifford, Hewitt's chief executive.

In third place is Towers Perrin, with revenues of \$1.04 billion, up

8.6% from 2000. New York-based Towers Perrin saw growth pick up from last year because of additional consulting with employers about their rising health care costs, said James Foreman, managing director-global health and welfare for Towers Perrin in Stamford, Conn.

At No. 4 is PricewaterhouseCoopers L.L.P. Global HR Solutions. The New York-based consultant, which includes Unifi Network, had revenues of \$940 million, up 6.2% but below its recent growth rates. This slowdown was mainly due to uncertainty over Unifi's fate.

"It's a difficult year when our people are concerned with what is happening and where we are going next," said Reed Keller, Unifi's chief executive in Atlanta. That uncertainty ended last month when PwC agreed to sell Unifi, which had about \$350 million in revenue this year, to Buck parent Mellon Financial Corp. for \$275 million (BI, Dec. 3).

Washington-based Watson Wyatt Worldwide regained the fifth position with revenues of \$803 million, up 11.5% from last year. After a strong start, growth slowed consid-

erably, with the second quarter virtually flat, said John Haley, Watson Wyatt's president and CEO.

Aon Consulting Worldwide dropped one spot to No. 6, with revenue of \$790 million.

Aon overcame the devastation of its New York office in the Sept. 11 terrorist attacks and the deaths of 17 consulting employees to post a 9% increase in revenue over 2000, said Michael Gulotta, chairman of Aon Consulting North America Employee Benefits & Compensation Consulting in Somerset, N.J.

New York-based Buck regained the seventh position, moving up one spot. Buoyed by a number of acquisitions, Buck had the fastest growth rate—21.3%—of the top 10, with revenues climbing to \$489 million.

Organic growth was also strong this year, said Joseph LoCicero, Buck's chairman and CEO. "Our communication practice is booming," he said. The revenue figure does not include the acquisition of Unifi, which has not yet closed. Counting Unifi's revenues on a pro

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'Some of the grandish, strategic kinds of work—which are important and are connected to companies' futures and their business—have been deferred or slowed down, because companies are looking more at what they can do now to fix things.'

*Howard Fluhr
The Segal Co.*

forma basis, Buck would have total revenues of about \$830 million, placing it fourth in this year's rankings.

Dropping one spot to No. 8 is New York-based Deloitte & Touche, with revenues of \$462 million, up 12.2%. Deloitte was hit hard by a slowdown in merger and acquisition projects, Mr. Aijala said.

Holding the ninth position is Ernst & Young L.L.P.-Human Resource Services, with revenue of \$270 million, up 3.8%.

Joining this year's list at No. 10 is Milliman USA Inc. The Seattle-based firm posted revenues of \$190 million, up 11.8% from 2000. Milliman edged out Arthur Andersen L.L.P.-Human Capital, whose revenues fell sharply.

The economic slowdown has changed the nature of consulting this year. Also, rising health care costs and the declining value of retirement funds have forced employers to focus their budgets on resolving these issues.

"Some of the grandish, strategic kinds of work—which are important and are connected to companies' futures and their business—have been deferred or slowed down, because companies are looking more at what they can do now to fix things," said Howard Fluhr, pres-

See CONSULTANTS/page 22

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TOP 10 U.S. BENEFIT CONSULTANTS

Based on U.S. benefit consulting revenues (in millions)

Company	Revenues
Hewitt Associates L.L.C. ¹	\$1,224.8
Towers Perrin	797.9
William M. Mercer Cos. L.L.C.	747.8
PricewaterhouseCoopers L.L.P., Global HR Solutions ²	629.8
Aon Consulting Worldwide ³	513.5
Watson Wyatt Worldwide ⁴	481.8
Buck Consultants Inc.	405.9
Deloitte & Touche - Human Capital Advisory Services	281.8
Ernst & Young L.L.P. - Human Resource Services	162.0
The Segal Co.	128.3
Total	\$5,373.5

¹ Fiscal year ending Sept. 30. ² Fiscal year ending June 30 for 2001; fiscal year ending Sept. 30 for 2000. ³ *BI* estimate. ⁴ Fiscal year ending June 30.

SOURCE: *BI* SURVEY

Consultants: Costs, economy felt

Continued from page 20

ident and CEO of The Segal Co. in New York, one of the largest benefit consulting firms by U.S. revenues.

Projects not deemed absolutely necessary are being cut, Unifi's Mr. Keller said. Employers "will spend a dollar to save two next month," he said.

Benefit consulting often increases when employers face challenges.

"Times of change are probably the things that benefit us the most," Mercer's Mr. McCaw said.

Consultants have seen a growing demand for help in reining in

health care spending. "Costs keep escalating, and every organization in America now is looking closely at expenses," Buck's Mr. LoCicero said.

Health care expenditures for many employers increased in 2001 by double digits for the second year in a row, with costs expected to rise even faster next year.

Meanwhile, the drop in stock prices has cut the value of pension assets. Simultaneously, the decrease in interest rates has raised the future liabilities of the plans, thereby requiring sponsors to put more mon-

ey into their plans, explained Deloitte's Mr. Ajjala.

"For some employers, who have been on contribution holidays for considerable periods of time, all of a sudden they are no longer on those kind of holidays," Mercer's Mr. Lynch said.

"Our clients have been seeking a great amount of financial analysis from us," said Steven Kerstein, managing director-global retirement for Towers Perrin in Stamford.

The year also saw increased interest in a consumer-driven approach to health care.

"A lot more people are looking at that far more seriously than a year ago," said Roger Vaughn, president-U.S. employee benefits at Aon Consulting in Winston-Salem, N.C.

But many consultants still expressed doubts about a consumer-driven model's ability to control costs or deliver care in a way that employees want.

"As far as it being a solution to controlling the costs of medical care, I don't see it," Mr. Fluhr said.

Mr. Foreman is another skeptic. "You can't take your entire population and dump them into that model. You're kidding yourself," he added.

Outsourcing has also been growing this year. Reduced corporate profits are putting pressure on human resource and benefit departments "to lower their costs and improve their services," Mr. Keller said.

"Our clients are reaching out to us to be more than just actuaries, be more than just health care consultants, but to be broader-based consultants in the full area of human resources," Mr. LoCicero said.

Despite this year's slump, consultants agree that the future still looks bright. The current recession will end and, because of a shrinking worker pool, employers will have to devote more time and energy to keeping and attracting employees, requiring more of their services, consultants said.

"The people in an organization, the human capital, that's more important than it has ever been in history," Mr. Haley said. "And it will be more important in the future than today."

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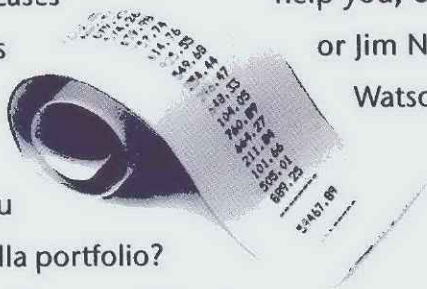
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www.amgusa.com

Benefit consulting since: 1982.
Benefit consulting services: 90% of revenues.
Nonbenefit consulting services: 10% of revenues.
Staff: 120 benefit consulting employees; 30 professionals.

Clients: 250 total: 65% corporations, 5% multiemployer plans, 30% nonprofit organizations.

Compensation: by the project.

Gross revenues: \$18 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$18 million from worldwide benefit consulting in 2000, all from U.S. locations; \$20 million estimated from total worldwide revenues in 2001, \$20 million from total worldwide revenues in 2000.

Officers: John Salajka, CEO; Dave Goldenberg, CFO; Mark Tucker, director.

Contact: Mark Tucker; mtucker@amgusa.com.

Aon Consulting Worldwide

200 E. Randolph St.,
Chicago, Ill. 60601;
800-438-6487; fax: 312-381-0240
www.aon.com

Benefit consulting since: 1934.
Parent: Aon Corp.

Benefit consulting services: 83% of revenues: 42% retirement plan consulting; 37% welfare plan consulting; 4% benefit communication consulting.

Nonbenefit consulting services: 17% of revenues.

Locations: 80 U.S.; 68 non-U.S.

Staff: 5,900 benefit consulting employees; 4,400 professionals.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$790 million estimated from worldwide benefit consulting in 2001*, 65% from U.S. locations; \$725 million from worldwide benefit consulting in 2000, 63% from U.S. locations; \$897 million estimated from total worldwide revenues in 2001*, 69% from U.S. locations; \$770 million from total worldwide revenues in 2000, 63% from U.S. locations.

Officers: Donald C. Ingram, chairman/CEO-Aon Consulting Worldwide; Michael J. Gulotta, chairman-Aon Consulting North America Employee Benefits and Compensation Consulting; Ron Amy, chairman-Aon Consulting Ltd.-U.K.

Contact: Tom Ference, senior vp.

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Benefit consulting since: 1975.
Parent: Arthur Andersen L.L.P.

Benefit consulting services: 60% of revenues: 40% retirement plan consulting; 15% welfare plan consulting; 5% benefit communication consulting.

Nonbenefit consulting services: 40% of revenues.

Locations: 37 U.S.; 78 non-U.S.

Staff: 850 benefit consulting employees; 725 professionals.

Clients: 4,900 total: 80% corporations, 5% multiemployer plans, 5% government, 10% law firms, third-party intermediaries.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$168 million estimated from worldwide benefit consulting in 2001, 46% from U.S. locations; \$204 million from worldwide benefit consulting in 2000, 47% from U.S. locations; \$420 million estimated from total worldwide revenues in 2001, 44% from U.S. locations; \$339 million from total worldwide revenues in 2000, 40% from U.S. locations.

Officers: Bruce Benesh, Duncan Harwood, Scott Blackard, partners.

Contact: Bruce Meyer, director-marketing-Human Capital Services.

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www.benecomassociates.com

Benefit consulting since: 1992.
Benefit consulting services: 100% of revenues: 100% benefit communication consulting.

Locations: Fayetteville, Ga.

Staff: 8 benefit consulting employees; 3 professionals.

Clients: 134 total: 98% corporations, 2% government.

Compensation: by the project.

Gross revenues: \$2.6 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$2.2 million from worldwide benefit consulting in 2000, all from U.S. locations.

Officers: Kay M. Griffin, William E. Griffin, principals.

Contact: William E. Griffin; wgriffin@benecomllc.com.

Benefit Dynamics Inc.

8 Ranoldo Terrace, Suite 200,
Cherry Hill, N.J. 08034;
856-616-1400; fax: 856-161-1401
www.benefitdynamics.com

Benefit consulting since: 1975.
Benefit consulting services: 99% of revenues: 46% retirement plan consulting; 35% welfare plan consulting; 18% benefit communication consulting.

Nonbenefit consulting services: 1% of revenues.

Staff: 15 benefit consulting employees; 7 professionals.

Clients: 2,900 total: 87% corporations, 1% multiemployer plans, 6% multiemployer welfare arrangements, 6% individuals.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$1.85 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$1.9 million from worldwide benefit consulting in 2000, all from U.S. locations; \$1.9 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$1.92 million from total worldwide revenues in 2000, all from U.S. locations.

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

Contact: Mark Moran, vp-sales; benefit@benefitdynamics.com.

Benefit Solutions Inc.

Vanderbilt Drive,
Sands Point, N.Y. 11050;
516-944-7736; fax: 516-944-0024

Benefit consulting since: 1980.
Benefit consulting services: 100% of revenues: 20% retirement plan consulting; 80% welfare plan consulting.

Staff: 11 benefit consulting employees; 7 professionals.

Clients: 125 total: 95% corporations, 3% individuals, 2% government.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$1.25 million estimated from worldwide benefit consulting in 2001, 95% from U.S. locations; \$895,000 from worldwide benefit consulting in 2000, 94% from U.S. locations.

Officers: Louise V. Klimuszko, president; Warren A. Sackman III, senior consultant.

Contact: James W. Barber, consultant.

T.E. Brennan Co.

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Benefit consulting since: 1985.
Benefit consulting services: 25% of revenues: 2% retirement plan consulting; 18% welfare plan consulting; 5% benefit communication consulting.

Nonbenefit consulting services: 75% of revenues.

Locations: Madison, Wis.

Staff: 7 benefit consulting employees; 5 professionals.

Clients: 52 total: 48% corporations, 32% government, 20% nonprofit organizations and associations.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$650,000 estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$570,250 from worldwide benefit consulting in 2000, all from U.S. locations; \$1.9 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$1.43 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Arvid R. Tillmar, chairman/CEO; Allan J. Klotzsche, president/COO.

Contact: Arvid R. Tillmar.

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www.bcitpa.com

Benefit consulting since: 1977.
Benefit consulting services: 44% of revenues: 30% welfare plan consulting; 14% benefit communication consulting.

Nonbenefit consulting services: 56% of revenues.

Locations: Madison, Conn.; Dover, Del.; Deerfield, Fla.; Waltham, Mass.; Red Bank, N.J.; Philadelphia and Warminster, Pa.

Clients: 5,083 total: 82% corporations, 5% multiemployer plans, 2% multiemployer welfare arrangements, 5% individuals, 6% government.

Compensation: by the project, commissions, by the

Continued on next page



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Utilization Management
Effective 5/29/01-5/29/03



202.216.9010 • www.urac.org
Health Utilization Management
July 1993

Continued from previous page

hour.
Gross revenues: \$31.9 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$28.5 million from worldwide benefit consulting in 2000, all from U.S. locations; \$72.5 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$66 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Arnold Katz, president; Aaron Singer, director-finance; Mike Shine, director-operations.
Contact: Arnold Katz; 610-491-4802; arnold.katz@bcitpa.com.

Buck Consultants Inc.

1 Pennsylvania Plaza,
 New York, N.Y. 10119-4798;
 212-330-1000; fax: 212-695-4184
 www.buckconsultants.com
Benefit consulting since: 1916.
Parent: Mellon Financial Corp.
Benefit consulting services: 97% of revenues.
Nonbenefit consulting services: 3% of revenues.
Locations: 29 U.S.; 26 non-U.S.
Staff: 2,926 benefit consulting employees; 2,487 professionals.
Clients: 5,000* total; 80% corporations, 20% non-profit organizations, governments and multi/multiple

employer plans.

Compensation: by the project, commissions, by the hour.

Gross revenues: \$489 million estimated from worldwide benefit consulting in 2001, 83% from U.S. locations; \$403 million from worldwide benefit consulting in 2000, 80% from U.S. locations; \$508 million estimated from total worldwide revenues in 2001, 83% from U.S. locations; \$416 million from total worldwide revenues in 2000, 80% from U.S. locations.

Officers: Joseph A. LoCicero, chairman/CEO; Bill Williams, CFO; Thomas A. Fessler, secretary.
Contact: Jacqueline Rivera, marketing coordinator; 212-330-1152; jrivera@buckconsultants.com.
 *Estimated.

C

CBIZ Benefits & Insurance Services Inc.

6480 Rockside Woods Blvd. S., Suite 330,
 Cleveland, Ohio 44131;
 216-447-9000; fax: 216-447-9007
 www.cbiz.com

Benefit consulting since: 1996.
Parent: Century Business Services.
Benefit consulting services: 23% of revenues; 20% retirement plan consulting; 2% welfare plan consult-

ing; 1% benefit communication consulting.

Nonbenefit consulting services: 77% of revenues.
Locations: 51 offices nationwide.

Staff: 1,200 benefit consulting employees; 200 professionals.

Clients: 75% corporations, 1% multiemployer plans, 1% multiemployer welfare arrangements, 29% individuals, 3% government.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$35 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$33.5 million from worldwide benefit consulting in 2000, all from U.S. locations; \$150 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$177.34 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Steven L. Gerard, CEO-Century Business Services; Ware H. Grove, CFO-Century Business Services; Robert A. O'Byrne, senior vp-benefit and insurance services-Century Business Services.
Contact: Lisa Russ, marketing manager.

Chicago Consulting Actuaries L.L.C.

216 S. Jefferson St., Suite 600,
 Chicago, Ill. 60661;
 312-454-3222; fax: 312-454-1213
 www.chicagoconsultingactuaries.com

Benefit consulting since: 1991.

Benefit consulting services: 100% of revenues; 80% retirement plan consulting; 15% welfare plan consulting; 5% benefit communication consulting.

Locations: San Francisco; Denver; Dallas.
Staff: 67 benefit consulting employees; 28 professionals.

Clients: 110 total; 100% corporations.

Compensation: by the project, by the hour.

Gross revenues: \$14.1 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$11.5 million from worldwide benefit consulting in 2000, all from U.S. locations.

Officers: Tom Terry, president; Jim Peard, Jeff Stevenson, principals.

Contact: Kristin Hofrichter, marketing consultant.

Cowden & Associates

1100 One Gateway Center,
 Pittsburgh, Pa. 15222;
 888-889-5432; fax: 412-394-9324
 www.hrbs.com

Benefit consulting since: 1979.

Benefit consulting services: 95% of revenues; 40% retirement plan consulting; 45% welfare plan consulting; 10% benefit communication consulting.

Nonbenefit consulting services: 10% of revenues.
Locations: Fort Myers, Fla.
Staff: 20 benefit consulting employees; 18 profes-

sionals.

Clients: 100 total; 35% corporations, 35% multiemployer plans, 10% multiemployer welfare arrangements, 20% government.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$2.3 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$2 million from worldwide benefit consulting in 2000, all from U.S. locations; \$2.6 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$2.2 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Jane L. Cowden, CEO; Marie W. Mc Gee, vp.

Contact: Jane L. Cowden; jcowden@hrbs.com.

Frank Crystal Benefits

40 Broad St.,
 New York, N.Y. 10004;
 212-504-5851; fax: 212-269-6612
 www.fcrystal.com

Benefit consulting since: 1982.

Parent: Frank Crystal & Co. Inc.

Benefit consulting services: 90% of revenues; 2% retirement plan consulting; 86% welfare plan consulting; 2% benefit communication consulting.

Nonbenefit consulting services: 10% of revenues.
Locations: San Francisco; Fort Lauderdale, Fla.; Houston.

Staff: 36 benefit consulting employees; 31 professionals.

Clients: 500 total; 95% corporations, 5% individuals.
Compensation: by the project, commissions.

Gross revenues: \$9 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$7.3 million from worldwide benefit consulting in 2000, all from U.S. locations; \$10 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$8 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: James W. Crystal, chairman/CEO; Mark E. Freitas, president/COO; Vincent Gandolfo Jr., senior managing director.

Contact: Vincent Gandolfo Jr.; gandolfov@fcrystal.com.

Continued on page 26

Directory terms explained

The annual Directory of Employee Benefit Consultants is compiled from companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, companies must generate at least \$500,000 of their gross revenues from benefit consulting to participate. Companies that did not report estimated 2001 gross revenues from benefit consulting were not included.

BI defines benefit consulting as providing advice on benefit issues on a fee-for-service basis. Benefit consulting does not include health care and other claims administration, compensation consulting, general consulting unrelated to benefits, or brokering insurance.

Listings are organized by company. Each begins with the company's address, phone/fax numbers and Web site address, if provided. Year benefit consulting began follows, along with parent company.

The services section lists the percentage of gross revenues the company derives from benefit consulting. This figure is broken down into the percentage of gross revenues generated from retirement/savings plan consulting, welfare plan consulting and employee benefit communications consulting. The percentage of gross revenues generated from nonbenefit consulting services is also provided.

Listed next are the locations of U.S. and non-U.S. offices conducting benefit consulting. Staff information includes the number of employees assigned to benefit consulting and the number of professional staff members.

Methods of billing for services are provided under compensation. Information on gross revenues follows, including estimated 2001 benefit consulting revenues, estimated 2001 worldwide gross revenues, 2000 worldwide gross revenues, as well as the percentage of revenues generated from U.S. offices.

Names and titles of principal officers and the name of a contact person complete each listing.

Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information provided.

If your company would like to be included in next year's directory of employee benefit consultants, please contact the *BI* directory department by phone at 312-649-5279 or by e-mail at bidirectory@craim.com.

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STRONG POINTS.

BUT IT SEEMS WE

HAVE A KNACK

FOR QUANTITY AS WELL.

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PHCS PRIVATE HEALTHCARE SYSTEMSSM

Deloitte & Touche - Human Capital Advisory Services

10 Westport Road,
Wilton, Conn. 06897-0820;
888-361-9960; fax: 212-688-5330
www.deloitte.com

Benefit consulting since: 1978.
Parent: Deloitte & Touche L.L.P.
Benefit consulting services: 37% of revenues: 24% retirement plan consulting; 9% welfare plan consulting; 4% benefit communication consulting.

Nonbenefit consulting services: 63% of revenues.
Locations: 25 U.S.; 23 non-U.S.
Staff: 2,900 benefit consulting employees; 2,636 professionals.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$462 million estimated from worldwide benefit consulting in 2001, 61% from U.S. locations; \$411.7 million from worldwide benefit consulting in 2000, 62% from U.S. locations; \$1.25 billion estimated from total worldwide revenues in 2001, 57% from U.S. locations; \$1.11 billion from total worldwide revenues in 2000, 57% from U.S. locations.

Officers: Ainar Ajala, global managing director; Susan Achenbach, associate national director; Richard

Berens, employee benefit service group leader.
Contact: Ruth Knumbaar, national marketing manager; 111 Broadway, Suite 2100, Oakland, Calif. 94607; humancapital@deloitte.com.

E

eBenX

605 N. Highway 169, Suite LL,
Minneapolis, Minn. 55441;
763-614-2000; fax: 763-614-6000
www.ebenx.com

Benefit consulting since: 1993.
Benefit consulting services: 14.5% of revenues: 14.5% welfare plan consulting.

Nonbenefit consulting services: 85.5% of revenues.
Locations: Orlando, Fla.; Atlanta; St. Louis; Seattle.
Staff: 30 benefit consulting employees; 27 professionals.

Clients: 25 total: 100% corporations.
Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$5.55 million* estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$5.83 million from worldwide benefit consulting in 2000, all from U.S. locations; \$32.3*million estimated from total worldwide revenues in 2001, all from

U.S. locations; \$29 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Mark Tierney, chairman; John Davis, president/CEO; Tom Kelly, CFO.
Contact: Don Birn; don.birn@ebenx.com.
BI estimate.

The Epler Co.

450 B St., Suite 730,
San Diego, Calif. 92101;
619-239-0831; fax: 619-739-0807
www.eplercompany.com

Benefit consulting since: 1971.
Benefit consulting services: 78% of revenues: 63% retirement plan consulting; 10% welfare plan consulting; 5% benefit communication consulting.

Nonbenefit consulting services: 22% of revenues.
Locations: Newport Beach, Calif.
Staff: 15 benefit consulting employees; 12 professionals.

Clients: 54 total: 70% corporations, 30% government.

Compensation: by the project, by the hour.

Gross revenues: \$1.33 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$1.25 million from worldwide benefit consulting in 2000, all from U.S. locations; \$1.63 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$1.57 million from total worldwide revenues in

2000, all from U.S. locations.

Officers: Jane Barry, president/CEO; Lin Ball, vp/senior consultant; Lou Filliger, vp/principal actuary.
Contact: consultants@eplercompany.com.

Ernst & Young L.L.P. - Human Resource Services/Global Employment Solutions

1225 Connecticut Ave. N.W.,
Washington, D.C. 20036;
202-327-6000; fax: 202-327-6714
www.ey.com

Benefit consulting since: 1987.
Benefit consulting services: 80% of revenues.
Nonbenefit consulting services: 20% of revenues.
Locations: 16 U.S.; 10 non-U.S.

Staff: 1,000 benefit consulting employees; 1,000 professionals.

Clients: 90% corporations, 10% individuals.
Compensation: by the project, on retainer, by the hour.

Gross revenues: \$270 million estimated from worldwide benefit consulting in 2001, 60% from U.S. locations; \$260 million from worldwide benefit consulting in 2000, 60% from U.S. locations; \$340 million estimated from total worldwide revenues in 2001, 60% from U.S. locations; \$295 million from total worldwide revenues in 2000, 60% from U.S. locations.

Officers: James N. Bosserman, national director-Americas - Human Resource Services/Global Employment Solutions Americas John E. Moyer, director-Americas-Human Resource Services/Global Employment Solutions consulting, David E. Jones, director-Global-Human Resource Services/Global Employment Solutions; Sylvia J. Pozarnsky, national director - personal financial counseling.

Contact: Barbara A. Faculjak.
*2001 fiscal year ending 6/30/01; 2000 fiscal year ending 9/30/00.

H

HCC Employee Benefits Inc.

5555 San Felipe, Suite 1100,
Houston, Texas 77056;
713-622-8930; fax: 713-622-6705
www.hccceb.com

Benefit consulting since: 1979.
Parent: HCC Insurance Holdings Inc.

Benefit consulting services: 10% of revenues: 7% retirement plan consulting; 3% welfare plan consulting.
Nonbenefit consulting services: 90% of revenues.

Locations: Atlanta.
Staff: 50 benefit consulting employees; 30 professionals.

Clients: 100 total: 98% corporations, 2% multiemployer plans.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$2 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$2 million from worldwide benefit consulting in 2000, all from U.S. locations; \$18 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$20 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Rob Schanen, CEO; Phil Peters, principal.
Contact: Phil Peters; ppeters@hccceb.com.

Health Insurance Specialists Inc.

30 W. Gude Drive, Suite 220,
Rockville, Md. 20855;
301-217-9100; fax: 301-217-9111
www.his-inc.com

Benefit consulting since: 1982.
Benefit consulting services: 90% of revenues: 15% retirement plan consulting; 65% welfare plan consulting; 10% benefit communication consulting.

Nonbenefit consulting services: 10% of revenues.
Locations: Washington; Arlington, Va.
Staff: 15 benefit consulting employees; 5 professionals.

Clients: 409 total: 62% corporations, 1% multiemployer plans, 30% multiemployer welfare arrangements, 6% individuals, 1% government.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$87 million estimated from worldwide benefit consulting in 2001, 95% from U.S. locations; \$90 million from worldwide benefit consulting in 2000, 95% from U.S. locations; \$95.7 million estimated from total worldwide revenues in 2001, 95% from U.S. locations; \$100 million from total worldwide revenues in 2000, 95% from U.S. locations.

Officers: Jon S. Belinkie, president; Eileen Drucker, vp; Brendan Ryan, secretary/treasurer.
Contact: Jon S. Belinkie; jbelinkie@his-inc.com.

Hewitt Associates L.L.C.

100 Half Day Road,
Lincolnshire, Ill. 60069;
847-295-5000; fax: 847-295-5000
www.hewitt.com

Benefit consulting since: 1940.
Benefit consulting services: 89% of revenues.
Nonbenefit consulting services: 11% of revenues.
Locations: 26 U.S.; 54 non-U.S.
Clients: 2,400 total.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$1.3 billion estimated from worldwide benefit consulting in 2001, 94% from U.S. locations; \$1.15 billion from worldwide benefit consulting in 2000, 93% from U.S. locations; \$1.47 billion estimated from total worldwide revenues in 2001, 92% from U.S. locations; \$1.28 billion from total worldwide revenues in 2000, 92% from U.S. locations.

Officers: Dale Gifford, chief executive; Dan DeCanniere, CFO; John Ryan, chief legal counsel.
*Fiscal years ending 09/30/01, and 09/30/00

John Hewitt & Associates Inc.

120 Exchange St.,
Portland, Maine 04101;
207-874-2261; fax: (207) 874-2265
www.jhaweb.com

Benefit consulting since: 1987.
Parent: Berkshire Hathaway Inc.
Benefit consulting services: 75% of revenues: 65% welfare plan consulting; 10% benefit communication consulting.

Nonbenefit consulting services: 25% of revenues.
Staff: 18 benefit consulting employees; 10 professionals.

Clients: 30 total: 60% corporations, 10% government, 30% agent/brokers.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$2.5 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$1.8 million from worldwide benefit consulting in 2000, all from U.S. locations; \$4 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$2.8 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Drew King, president; Kevin Riley, senior vp; Stacy Varney, vp-marketing and business development.

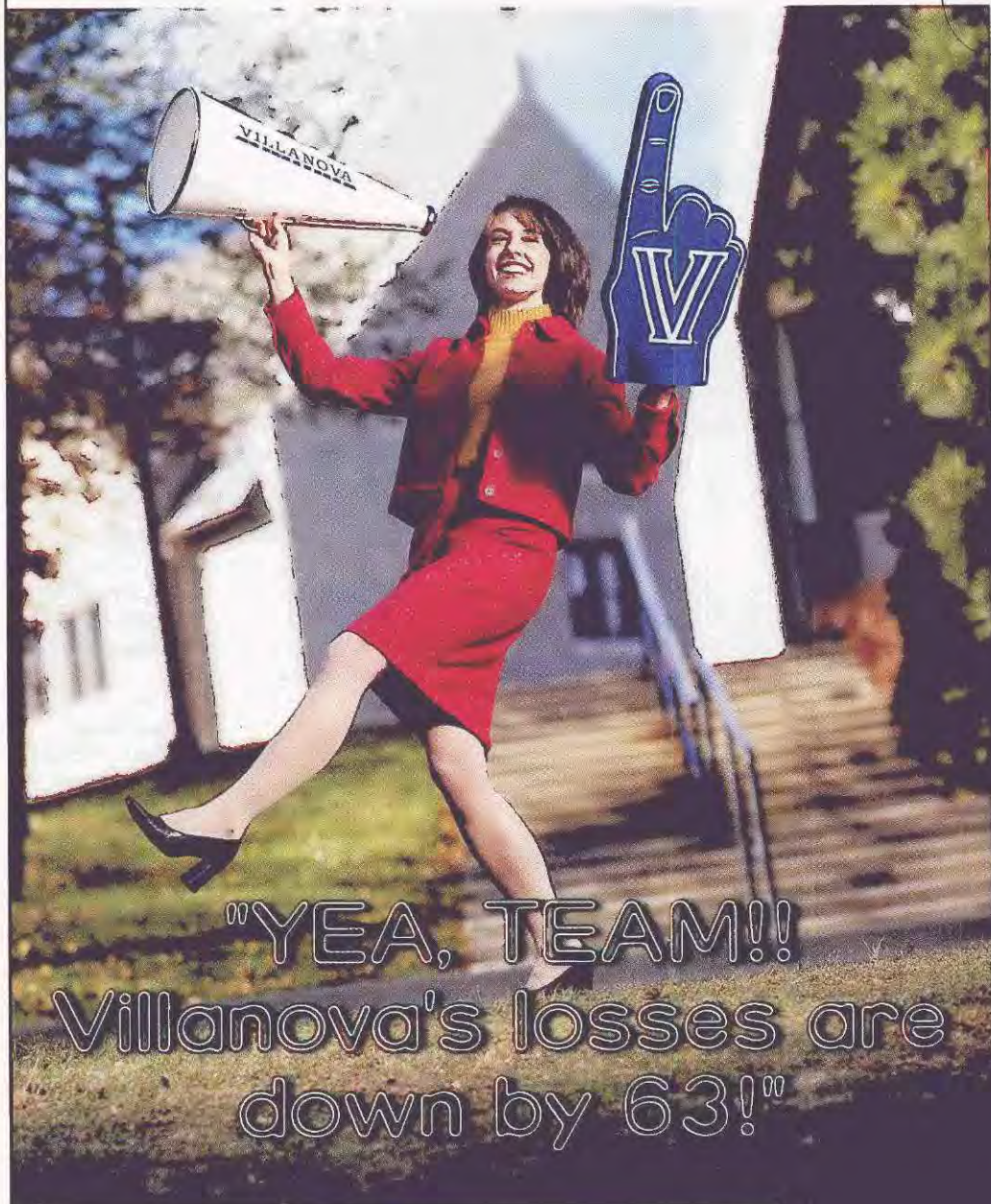
Contact: Stacy Varney, svarney@jhaweb.com.

Continued on next page

Directory terms are defined on page 25.

PMA Claims Service Manager
KIM LAUDERMILCH

Client:
VILLANOVA UNIVERSITY



It's one for the record books! In 1995, Villanova's workers' comp losses were way up. That's when PMA's Kim Laudermilch jumped in. Teaming up with Villanova's benefits administrators and their broker, Kim helped spark the rally. Injury patterns and risk factors were uncovered. Campus supervisors were coached. Modified duty and return-to-work options were put into play, along with an aggressive injury-prevention program. Today, the name of the game at Villanova is reduction in losses—63% to be exact. Does Kim get her own cheering section? No need. For real team players, reaching the goal together is all that counts.

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For more information, visit our website, www.pmagroup.com

Continued on page 42

Hobbs Group Employee Benefits Consulting Services

15 Broad St.,
Boston, Mass. 02109;
617-523-2600; fax: 617-682-4177
www.hobbsgroup.com

Benefit consulting since: 1984.
Parent: Hobbs Group L.L.C.

Benefit consulting services: 35.3% of revenues: 18.5% retirement plan consulting; 13.8% welfare plan consulting; 2% benefit communication consulting.

Nonbenefit consulting services: 64.7% of revenues.

Locations: Laguna Hills and San Diego, Calif.; Atlanta; Schaumburg, Ill.; Florham Park, N.J.

Staff: 80 benefit consulting employees; 24 professionals.

Clients: 900 total; 96.1% corporations, 3.9% individuals.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$37 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$27 million from worldwide benefit consulting in 2000, all from U.S. locations; \$105 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$88 million from total worldwide revenues in 2000, all from U.S. locations.

Officers: Brent Finnegan, executive director; Peter Marcia, Alan Breitman, managing directors.

Contact: Bob O'Brien, vp-marketing; Hobbs Group L.L.C., 3585 Engineering Drive, Suite 300, Norcross, Ga. 30092;
770-239-7943; robrien@hobbsgroup.com.

HUB International Benefits Consulting

55 E. Jackson Blvd.,
Chicago, Ill. 60604;
877-402-6601; fax: 877-402-6606
www.hubinternational.com

Benefit consulting since: 1972.
Parent: Fairfax International Ltd.

Benefit consulting services: 9% of revenues: 1.5% retirement plan consulting; 6% welfare plan consulting; 1.5% benefit communication consulting.

Nonbenefit consulting services: 91% of revenues.

Locations: Pasadena, Calif.; Westport, Conn.; Boston; Battle Creek, Mich.; Woodbury and New York, N.Y.; Dallas.

Staff: 100 benefit consulting employees; 67 professionals.

Clients: 150 total; 90% corporations, 5% multiemployer plans, 5% multiemployer welfare arrangements.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$16 million estimated from worldwide benefit consulting in 2001, 95% from U.S. locations; \$6.5 million from worldwide benefit consulting in 2000, 95% from U.S. locations; \$180 million estimated from total worldwide revenues in 2001, 95% from U.S. locations; \$96 million from total worldwide revenues in 2000, 90% from U.S. locations.

Officers: Martin P. Hughes, chairman/CEO; Richard A. Gulliver, president/COO; Bruce D. Guthart, president-U.S. operations.

Contact: Robert N. Munao, president/national practice leader; Kaye Benefits Consulting, 100 Sunnyside Blvd., Woodbury, N.Y. 11797; 516-677-4861; fax: 516-677-4895; rmunao@kayegroup.com.

In Plain English

P.O. Box 3300,
Gaithersburg, Md. 20885;
301-340-2821; fax: 301-279-0115
www.inplainenglish.com

Benefit consulting since: 1977.
Parent: R.H. Wohl & Associates Inc.

Benefit consulting services: 80% of revenues: 80% benefit communication consulting.

Nonbenefit consulting services: 20% of revenues.

Staff: 2 professionals.

Clients: 20 total; 60% corporations, 40% government.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$550,000 estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$525,000 from worldwide benefit consulting in 2000, all from U.S. locations; \$600,000 estimated from total worldwide revenues in 2001, all from U.S. locations; \$575,000 from total worldwide revenues in 2000, all from U.S. locations.

Contact: Ronald H. Wohl, president.

Insurance Partners Southwest Inc.

4131 North Central Expressway, Suite 500,
Dallas, Texas 75204;
214-443-2400; fax: 214-443-2424
www.ipsw.com

Benefit consulting since: 1992.
Parent: IPS Advisors.

Benefit consulting services: 100% of revenues: 10% retirement plan consulting; 70% welfare plan consulting; 20% benefit communication consulting.

Locations: Austin and Corpus Christi, Texas.

Staff: 35 benefit consulting employees; 15 professionals.

Clients: 125 total; 75% corporations, 25% government.

Compensation: by the project, on retainer, by the hour.

Gross revenues: \$2.5 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; 1.95 million from worldwide benefit consulting in 2000.

Officers: Randall R. Martell, Rodney D. Sager, Todd Lealy, principals.

Contact: Randall R. Martell; rmartell@ipsw.com.

The Kooper Group

770 Lexington Ave.,
New York, N.Y. 10021;
212-755-0800; fax: 212-755-0831
www.koopergroup.com

Benefit consulting services: 85% of revenues: 80% welfare plan consulting; 5% benefit communication consulting.

Nonbenefit consulting services: 15% of revenues.

Staff: 51 benefit consulting employees; 34 professionals.

Clients: 900 total; 100% corporations.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$13.6 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$11.9 million from worldwide benefit consulting in 2000, all from U.S. locations.

Officers: Michael Kooper, president.

Kushner & Co.

141 E. Michigan Ave., Suite 400,
Kalamazoo, Mich. 49007;
616-342-1700; fax: 616-342-1606

www.kushnerco.com

Benefit consulting since: 1982.

Benefit consulting services: 81.4% of revenues: 25% retirement plan consulting; 56.4% welfare plan consulting.

Nonbenefit consulting services: 18.6% of revenues.

Locations: Washington; Philadelphia.

Staff: 8 benefit consulting employees; 6 professionals.

Clients: 1,025 total; 88% corporations, 12% government.

Compensation: by the project, by the hour.

Gross revenues: \$1.1 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$780,000 from worldwide benefit consulting in 2000, all from U.S. locations; \$1.35 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$958,000 from total worldwide revenues in 2000, all from U.S. locations.

Officers: Gary Kushner, president; Benjamin Cohen, marketing; Joel Kushner, retirement.

Contact: Benjamin Cohen; info@kushnerco.com.

Legacy Enterprises

7400 Shoreline Drive,
Stockton, Calif. 95219;
800-232-3185; fax: 209-957-2055

Benefit consulting since: 1990.

Benefit consulting services: 80% of revenues.

Nonbenefit consulting services: 20% of revenues.

Staff: 2 benefit consulting employees; 2 professionals.

Compensation: by the project, commissions, on retainer, by the hour.

Gross revenues: \$800,000 estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$750,000 from worldwide benefit consulting in 2000, all from U.S. locations.

Officers: Charlynn Musick, president/CEO; Monica Harman, senior consultant; Diane Tondée, financial client services.

Contact: Charlynn Musick; Monica Harman, mharman@legacyconsult.com.

Lockton Benefit Group

444 W 47th St., Suite 600,
Kansas City, Mo. 64112-1919;
816-960-9001; fax: 816-960-9579
www.lockton.com

Benefit consulting since: 1987.

Parent: Lockton Cos. Inc.

Benefit consulting services: 100% of revenues: 4% retirement plan consulting; 90% welfare plan consulting; 6% benefit communication consulting.

Locations: Los Angeles; Denver; Chicago; St. Louis; Dallas.

Staff: 150 benefit consulting employees; 110 professionals.

Clients: 90% corporations, 4% multiemployer plans, 2% multiemployer welfare arrangements, 1% individuals, 3% government.

Compensation: by the project, commissions, on retainer.

Gross revenues: \$40 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$36.04 million from worldwide benefit consulting in 2000, all from U.S. locations.

Officers: Donald C. Brain Jr., president-Lockton Benefit Group; Sam Reda, president-Lockton Benefit Co.; Roger Lambourn, president-Lockton Dunning Benefit Co.

Contact: Donald C. Brain Jr.

William M. Mercer Cos. L.L.C.

1166 Ave. of the Americas,
New York, N.Y. 10036;
212-345-7000; fax: 212-345-0346
www.wmmercercos.com

Benefit consulting since: 1975.

Parent: Marsh & McLennan Cos. Inc.

Continued on page 42

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www.ifebp.org

International Foundation
EDUCATION • BENEFITS • COMPENSATION



Accomplish More.

Continued on page 42

Benefit consulting services: 65% of revenues; 46% retirement plan consulting; 15% welfare plan consulting; 4% benefit communication consulting.
Nonbenefit consulting services: 35% of revenues.
Locations: 40 U.S.; 96 non-U.S.
Staff: 11,347 benefit consulting employees; 8,510 professionals.
Clients: 90% corporations, 8% government, 2% nonprofit organizations, hospitals.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$1.47 billion estimated from worldwide benefit consulting in 2001, 51% from U.S. locations; \$1.38 billion from worldwide benefit consulting in 2000, 51% from U.S. locations; \$2.16 billion estimated from total worldwide revenues in 2001, 54% from U.S. locations; \$2.13 billion from total worldwide revenues in 2000, 54% from U.S. locations.
Officers: Peter Felton, chairman; Timothy Lynch, vice chairman; Peter Coster, president.
Contact: Virginia Decker, principal.

Milliman USA Inc.

1301 Fifth Ave.,
Seattle, Wash. 98101;
206-624-7940; fax: 206-340-1380
www.milliman.com
Benefit consulting since: 1947.
Benefit consulting services: 43% of revenues; 36% retirement plan consulting; 5% welfare plan consulting; 2% benefit communication consulting.
Nonbenefit consulting services: 57% of revenues.
Locations: 35 U.S.; 5 non-U.S.
Staff: 850 benefit consulting employees; 400 professionals.
Clients: 6,100 total: 65% corporations, 9% multi-employer plans, 5% multiemployer welfare arrangements, 1% individuals, 20% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$190 million estimated from worldwide benefit consulting in 2001, 60% from U.S. locations; \$170 million from worldwide benefit consulting in 2000, 60% from U.S. locations; \$410 million estimated from total worldwide revenues in 2001, 68% from U.S. locations; \$390 million from total worldwide revenues in 2000, 69% from U.S. locations.
Officers: Bradley Smith, chairman; Robert Collett, president/CEO; Patrick Grannan, president elect/COO.
Contact: Tom Custis; 262-784-2250; tom.custis@milliman.com.

The NIA Group L.L.C.

66 Route 17,
Paramus, N.J. 07652;
201-845-6600; fax: 201-845-4761
www.niagroup.com
Benefit consulting since: 1987.
Benefit consulting services: 88% of revenues; 25% retirement plan consulting; 60% welfare plan consulting; 3% benefit communication consulting.
Nonbenefit consulting services: 12% of revenues.
Locations: Hartford and Milford, Conn.; Miami Lakes and West Palm Beach, Fla.; Cape May, Cranford, Freehold, Marlton, Randolph, Somerset, Turnersville, N.J.; Monticello, New York and White Plains, N.Y.
Staff: 121 benefit consulting employees; 87 profes-

sionals.
Clients: 1,935 total: 95% corporations, 2% multi-employer welfare arrangements, 3% government.
Compensation: by the project, commissions, on retainer.
Gross revenues: \$12.05 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$9.92 million from worldwide benefit consulting in 2000, all from U.S. locations; \$13.7 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$11.28 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Steven Grossberg, president; Robert Feldman, executive vp; Roger Gross, COO.

Niis/APEX Group Holdings Inc.

125-310 Village Blvd.,
Princeton, N.J. 08540;
609-452-2488; fax: 609-452-2668
www.niis-apex.com
Benefit consulting since: 1988.
Benefit consulting services: 8% of revenues; 7% welfare plan consulting; 1% benefit communication consulting.
Nonbenefit consulting services: 92% of revenues.
Locations: Salem, Mass.
Staff: 13 benefit consulting employees; 12 professionals.
Clients: 22 total: 92% corporations, 1% multi-employer plans, 2% multiemployer welfare arrangements, 5% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$1.2 million estimated from worldwide benefit consulting in 2001, 99% from U.S. locations; \$800,000 from worldwide benefit consulting in 2000, 99% from U.S. locations; \$17 million estimated from total worldwide revenues in 2001, 99% from U.S. locations; \$14.9 million from total worldwide revenues in 2000, 99% from U.S. locations.
Officers: David W. Ives, CEO; Donato J. Gasparro, president-consulting group; David Wilson, president-ventures group; Norman C. Tardif, president-management group.
Contact: Donato J. Gasparro; dgasparro@niis-apex.com.

The James B. Oswald Co.

1360 E. Ninth St.,
Cleveland, Ohio 44144;
216-622-7400; fax: 216-241-4520
www.jamesoswald.com
Benefit consulting since: 1984.
Benefit consulting services: 100% of revenues; 20% retirement plan consulting; 70% welfare plan consulting; 10% benefit communication consulting.
Staff: 25 benefit consulting employees; 5 professionals.
Clients: 300 total: 95% corporations, 5% individuals.
Compensation: by the project, commissions.
Gross revenues: \$3.5 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$3 million from worldwide benefit consulting in 2000, all from U.S. locations.
Officers: Marc S. Byrnes, president/CEO; Robert A. Klonk, Mary Beth Bergenstein, vps.

Palmer & Cay Consulting Group

9020 Stony Point Parkway, Suite 200,
Richmond, Va. 23235;
804-267-3100; fax: 804-330-1386
www.palmercay.com
Benefit consulting since: 1980.
Parent: Palmer & Cay Inc.
Benefit consulting services: 95% of revenues; 40% retirement plan consulting; 50% welfare plan consulting; 5% benefit communication consulting.
Nonbenefit consulting services: 5% of revenues.
Locations: 21 offices nationwide.
Staff: 300 benefit consulting employees; 175 professionals.
Clients: 3,500 total: 80% corporations, 10% government, 10% nonprofit organizations.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$30.8 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$23.8 million from worldwide benefit consulting in 2000, all from U.S. locations; \$34.6 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$25.7 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Raymond M. Slabaugh III, David P. Morgan, managing directors.
Contact: Ray Slabaugh III, ray_slabaugh@palmercay.com.

Pharmacy Outcomes Specialists L.L.C.

41 E. Main St., Suite 200,
Lake Zurich, Ill. 60047;
847-540-9590; fax: 847-540-9592
www.pharmout.com
Benefit consulting since: 1996.
Benefit consulting services: 100% of revenues; 100% welfare plan consulting.
Staff: 6 benefit consulting employees; 6 professionals.
Clients: 25 total: 40% corporations, 20% multi-employer plans, 20% government, 20% HMO's.
Compensation: by the project, on retainer.
Gross revenues: \$540,000 from worldwide benefit consulting in 2001, all from U.S. locations; \$614,000 from worldwide benefit consulting in 2000, all from U.S. locations.
Officers: Susan Peard, Kevin Johnson, principals.
Contact: Susan Peard.
**Estimated.*

PricewaterhouseCoopers L.L.P., Global HR Solutions

1301 Avenue of the Americas,
New York, N.Y. 10019;
646-471-4000; fax: 646-471-4100
www.pwcglobal.com
Benefit consulting since: 1944.
Benefit consulting services: 58% of revenues; 43% retirement plan consulting; 5% welfare plan consulting; 10% benefit communication consulting.
Nonbenefit consulting services: 42% of revenues.
Locations: 21 U.S.; 36 non-U.S.
Staff: 4,821 benefit consulting employees; 4,121 professionals.
Clients: 2,000 total: 90% corporations, 5% multi-employer plans, 5% government.
Compensation: by the project, by the hour.
Gross revenues: \$940 million estimated from worldwide benefit consulting in 2001, 67% from U.S. locations; \$885 million from worldwide benefit consulting in 2000, 68.2% from U.S. locations; \$1.62 billion estimated from total worldwide revenues in 2001, 59% from U.S. locations; \$1.50 billion from total worldwide revenues in 2000, 60.6% from U.S. locations.
Officers: Reed Keller, John Caplan, Qwain Franks, Iris Goldfein, Anthony Martin, Richard Stanger, PricewaterhouseCoopers L.L.P. Global HR Solutions business leaders.
**Fiscal year ending June 30 for 2001; fiscal year ending Sept. 30 for 2000.*

Risk & Performance Management L.L.C., dba RPM Health

3 Forest Park Drive,
Farmington, Conn. 06032;
860-409-6881; fax: 860-676-9689
www.rpmhealth.com
Benefit consulting since: 1998.
Benefit consulting services: 100% of revenues; 100% welfare plan consulting.
Clients: 60% corporations, 40% government.
Compensation: by the project, on retainer, by the hour.
Gross revenues: \$1 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$1 million from worldwide benefit consulting in 2000, all from U.S. locations.
Officers: Alex Hutchinson, managing principal; Harold Leabman, principal.
Contact: Alex Hutchinson; ahutchinson@rpmhealth.com.

Schloss & Co.

1400 Old Country Road,
Westbury, N.Y. 11590;
516-333-2800; fax: 516-333-2889
www.schlossco.com
Benefit consulting since: 1972.
Benefit consulting services: 100% of revenues; 100% retirement plan consulting.
Clients: 2,100 total: 100% corporations.
Compensation: by the project, on retainer, by the hour.
Gross revenues: \$7 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$6.2 million from worldwide benefit consulting in 2000, all from U.S. locations.
Officers: Eugene Schloss, president; David Dorfman, Elaine Enis, vps.
Contact: Elaine Enis; eenis@schlossco.com.

The Segal Co.

1 Park Ave.,
New York, N.Y. 10016-5895;
212-251-5000; fax: 212-251-5490
www.segalco.com
Benefit consulting since: 1939.
Benefit consulting services: 96% of revenues; 49% retirement plan consulting; 40% welfare plan consulting; 7% benefit communication consulting.
Nonbenefit consulting services: 4% of revenues.
Locations: Phoenix; Los Angeles; San Francisco; Denver; Hartford, Conn.; Washington; Atlanta; Chicago; New Orleans; Boston; Minneapolis; New York; Cleveland; Philadelphia; Houston; Seattle; Toronto.
Staff: 730 benefit consulting employees; 679 professionals.
Clients: 2,700 total: 24% corporations, 63% multi-employer plans, 13% government.
Compensation: by the project, on retainer, by the hour.
Gross revenues: \$130.5 million estimated from worldwide benefit consulting in 2001, 98.3% from U.S. locations; \$121.9 million from worldwide benefit consulting in 2000, 98.4% from U.S. locations.
Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Dan Fries, COO.
Contact: Mary L. Feldman, senior vp-public affairs.

SilverStone Group Inc.

11516 Miracle Hills Drive,
Omaha, Neb. 68154;
402-964-5400; fax: 402-964-5454
www.silverstonegroup.com
Benefit consulting since: 1959.
Parent: SilverStone Holdings Inc.
Benefit consulting services: 16% of revenues; 15% retirement plan consulting; 1% welfare plan consulting.
Nonbenefit consulting services: 84% of revenues.
Locations: Council Bluffs, Iowa.
Staff: 42 benefit consulting employees; 25 professionals.
Clients: 378 total: 98% corporations, 2% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$3.03 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$3.04 million from worldwide benefit consulting in 2000, all from U.S. locations; \$17.58 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$16.86 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: John P. Nelson, chairman/CEO; Anthony J. Sorrentino, COO; John H. Nelson, secretary.
Contact: Pam Stene, marketing director; pstene@ssgi.com.

Summit Global Partners Inc.-Employee Benefit Division

500 N. Akard, Suite 2500,
Dallas, Texas 75201;
214-740-2750; fax: 214-740-2752
www.sgp.com
Benefit consulting since: 1995.
Benefit consulting services: 54% of revenues; 8% retirement plan consulting; 42% welfare plan consulting; 4% benefit communication consulting.
Nonbenefit consulting services: 46% of revenues.
Locations: Phoenix; San Francisco; Boca Raton and Coral Gables, Fla.; Essex Fells, N.J.; Albuquerque, N.M.; Austin, Houston, San Angelo and Temple, Texas.
Staff: 53 benefit consulting employees.
Clients: 794 total: 82% corporations, 4% individuals, 6% government, 8% partnerships.
Compensation: by the project, commissions, on retainer.
Gross revenues: \$3.47 million estimated from worldwide benefit consulting in 2001, 96% from U.S. locations; \$2.48 million from worldwide benefit consulting in 2000, 96% from U.S. locations; \$6.43 million estimated from total worldwide revenues in 2001, 97% from U.S. locations; \$4.6 million from total worldwide revenues in 2000, 97% from U.S. locations.
Officers: Gary R. Griffith, chairman/CEO; David L. Bowlin, president-retail operations; Jeff Pan, executive vp/CFO.

Thesco Benefits L.L.C.

320 W. 57th St.,
New York, N.Y. 10019-3705;
212-603-0372; fax: 212-399-0227
Benefit consulting since: 1996.
Benefit consulting services: 97% of revenues; 5% retirement plan consulting; 92% welfare plan consulting.
Nonbenefit consulting services: 3% of revenues.
Locations: Cranford, N.J.
Staff: 34 benefit consulting employees; 25 professionals.
Clients: 400 total: 100% corporations.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$7.76 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$6.63 million from worldwide benefit consulting in 2000, all from U.S. locations; \$8 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$6.83 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Walter Harris, chairman; Richard Fieder, president/CEO; John Cunningham, president-Thesco Retirement Planning Services.
Contact: Jay Coughlin, senior vp; 908-497-2060; coughlinj@thesco.com.

Towers Perrin

335 Madison Ave.,
New York, N.Y. 10017;
212-309-3400; fax: 212-309-3660
www.towersperrin.com
Benefit consulting since: 1934.
Benefit consulting services: 71.3% of revenues; 46% retirement plan consulting; 17.4% welfare plan consulting; 7.9% benefit communication consulting.
Nonbenefit consulting services: 28.7% of revenues.

Locations: 35 U.S.; 36 non-U.S.
Staff: 5,417 benefit consulting employees; 4,485 professionals.
Clients: 95% corporations, 5% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$1.04 billion estimated from worldwide benefit consulting in 2001, 76.5% from U.S. locations; \$959.91 million from worldwide benefit consulting in 2000, 77.8% from U.S. locations; \$1.46 billion estimated from total worldwide revenues in 2001, 73.5% from U.S. locations; \$1.45 billion from total worldwide revenues in 2000, 72.2% from U.S. locations.
Officers: Mark V. Mactas, CEO; Robert G. Hogan, managing director-global administration, health and welfare and retirement services; Donald L. Lowman, managing director-executive compensation and people performance solutions.

USI Consulting Group

95 Glastonbury Blvd.,
Glastonbury, Conn. 06033;
860-633-5283; fax: 860-368-2110
www.usicg.com
Benefit consulting since: 1982.
Parent: USI Insurance Services Corp.
Benefit consulting services: 78% of revenues; 40% retirement plan consulting; 14% welfare plan consulting; 24% benefit communication consulting.
Nonbenefit consulting services: 22% of revenues.
Locations: Los Angeles; San Francisco; Atlanta; Boston; New York; Philadelphia; Knoxville, Tenn.
Staff: 302 benefit consulting employees; 162 professionals.
Clients: 90% corporations, 2% multiemployer plans, 8% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$46.5 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$35.7 million from worldwide benefit consulting in 2000, all from U.S. locations; \$58 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$41 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Douglas J. Rubinstein, president/CEO; David A. Hess, senior vp/COO; Paul A. Martino, senior vp/chief marketing officer.
Contact: Paul A. Martino; paul_martino@usicg.com.

Virchow Krause Employee Benefits L.L.C.

10 Terrace Court, P.O. Box 7398,
Madison, Wis. 5370;
608-249-6622; fax: 608-249-2630
www.virchowkrause.com
Benefit consulting since: 1970.
Parent: Virchow, Krause & Co., L.L.P.
Benefit consulting services: 5% of revenues; 1% retirement plan consulting; 3% welfare plan consulting; 1% benefit communication consulting.
Nonbenefit consulting services: 95% of revenues.
Locations: Minneapolis; Appleton, Green Bay, Janesville, Madison, Milwaukee, Oskosh and Wausau, Wis.
Staff: 65 benefit consulting employees; 59 professionals.
Clients: 1,300 total: 91% corporations, 1% multi-employer plans, 1% multiemployer welfare arrangements, 2% individuals, 5% government.
Compensation: by the project, commissions, on retainer, by the hour.
Gross revenues: \$7.5 million estimated from worldwide benefit consulting in 2001, all from U.S. locations; \$4.5 million from worldwide benefit consulting in 2000, all from U.S. locations; \$100 million estimated from total worldwide revenues in 2001, all from U.S. locations; \$90 million from total worldwide revenues in 2000, all from U.S. locations.
Officers: Timothy Christen, CEO; Daniel G. Stafford, David A. Waller, principals.
Contact: Daniel G. Stafford.

Watson Wyatt Worldwide

1717 H St. N.W.,
Washington, D.C. 20006;
202-715-7000; fax: 202-715-7700
www.watsonwyatt.com
Benefit consulting since: 1946.
Benefit consulting services: 85% of revenues.
Nonbenefit consulting services: 15% of revenues.
Locations: 32 U.S.; 55 non-U.S.
Gross revenues: \$803 million estimated from worldwide benefit consulting in 2001, 60% from U.S. locations; \$720 million from worldwide benefit consulting in 2000, 61% from U.S. locations; \$945 million estimated from total worldwide revenues in 2001, 60% from U.S. locations; \$847 million from total worldwide revenues in 2000, 61% from U.S. locations.
Officers: John J. Haley, president/CEO; Charles F. Wood, vp/United States region manager; Eric P. Lofgren, vp/global director-Benefit Consulting Group.
Contact: Gretchen Broderson, director-public relations; gretchen.broderson@watsonwyatt.com.
**Includes Watson Wyatt & Co. Holding and Watson Wyatt Partners. Fiscal years ending 06/30/01 and 06/30/00.*

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AD&D rates rising sharply for workers in high-risk areas

By CAROLYN ALDRED
and GAVIN SOUTER

LONDON—Employers are buying more personal accident coverage and other protection for employees inside and outside of danger areas in the wake of the Sept. 11 terrorist attacks and the war in Afghanistan.

And, as demand increases, rates for coverage of employees in high-risk areas are increasing by huge multiples, underwriters and brokers say.

In particular, personal accident coverage for news crews in Afghanistan, where several journalists have been killed, have soared in the past several weeks.

Insurance rates for accidental death, permanent and total disablement and loss of limbs for journalists in Afghanistan currently are about 2.5% to 3.5% of the total sum insured per week, according to

David Bruce, personal accident underwriter for Lloyd's of London syndicate 33, managed by Hiscox. At least eight journalists have been killed so far in Afghanistan since October, he noted.

Syndicate 33 insures both print and broadcast journalists from media companies throughout the world.

"It is unlikely any employer would send out a journalist (to Afghanistan) without such cover in place," said Mr. Bruce.

News organizations that are sending journalists to Afghanistan are paying some of the highest AD&D rates charged for the coverage, agreed Richard Albert, president of The Norfolk Group, a specialty brokerage in Calgary, Alberta. "I've never seen premiums like that," he said.

With a premium rate of 2.5% a
See **ACCIDENT**/page 31



PHOTO: AFP

The recent murders of journalists in Afghanistan, including reporter Maria Grazia Cutuli, left, are raising rates for personal accident coverage.

World Updates

FSA examines insurance regulation

The United Kingdom's Financial Services Authority is examining ways to improve its regulation of the insurance industry, the FSA announced last week. The project—headed by John Tiner, FSA managing director of consumer, investment and insurance matters—will look into, among other things, "insurance firms' public and regulatory reporting, the nature and extent to which insurance companies use reinsurance, and more technical issues, such as the use of future profits to bolster solvency," Mr. Tiner said in a statement. The FSA said it plans to increase its focus on the competence and responsibilities of insurance company management and on corporate governance arrangements.

AIRMIC lobbying on terrorism coverage

The Assn. of Insurance & Risk Managers is in discussions with the U.K. government to address the problem of vanishing coverage for terrorism risks. "The lack of insurance cover against terrorism is still a huge issue throughout our industry," said AIRMIC Chairman Philip Thomas at the annual AIRMIC dinner last Wednesday in London. "Clearly, it is vital that such cover is available, and AIRMIC is working closely with its members and the (London-based Assn. of British Insurers) and making representations to the government to help resolve this," Mr. Thomas said.

Accounting standard seen as pension deterrent

A new U.K. accounting standard will make defined benefit pension plans less attractive to employers, according to a new survey. Financial Reporting Standard 17, which will be fully implemented in 2003, requires companies to set out on their balance sheets the market value of their pension fund surpluses or shortfalls compared with their liabilities. Seventy-seven percent of the 501 employers that responded to the survey, conducted by the National Assn. of Pension Funds, said the new standard would make defined benefit plans less attractive, while just 3% said it would make them more attractive.

inreon plans capacity sale

Internet reinsurance trading platform inreon Ltd. will hold an open sale of U.K. and European property catastrophe capacity later this month. Capacity offered

Continued on page 31

Asbestos claims continue to rise against Equitas, but payouts dip

LONDON—Uncertainties surrounding asbestos-related claims continue to plague Equitas Ltd.

The reinsurer announced last week that asbestos claims filings, as well as the average amounts paid by some policyholders for these claims, had exceeded Equitas' expectations in the six months to Sept. 30, 2001. But it added that payments made by Equitas in respect to asbestos losses had remained lower than expected.

Equitas, the runoff reinsurer for Lloyd's of London's pre-1993 long-tail liabilities, said that claims paid for the six-month period were £798 million (\$1.18 billion), compared with £959 million (\$1.41 billion) for the same period in 2000. Reinsurers' share of claims paid amounted to £248 million (\$365.3 million), compared with £493 million (\$726.2 million) for the year-earlier period.

EQUITAS

A spokesman for Equitas said the company could not disclose the size of asbestos-related claims payments in the period. But he said the group could

not rule out the need to increase asbestos reserves at the end of the fiscal year.

During the year ended March 31, Equitas increased gross undiscounted reserves for asbestos claims by £1.7 billion (\$2.40 billion), to £8.0 billion (\$11.28 billion) (BI, July 30).

Earlier this year, Equitas joined with other London market companies in issuing tougher documentation requirements for asbestos claimants.

In a statement, Equitas Chairman Hugh Stevenson said, "It is still too early to determine to what extent the actions which Equitas has taken will be effective in managing the potential future cost of claims filed by unimpaired persons."

"The uncertainties which have been created by the surge in asbestos claims filings remain, despite the actions which we are taking," he said.

—By Sarah Veysey

Hardening market harder on buyers

Cover essential needs first, experts advise

By SARAH VEYSEY

LONDON—Risk managers must brace themselves for a tough period of big rate hikes and shrinking insurance capacity.

That was the message heard by more than 200 delegates at a Nov. 30 seminar in London. Hosted by Aon Corp., the gathering brought together brokers, insurers, alternative risk transfer experts and insurance buyers to discuss the effects of the hardening market.

"It is a seller's market, and you have to get used to the fact that, for the next few years, buyers are going to be competing for (insurers') business," said David Martin, chairman of the corporate division of Aon Ltd. in London. "Sellers are going to think very carefully about the kind of client they want on their books."

As a result, there is much greater scrutiny of individual exposures, and, in many cases, loss-control measures and premium payment warranties are being imposed, said Mr. Martin.

"Premium rates are going through the roof, indemnity limits and scope of cover are being reduced, and higher deductibles are the norm," he said.

Insurance companies have been able to make up for large underwriting losses in recent years with investment profits, said Mr. Martin. But plummeting stock markets are compounding poor underwriting results.

Insurance buyers are now competing for scarce capacity, and in-

surers will refuse to cover some risks, Mr. Martin warned delegates.

Risk managers need to concentrate on securing essential coverages, said Duncan Boyle, managing director of U.K. Commercial at London-based Royal & SunAlliance Insurance Group P.L.C. "Buy what you need in this hard market," he said. "The days of throwing in extra covers are long gone."

Indeed, risk managers must decide which risks it is absolutely necessary to transfer, Mr. Martin said. He also urged risk managers to consider the importance of business risks.

"Commentators have been saying for a while that the industry is too much concentrated on physical risks rather than business risks," he said. Risk managers should not forget the potential impact of such exposures as credit risk, he added.

While some insurers have gone bust and others will follow, Mr. Martin said, perhaps a bigger problem for insurance buyers is the strategy of those insurers that survive. Such insurers will come under increasing pressure from their shareholders, he said, and some "have decided to move away from big risks—the kind of risks people in this room are concerned with." Those insurers "have gone towards personal lines and smaller business. They are making capacity allocation choices."

"From the client's point of view, now it is a beauty parade," Mr. Martin said. "You have to make yourself attractive to insurers."

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HELP WANTED

EQECAT Account Executive

EQECAT, a leading consulting and software modeling company specializing in natural hazard risk assessment and management, seeks an experienced insurance professional to join its team of scientists, engineers, statisticians and other insurance professionals. EQECAT provides its clients with a sophisticated set of software tools and consulting services designed to optimize their insurance and reinsurance decisions. We seek a creative professional to help us promote our products and services into the insurance and financial institution markets. You will:

- Meet with and make sales presentations to senior underwriting and finance executives
- Develop and manage EQECAT's relationship with key clients and prospects
- Provide input for product enhancements and future development

Qualified candidates will have strong knowledge of and experience in the property/casualty industry and sales and marketing experience. Positions are available in the Northeast US. EQECAT (www.eqecat.com) is a subsidiary of ABS Consulting, which is the 2nd largest Risk Management consultant in the US. Email your resume to rnheq@eqe.com.

EQECAT Client Support Representative

EQECAT, a leading consulting and software modeling company specializing in natural hazard risk assessment and management, seeks an experienced insurance industry professional to join its team of scientists, engineers, statisticians and other insurance professionals. EQECAT provides its clients with a sophisticated set of software tools and consulting services designed to optimize their insurance and reinsurance decisions. We seek a creative professional to support our clients in their use of our software products and consulting services. You will:

- Provide technical support, including training and installation, for our software products
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LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

In re:
**NORTH ATLANTIC INSURANCE
 COMPANY LIMITED**
 (Petition of Colin Graham Bird and
 Paul Anthony Brereton Evans)
 Case No.: 97-41602 (RLB)

PLEASE TAKE NOTICE that on November 21, 2001, the Bankruptcy Court entered an order (the "Order") continuing the Preliminary Injunction Order pursuant to 11 U.S.C. § 541 and 304(b) originally entered in this case on April 7, 1997. The Order shall remain in effect pending a hearing scheduled for May 20, 2002 at 9:45 a.m. before the Honorable Richard L. Bohannon, in the Alexander Hamilton Custom House, One Bowling Green, New York, New York. Any person wishing to obtain a copy of the Order should contact Theresa D'Agostino at (212) 610-6300.

ALLEN & OVERY
 10 East 50th Street
 New York, New York 10022
 Tel: (212) 610-6300
 Fax: (212) 610-6399
 Attention: Ken Coleman
 Stephen Doody

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF JOHN GIBBONS,
 AS ADMINISTRATOR OF
**NEW CAP REINSURANCE
 CORPORATION LIMITED,**
 DEBTOR IN FOREIGN PROCEEDINGS
 CASE NO. 99-B-42752 (CB)

NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 28, 2001, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") PURSUANT TO 11 U.S.C. § 304. THE ORDER SHALL REMAIN IN EFFECT UNTIL MAY 29, 2002 (THE "INTERIM PERIOD"). A HEARING TO CONSIDER WHETHER THE ORDER SHALL BE CONTINUED AFTER THE INTERIM PERIOD IS SCHEDULED TO BE HELD ON MAY 22, 2002 AT 2:00 P.M. (THE "RETURN DATE") BEFORE THE HONORABLE CORNELIUS BLACKSHEAR, IN ROOM 601 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE CORNELIUS BLACKSHEAR AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

CHADBOURNE & PARKE LLP
 ATTORNEYS FOR THE PETITIONERS
 30 ROCKEFELLER PLAZA
 NEW YORK, NEW YORK 10112
 (212) 408-5100
 ATTN: HOWARD SEIFE, ESQ.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK
 IN RE PETITION OF PHILIP JOHN SINGER AND DOUGLAS NIGEL RACKHAM,
 AS PROVISIONAL LIQUIDATORS OF
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED,
 DEBTOR IN FOREIGN PROCEEDINGS
 Case No. 01-B-15348 (PCB)

NOTICE IS HEREBY GIVEN THAT, in connection with the petition filed on October 16, 2001, pursuant to Section 304 of the Bankruptcy Code (the "Petition") with respect to THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED (the "Company"), the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered a Preliminary Injunction Order dated November 30, 2001 (the "Order").

1. Enjoining all persons and entities from: (a) seizing, repossessing, transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds of such property; (b) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), including by way of counterclaim, against the Company, or any property in the United States that is involved in the foreign proceeding, or any proceeds thereof, and from seeking discovery of any nature against the Company; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award against the Company, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) or any counterclaim to create, perfect or enforce any lien, attachment, garnishment, setoff or other claim against the Company, or any property in the United States, or any proceeds thereof; (d) drawing down any letter of credit established by, on behalf of or at the request of, the Company in excess of amounts expressly authorized by the terms of the contract or other agreement pursuant to which such letter of credit has been established; and (e) withdrawing from, setting off against, or otherwise applying property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest in excess of amounts expressly authorized by the terms of the trust, escrow or similar arrangement;

2. Requiring all persons and entities in possession, custody or control of property of the Company in the United States, or the proceeds thereof, to turn over and account for such property or its proceeds to the Petitioners;

3. Requiring all persons and entities that are beneficiaries of letters of credit established by, on behalf of or at the request of, the Company, or parties to any trust, escrow or similar arrangement in which the Company has an interest, to: (a) provide notice to the Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf of or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff, or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff, or other application, and a copy of any contract, related trust or other agreement pursuant to which any such drawdown, withdrawal, setoff or other application, was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Petitioners for all funds resulting from such drawdown, withdrawal, setoff or other application, in excess of amounts expressly authorized by the terms of any contract, any related trust or other agreement pursuant to which such letter of credit, trust, escrow, or similar arrangement has been established; and

4. Providing, with respect to any claim, action, arbitration or other proceeding which may be commenced or become known to the Petitioners in the future, or the entitlement or alleged entitlement of any beneficiary of any letter of credit established by, on behalf of or at the request of, the Company, or of any party to any trust or escrow agreement or similar arrangement in which the Company has an interest that is identified by the Petitioners in the future (each a "Subsequent Claim"), that:

(a) when informed of a Subsequent Claim, counsel for the Petitioners shall serve upon the holder of such claim a copy of the Summons, the Petition and the most recent Injunction Order entered by the Bankruptcy Court; and

(b) the holder of a Subsequent Claim will have twenty (20) days from service of the Summons in which to file an Answer or Motion with respect to the Petition.

THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED TO BE HELD ON FEBRUARY 12, 2002 AT 2:30 P.M. (THE "RETURN DATE") BEFORE THE HONORABLE PRUDENCE CARTER BEATTY, UNITED STATES BANKRUPTCY JUDGE, IN ROOM 701 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OBJECTING TO CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE BANKRUPTCY COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE PRUDENCE CARTER BEATTY AND SERVED ON CHADBOURNE & PARKE LLP (ATTN: HOWARD SEIFE, ESQ.), SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE.

ANY PARTY-IN-INTEREST THAT HAS NOT RECEIVED A COPY OF THE PETITION, SUPPORTING PAPERS AND/OR THE ORDER SHOULD CONTACT COUNSEL FOR THE PETITIONERS AT THE ADDRESS BELOW:

CHADBOURNE & PARKE LLP
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 (212) 408-5100
 Attn: Howard Seife, Esq.
 Attorneys for the Petitioners

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Comings & Goings

Brokers:

Saul Landesberg has been named to the newly created position of senior vp and director of sales management for Willis North America Inc.'s retail operations. Mr. Landesberg, who will be based in Tampa, Fla., previously operated his own firm, Landesberg Inc. in Tampa. Also at Nashville, Tenn.-based Willis, **Bob Smith** has been

promoted to regional executive officer of the Northeast Region of Willis' retail operations in New York. Since joining Willis in January, Mr. Smith has served as chief operating officer of Willis Risk Solutions in North America.

Joseph A. Mauro has been named vp and executive director of sales, a new position, at New York-based Kaye Insurance Associates Inc., which is part of Hub International Ltd. Mr. Mauro formerly was regional sales director at USI Insurance Services Inc. in Westchester, N.Y.

Frederick Waite has been named president of InsureZone's BrokerSecure division, launched last July. Mr. Waite joined InsureZone from Access Coverage Corp. Fort Worth, Texas-based InsureZone is a national insurance agency that conducts both online and traditional sales of small commercial insurance.

Suneel Mandava has joined USI Holdings Corp. as senior vp of corporate development. Before joining the San Francisco-based broker, Mr. Mandava was with Capital Z Partners, where he fo-

cused on making private equity investments in the financial services sector.

Other suppliers:

Edward G. Troy has been named president of ESIS Inc., the risk management services arm of ACE USA. Before joining ESIS in Philadelphia, Mr. Troy headed his own risk management consulting firm and, before that, served in executive positions with Liberty Mutual Insurance Co. and American International Group Inc. He succeeds Chris Barnes, who is leaving the company.

Harold D. Skipper has been named chairman of the Department of Risk Management and Insurance at Georgia State University's J. Mack Robinson College of Business in Atlanta. He succeeds Bruce A. Palmer, who retired. Mr. Skipper joined Georgia State in 1976 and currently holds the C.V. Starr Chair of International Insurance at the school.

Empagio Inc., a Web-based human resources, payroll and benefits management company in Atlanta, has named **Greg Rable** as chairman and CEO. He succeeds founder Randy Cooper, who will be the company's chief developer of products and services. Mr. Rable previ-



Mr. Waite



Mr. Mandava



Mr. Troy



Mr. Skipper



Ms. Selleck



Mr. Levine

ously was CEO of Derivon Corp., an electronic billing company.

Joann Selleck has been named managing partner of Cozen O'Connor's three California law offices in San Diego, Los Angeles and San Francisco. Ms. Selleck, a member of the firm since 1986, replaces Gerard Harney, who is focusing on his complex litigation practice in the firm's San Diego office.

Vivek Basrur, who has headed Applied Insurance Research Inc.'s software product development

group since 1993, has been promoted to executive vp. AIR is based in Boston.

Excess/surplus lines

James H. Levine has been named president and CEO of Vista Insurance Partners Inc., a San Antonio-based wholesale brokerage unit of Summit Global Partners Inc. Mr. Levine formerly was senior vp and Florida manager for Swett & Crawford Group.

Accident: Companies are buying more coverage

Continued from page 29

week, premium payments would match the total sum insured in the 10th week of coverage, Mr. Albert noted. In non-war zones, by contrast, annual premiums are often less than 1% of the sum insured, he said.

Still, there is increasing demand for AD&D coverage for journalists in the war zone and a handful of insurers around the world are offering the coverage, Mr. Albert said.

"It's a risky job and as a percentage of the number of journalists that are there, the number of deaths is high," he said.

In addition to companies with staff in Afghanistan, employers gen-

erally are buying more accident coverage for employees.

"There is much more recognition of the terrorism risk to employees in the U.S. following Sept. 11. More employers are looking to buy personal accident insurance, including accidental death, sickness and permanent and temporary disability insurance for their employees, particularly directors," Mr. Bruce said.

In the past, employers have tended to buy personal accident insurance for employees working overseas. However, demand is increasing for personal accident insurance for war and terrorism for employees working within the United States, he noted.

Combined Benefit Services, a London-based unit of Aon Corp., also has seen a 27% increase in demand for accidental death and injury insurance this year from U.K. employers, according to an Aon spokesman.

Willis Group Holdings Ltd.'s International Accident and Health Department in London is seeing more inquiries from U.S. companies making sure that their personal accident and other employee benefit policies include coverage of terrorism risks, said Director Nicola Fracalvieri.

Since Sept. 11, some underwriters have excluded war and terrorism from personal accident policies and, where policy wording allows, have canceled policies underwritten prior to Sept. 11, he said.

Some underwriters are prepared to write terrorism and war risk extensions, but only for an additional premium, said Mr. Fracalvieri, estimating that rates in this area have increased by about 20%.

Underwriters likely will impose aggregate limits for personal accident insurance next year, following the WTC loss, said Guy Malyon, a senior vp of Marsh Ltd.'s European Placement Group in London.

Mr. Malyon noted that, unlike U.S. risks, personal accident underwriters have not introduced terrorism exclusions for major U.K. companies. However, underwriters are tightening up their underwriting of U.K. coverage and asking for more details about employee locations and travel plans, he said.

In addition to AD&D coverage, some employers have also been prompted to buy kidnap and ransom and political risk coverage for employees as a result of the Sept. 11 attacks, said Daniel Anber, president of XN Holdings Inc., a Montreal-based managing general agent that specializes in providing coverage for expatriate employees.

"We've seen a huge spike in demand for K&R and political risk coverage for employees," he said.

Although the Sept. 11 event took place in United States, the event heightened the perception of risks for employees based in other countries sensitive to terrorist or criminal attacks, Mr. Anber said.

"There's been a whole review of 'What do I owe these people?'" he said.

Some employees are demanding the coverage as they perceive that the risks associated with traveling to foreign countries has increased, said A.H. Manson, a director of Kari Corp., a K&R brokerage and consultant in Washington. "Employees are becoming more savvy," she said.

There has been an increased demand for K&R coverage by compa-

nies with U.S. exposures, said Diane Borden, a vp at AIU Inc., a unit of American International Group Inc. in New York.

Each company has different reasons for buying coverage for kidnappings and other terrorist acts, but the interest is driven by a heightened perception of risk since Sept. 11, she said.

For example, companies with employees in the Middle East likely are most interested in coverage for the risk of detention of insured em-

ployees for political reasons, Ms. Borden said.

A grocery store chain the Midwest, in contrast, might be more interested in coverage against online attacks and extortion, she said.

While rates for K&R coverage are increasing, too, the increases for this line are not directly linked to the events of Sept. 11, Ms. Borden said. Instead, kidnappings in Latin America have increased over the past year and that is driving the increases in K&R rates, she said.

World Updates

Continued from page 29

by Munich Reinsurance Co., SCOR S.A. and Swiss Reinsurance Co. among others, will be available online through Inreon. Insurers and brokers will be asked to submit details of their reinsurance requirements on Dec. 13, 14, 20 and 21, and they will receive responses within three days.

PWS, Gecalux team to offer risk advice

London-based reinsurance brokerage PWS Holdings P.L.C. and Luxembourg-based consultant and captive manager Gecalux S.A. are teaming up to offer risk financing services and advice. "In the current marketplace, the creation of risk financing solutions and the development of insurance and reinsurance to support such solutions have to go hand in hand,"

the companies said in a joint statement.

SCOR shuffles executive committee

French reinsurer SCOR S.A. has made several changes to its group executive committee, which will take effect on Jan. 1, 2002. Romain Durand, president and chief operating officer of group life operations, and a member of the group executive committee, will be appointed group executive vp of Paris-based SCOR. Jerome Faure, president and CEO of SCOR US, will join the group executive committee and will coordinate the group's North American property and casualty activities. Jerome Karter will leave the group executive committee to become advisor to the chairman. He will remain vice chairman of the board of SCOR US until his retirement on June 30, 2002.

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Enron: Collapse hits risk transfer markets

Continued from page 1

professional liability coverage for Arthur Andersen L.L.P., Enron's outside auditor.

Warren, N.J.-based Chubb Corp. estimated it has a maximum after-tax exposure of \$143 million from Enron-related surety bonds. Chicago-based CNA Financial Corp. estimated its exposure at \$50 million, primarily due to surety bonds and reinsurance of surety obligations.

The St. Paul Cos. Inc. identified an aftertax exposure of approximately \$85 million. That amount, the St. Paul, Minn.-based company said, includes surety bonds, treaty reinsurance and D&O insurance. Included in the exposure is a fidelity bond written for Enron's 401(k) plan (see related story).

In addition, St. Paul said it holds approximately \$23 million in unsecured Enron corporate debt.

While insurers were able to deal with their Enron-related losses, when coupled with the events of Sept. 11 and the crash of American Airlines Flight 587 on Nov. 12, they are likely to exacerbate hardening in the market.

"It makes it more and more likely that January renewals will be a period of continued rate firming, changes in terms and conditions and shortages of capacity," said Michael A. Lewis, senior insurance analyst at UBS Warburg L.L.C. in New York.

Meanwhile, in a weather hedging market that many credit Enron with building, the company's collapse will doubtless be felt.

"It definitely will have an impact," said Christopher J. Phelan, managing director of Commercial Risk Capital Markets in Hamilton, Bermuda. "There are estimates that their market share was anywhere from 20% to 30%."

"The near-term impact is that a

number of (weather market) players have exposure to Enron," Mr. Phelan said. Another factor is "the fact that Enron was a big source of liquidity in the market, being a market maker. Losing them is detrimental to liquidity in the near term."

In addition, the buyers of weather risk protection are going to be more "credit-conscious," he said.

"Short term, you probably will see a little tightening of the reins in terms of people being a little more concerned about credit," agreed Lynda R. Clemmons, president and chief operating officer of Element Re Capital Products Inc. in Stamford, Conn. Ms. Clemmons worked

'I would think what the Enron collapse displays is the volatility of using derivatives as a financial instrument for managing that exposure.'

Lauralee Tillman
Good Weather Insurance Agency

in Enron's derivatives unit before leaving to help form Element Re.

Longer term, though, the individuals who staffed Enron's weather risk operation will find places elsewhere, Ms. Clemmons said, possibly creating new weather risk opera-

tions at companies not currently involved in the market.

"That could give us more counterparties," she said. "So, in the long term, that could be good for the market."

Enron's collapse doesn't threaten the growing market for weather risk transfer, Ms. Clemmons said. "It's not even slowing down," she said.

Some suggest, though, that the situation might prompt some buyers of weather hedges to consider insurance vehicles to transfer their risks, rather than derivative structures.

"That is exactly what I would hope the effect would be," said Lau-

ralee Tillman, president of Good Weather Insurance Agency in Salem, Mass. "I would think what the Enron collapse displays is the volatility of using derivatives as a financial instrument for managing that exposure."

Ms. Tillman said she's seen some indications of companies looking into insurance coverage.

"Just in the last two days, I've had three calls on very large accounts that normally we wouldn't see," she said. "They're not energy companies, but they are of a size that in the past two or three years they would probably go straight to the derivatives market."

Enron employees enraged over losses

By JOANNE WOJCIK

HOUSTON—More than 12,000 participants of Enron Corp.'s 401(k) plan, who collectively lost more than \$1 billion as a result of the company's financial woes, have filed multiple lawsuits seeking class-action status, alleging the company breached its fiduciary duties.

Altogether, 38 individual suits as well as class actions have been filed in federal courts in Texas. In addition to the suits alleging breach of fiduciary duty under the federal Employee Retirement Income Security Act, other actions have been filed on behalf of shareholders and Enron itself, alleging that present or former directors violated securities laws.

Enron's outside directors have filed motions seeking to consolidate the suits in the U.S. District Court for the Southern District of

Texas in Houston. However, plaintiffs' attorneys say merging ERISA suits with the other actions could put 401(k) plan participants at a disadvantage by lumping them together with other unsecured creditors in Enron's bankruptcy proceedings.

Enron filed for protection under Chapter 11 of the U.S. Bankruptcy Code on Dec. 2, after its stock price plummeted below \$1 in response to an announcement that it had misstated earnings from 1997 to 2000. At the time, the stock had been trading at just under \$40 a share, down from a high of more than \$80 at the beginning of 2001. At the close of trading on Dec. 5, the New York Stock Exchange listed Enron's stock price at \$1.01 per share.

The ERISA suits allege that Enron "actively misled the participants and beneficiaries of the sav-

ings plan about the company's earnings prospects and business condition, thereby encouraging participants and beneficiaries...to continue to make and to maintain substantial investments" in Enron shares.

Enron stock was one of 18 investment options offered to 401(k) plan participants, an Enron spokeswoman said. Enron also matched employees' contributions to the 401(k) plan with company stock, which employees could not sell until they reached age 50, she said.

And because the plan's administration was changing in November to Hewitt Associates L.L.C. of Lincolnshire, Ill., from Chicago-based Northern Trust Co., plan participants were unable to divest themselves of the stock they purchased due to a lockdown that occurred between Oct. 26 and Nov. 13.

"Essentially, members of the class were forced by defendants to watch from the sidelines as their hard-earned retirement savings evaporated as a result of defendants' misconduct," one of the suits asserts.

At year-end 2000, the company stock held by 401(k) participants was valued at \$1.3 billion.

Various suits estimate that 62% of employees' 401(k) plan assets were invested in Enron stock at the time of the company's collapse. According to the Profit Sharing/40(k) Council of America, typically 43.3% of large company 401(k) plan assets are invested in company stock.

In addition to Enron and its directors and officers, other defendants named in the ERISA suits include Northern Trust, Arthur Andersen L.L.P., Hewitt and members of the 401(k) plan administrative committee.

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Terrorism: Legal reform slowing progress in Senate

Continued from page 3

share percentage applied to the \$10 billion overall industry retention. If an individual company's losses exceeded the individual retention, the government could step in and pick up 80% of the losses above the retention.

Under the expected Senate consensus, the participation of commercial insurers in the program would be mandatory, while personal lines insurers could do so on a voluntary basis.

How long the program would last also remains to be determined.

Some senators favor a two-year program, others a single-year program.

"Arguably, you could say this is a great compromise because everyone is getting some of what they wanted," said AIA's Ms. Rochman.

While the House bill would provide a system of government loans to insurers, the Senate plan contains no payback provisions.

"Our preference all along has been for coinsurance rather than a loan program," said Ms. Rochman.

The House bill contains a ban on punitive damages except those levied against the perpetrators of

terrorist acts or those who conspire to commit them. The inclusion of that tort reform provision held up

'This is not so much about the insurance industry as it is about the economy.'

*Carl M. Parks
National Assn.
of Independent Insurers*

consideration of the bill for a number of days.

"We continue to be concerned that the issue of tort reform continues to cloud the substance of the debate, which in our view should be about stabilizing insurance markets," said David M. Farmer, senior vp in the Alliance of American Insurers' Washington office.

Nevertheless, "I think it's certainly a welcome movement on the part of Senate leaders to move a bill to the floor of the Senate. We're very much encouraged by that process because of the limited number of days left before the recess," he said, noting that the Senate is ex-

pected to recess sometime next week.

The NAI's Mr. Parks said that he expected a bill to move to the floor soon, perhaps as early as Dec. 11.

The negotiators "don't have long to go. I think there's recognition that this is not so much about the insurance industry as it is about the economy. A lot of members have been from constituents in the business community."

He said he had a "very, very strong feeling" that the negotiators are engaged and "committed to finding a solution."

Paint: Exclusion barred

Continued from page 3

available for human ingestion/inhalation does not, in the usual case, occur quickly. Rather, the process of surface degradation occurs continually, but at a slow rate."

"One would not ordinarily describe the continual, imperceptible and inevitable deterioration of paint that has been applied to the interior surface of a residence as" a discharge, a release or an escape, the opinion states.

The court "could not rule (the process) absolutely falls within the meaning of those four words, and an ambiguity exists," said Rory Connaughton, an attorney with Hartman Underhill & Brubaker L.L.P. in Lancaster, Pa., which represented the Steelys. Under state law, ambiguities in policies must be construed in favor of policyholders.

The ruling ends the coverage dispute, and the tenants' underlying suit can now proceed.

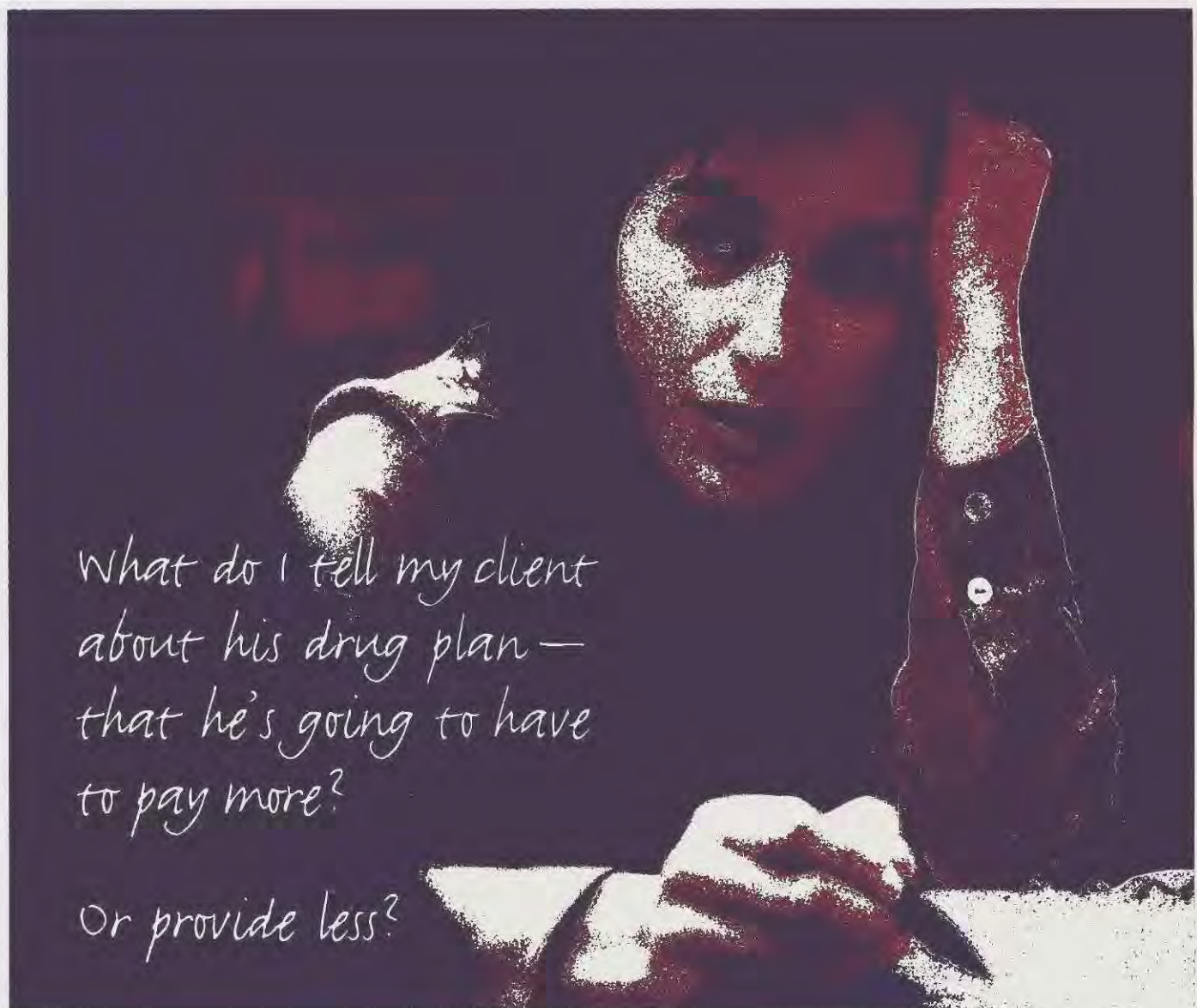
Mr. Connaughton said that many state high courts have ruled on whether lead-based paint is excluded under CGL policies containing the absolute pollution exclusion, and the majority have found that the exclusion does not apply.

A leading policyholder law firm that submitted an amicus brief in support of the landlords praised the ruling. In a statement released after the decision, New York-based Anderson Kill & Olick noted that the high courts in 14 states have now held that lead-based paint is not covered by the pollution exclusion.

"The Supreme Court of Pennsylvania has issued a strong rebuke to those insurance companies that have grossly exaggerated the reach of pollution exclusions in an improper attempt to exclude covered claims," said William Passannante, a partner in Anderson Kill & Olick's New York's office, in the statement.

Attorneys for Lititz did not return calls seeking comment.

Lititz Mutual Insurance Co. vs. Clifford Steely, Barbara Steely et al., Pennsylvania Supreme Court; No. J-61-2001.



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Mercer: Health care costs rising

Continued from page 1

ers—reacting to the big cost increases in the late 1980s—started to move large numbers of employees to lower-cost managed care plans from more expensive traditional indemnity plans.

That move produced a big cost savings, especially as health maintenance organizations kept rates down as they battled one another for market share.

But those savings were only temporary, and since 1998, cost increases have been accelerating again.

In 1998, costs rose by an average of 6.2%, while in 1999, costs increased by 7.3%. In 2000, costs rose again, climbing by 8.1%.

And employers believe that the worst may be yet to come. Next year, employers expect their costs to rise by an average of 12.7%, and 15% of employers expect to be hit with increases of at least 20%, the Mercer survey found.

"Things are pretty dismal," said Blaine Bos, a Mercer consultant in Chicago who is an author of the survey.

Indeed, with several firmly entrenched factors propelling costs ever higher, the likelihood of short-term relief seems remote. "I don't see much chance for cost increases to go down over the next few years," Mr. Bos said.

A key driver of costs has been the increased clout—due to consolidation and growing sophistication—of physicians and hospitals. "They have been demanding and getting much bigger increases" from plans by threatening to leave networks if their demands are not met, Mr. Bos said.

At the same time, an aging workforce is boosting the demand for services, Mr. Bos said. During the past few years, the average age of the workforce has increased by an average of about three to four months per year as baby boomers near retirement age.

With cost increases accelerating, employers are overcoming their reluctance to pass costs on to employees. The economic boom and labor shortages of the late 1990s held down such cost-shifting.

For example, more than a third of large-employer respondents said

they plan to raise deductibles, copayments or out-of-pocket maximums next year. And that percentage may be understated, the survey notes.

With the survey data collected just before the Sept. 11 terrorist attacks and the deepening recession, "It's likely that more employers have decided to cut costs through employee contributions and plan design changes," the survey says.

Affirming what earlier surveys have found, the latest Mercer survey makes clear that the early 1990s optimism that managed care would put an end to steep cost increases was in vain.

Indeed, many believed that HMOs would end the health care cost spiral permanently through negotiation of reasonable fees with providers and better control over utilization. But now, "providers seem to have the upper hand in negotiations, and HMOs are backing away from utilization management as they struggle to overcome their image as heartless deniers of care," the survey says.

In fact, the 12.2% average cost increases of HMO plans were on par with those of preferred provider organizations, whose costs increased by an average of 12.7%.

If there is any good news for employers in the survey, it is that prescription drug cost increases appear to be easing, if only slightly. This year, such costs increased by an average of 16.8%, down from 17.5% in 2000. Next year, employers expect prescription drug costs to increase by an average of 15%, according to the survey.

Some of the waning of prescription drug costs may be due to expanded use of a three-tiered benefit design, in which employee copayments are lowest for generic drugs, more for brand-name drugs on a plan's formulary and highest for brand-name drugs not on the formulary. According to the survey, 40% of mail-order prescription drug plans use a three-tier system, up from 22% last year, as do 40% of card plans, up from 23%.

Amid skyrocketing costs, employers are looking for a "silver bullet" to hold down costs, Mr. Bos said. One much-discussed solution is the

so-called "consumer directed" approach, in which, according to the survey, there is considerable employer interest. Seventeen percent of all respondents—including 29% of employers with at least 10,000 employees—said it was somewhat or very likely that they would move to consumer-directed health care.

In such an approach, employers offer a high-deductible health care plan linked to a spending account that employees can tap for at least a portion of uncovered expenses. Because the consumer-directed plans give participants a better sense of costs than do other plans, such as HMOs, employees will use health care services more carefully, advocates of the approach say.

But Mr. Bos says that remains to be seen. It isn't clear how such an approach would ease cost increases if the medical community continued to successfully boost its charges for services, he said.

"Consumer-directed health plans are intriguing in that they will truly engage the consumer in the purchasing process, while still in the framework of an employer-sponsored plan. That's new, but is it a silver bullet? Only time will tell," Mr. Bos said.

Other survey findings, all involving employers with at least 500 employees, include:

- Regionally, PPO costs were highest in the West, averaging \$4,975 per employee, up 16% from last year's figure. PPO costs were lowest in the South, averaging \$4,253, up 11.1%.

- HMO costs were the highest in the Northeast, averaging \$4,889 per employee, up 17.6%. HMO costs were lowest in the Midwest, averaging \$4,331, up 8.5%.

- The Northeast also had the highest point-of-service plan costs, averaging \$5,022, up 13%; while the lowest POS plan costs were in the Midwest, with employers reporting an average cost of \$4,561 per employee, up 13.3%.

- The percentage of employers offering retiree health care coverage continues to slide, with 29% of employers providing coverage to pre-Medicare-eligible retirees this year, down from 31% in 2000, while those offering coverage to Medi-

Costs at a glance

Total health care costs per employee*

1997	\$3,594	-2.9%
1998	\$3,817	6.2%
1999	\$4,097	7.3%
2000	\$4,430	8.1%
2001	\$4,924	11.2%

Medical costs per employee by plan type†

	2001	2000	% change
Traditional indemnity	\$4,918	\$4,450	10.5%
Point of service	4,857	4,179	16.2
Preferred provider organization	4,542	4,072	11.5
Health maintenance organization	4,494	3,909	15.0

*For active employees

†For employers with at least 500 employees

SOURCE: WILLIAM M. MERCER INC.

GRAPHIC BY ADAM DOI

care-eligible retirees declined to 23% from 24%. As recently as 1995, 41% of employers offered health care coverage to pre-Medicare-eligible retirees, and 35% offered the coverage to Medicare-eligible retirees.

But soaring costs—even greater than those for active employees—have triggered the exodus of employers from the retiree health care market. This year alone, costs leaped 20%, to an average of \$6,642

per pre-Medicare-eligible retiree; Medicare-eligible retirees; and costs for Medicare-eligible retirees rose 17.2%, to an average of \$2,717.

Copies of the "National Survey of Employer-Sponsored Health Plans" will be available in mid-March by contacting Tara Lewis, William M. Mercer Inc., 1166 Ave. of the Americas, 28th Floor, New York, N.Y. 10036; 212-345-2451. The cost is \$500.

Comp: Employers to fight initiatives

Continued from page 3

labor leaders and claimants attorneys in public appearances advocating increased benefits, including one before the Insurance Committee of the state Assembly. The Duncans could not be reached for comment.

A formal analysis of the cost of the initiatives has yet to be conducted by the state. But the initiatives seek to increase payments for some benefits categories threefold, Mr. Webb said.

Observers say the total cost increase would be in the billions of dollars.

Many employers and insurers say they do not oppose increasing benefits. But they say that to justify a benefits increase, several changes must be made, including basing permanent disability benefit payments on objective medical criteria rather than on the subjective opinions of physicians.

Employers have no choice but to oppose the initiatives, because they seek only benefit increases without system changes, said Tim East, a member speaking on behalf of the Sacramento-based California Coalition on Workers' Compensation. Mr. East also is manager of the risk management business process for the Walt Disney Co. in Burbank, Calif.

Opponents say they suspect that labor and attorneys groups would actually put up the money to finance a ballot campaign. They say they also wonder

whether the proponents really are working to place the initiatives on a ballot or they are merely attempting to pressure lawmakers into passing legislation.

A spokeswoman for the California Labor Federation would say only that the organization's executive council recently voted to work on the issue in collaboration with the Duncans and attorneys for workers comp applicants.

A spokeswoman for the Applicants' Attorneys Assn. in Sacramento said the organization supports the initiative effort, but she could not comment further.

Just how much it will cost to oppose the campaign for increased benefits will depend on the proponents' efforts, said Allen Zarembek, the president and chief executive officer of the California Chamber of Commerce in Sacramento.

"The more they put information out that distorts the facts, the more you have to go back and clarify the facts for the voters," Mr. Zarembek said. "That is what our campaign will be about."

To qualify for placement on a ballot, an initiative petition in California must be signed by at least 419,000 registered voters. Proponents are allowed a maximum of 150 days to circulate petitions. That undertaking alone could cost about \$2 million, say campaign observers.

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[Week of 12/3-12/7]

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PHOTO: REUTERS
Ford Motor Co.'s turnaround efforts include benefit cuts.

Ford to eliminate 401(k) match

Ford Motor Co. next year will eliminate its matching contribution to its salaried workers' 401(k) retirement plans. Starting Jan. 1, 2002, the Dearborn, Mich.-based automaker will suspend the contributions for an unspecified period of time as part of the company's turnaround efforts, Ford said last week. In addition, Ford will increase salaried employees' health insurance premiums and prescription drug copayments, and starting in June 2002, it will charge retirees a monthly fee for their health plans.

CNA to cut jobs, restructure

CNA Financial Corp. will take a fourth-quarter aftertax charge of between \$114 million and \$124 million

to restructure its operations and will eliminate 1,850 jobs. About 40% of the charge will be used for costs associated with the layoffs, a majority of which will be made in the insurer's Chicago headquarters, CNA said in a statement. CNA plans to reduce its number of locations to 68 from 169 during the first half of 2002, the insurer said. The restructuring plan also calls for CNA to discontinue its variable life and annuity business and to focus on three major businesses—property/casualty; life, group health and long-term care; and reinsurance.

Capital drain to fuel premium growth

The influx of capital into the worldwide insurance and reinsurance market is just a fraction of the \$50 billion that has left the U.S. market alone in 2001, says a Swiss Reinsurance Co. economist. As a result of that imbalance, insurers and reinsurers' premium volume should increase by around 15% in 2002, said Thomas Holzheu, senior economist in the economic research unit of Swiss Re in New York. Speaking at a Swiss Re seminar in New York last week, Mr. Holzheu said that losses associated with the Sept. 11 terrorist attacks and the decline in the stock market in 2001 have led to

the loss of at least \$50 billion in capital available to support underwriting capacity. Although several new insurers and reinsurers have been established in the past two months, only \$15.4 billion in new capital has so far been announced.

High court to consider ADEA layoff case

The Supreme Court agreed last week to decide whether the fact that an employer's action had a disparate impact on workers over the age of 40 gives those workers the right to sue under the Age Discrimination in Employment Act. A three-judge panel of the 11th U.S. Circuit Court of Appeals ruled in July in *Wanda L. Adams et al. vs. Florida Power Corp.* that the ADEA did not provide such a right. A group of about 100 former employees of the Florida utility claimed in their suit that company reorganizations had led to the termination of a disproportionately high number of workers over 40, and that they should be allowed to seek redress under the ADEA.

Aon to raise \$750 million to fund underwriting

Aon Corp. plans to issue \$750 million in securities early next year to fund the underwriting operations of its Combined Specialty Corp. unit. The underwriting plans include new property/casualty products to be written by Combined Specialty in advance of Aon's planned spinoff of the underwriting unit in the spring of 2002. Through its underwriting subsidiaries, Aon also plans to invest \$200 million in Endurance Specialty Insurance Ltd., a \$1.2 billion insurer being formed in Bermuda with Zurich

Financial Services Group Inc. and other investors.

Briefly noted

Wells Fargo & Co. is buying New York-based broker H&R Phillips Inc. The brokerage will be merged into the New York operations of Acordia Inc., Wells Fargo's Chicago-based brokerage subsidiary. Terms of the deal were not disclosed. H&R Phillips President and Chief Executive

Officer Judith L. Robinson will become an executive vp of Acordia's New York operations upon completion of the deal, which is expected by year end.... American International Group Inc. has launched a commercial insurance program for members of the U.S. Chamber of Commerce. Called ChamberFirst and endorsed by the Chamber of Commerce, the program offers a range of property/casualty and employee benefit coverages.

BI Stock Index [12-03 - 12-07]

Up-to-the-minute data for all 87 companies that comprise the BI Stock Index can be found at www.businessinsurance.com

Percentage change of BI Stock Index vs. key indicators



Largest gains

Fremont General Corp
Vesta Insurance Co.
ESG Re Ltd.
ProAssurance
RLI Corp.

Largest losses

Mutual Risk Management Ltd. -8.33
Tokio Marine & Fire -7.18
Allstate Corp. -6.10
United Fire & Casualty -5.76
Brown & Brown -4.67

Weekly change by market segment

Brokers .17
Insurers/Reinsurers .63
Managed Care Organizations 1.63

Source: CNET Investor (investor.cnet.com)

Bermuda: Billions in new capital raised

Continued from page 1

market that has had to sustain losses over several years will try to sustain this hard cycle," he noted. "They need to recoup their losses." Indeed, reinsurance prices are expected to more than double for some risks at renewal, Ms. Farrell said.

Mike Murphy, corporate secretary of Allied World Assurance Co. Ltd., one of the new Bermuda formations, pointed out that rates stayed high for "quite some time" after 1992's hurricane Andrew sucked capital from the marketplace, despite the formation of eight new reinsurers in Bermuda shortly after the event.

"I don't think there's enough of it yet to necessarily soften things up," Don Kramer, vice chairman of ACE Ltd., said of the fresh capital. He pointed out that even if more than \$20 billion is raised, that's still a small portion of the capacity that is estimated to have left the market or is earmarked for future growth. Bermuda's wave of investment includes the creation of four new insurers that each have raised more than \$1 billion in start-up capital. Another was formed with \$500 million. Altogether, at least six startups are forming with \$5.94 billion in new capital.

Among the largest deals is the formation of AXIS Specialty Ltd., which raised \$1.6 billion through a private placement after originally planning to raise \$1 billion. The specialty insurer and reinsurer was founded by an investment fund managed by a unit of Marsh & McLennan Cos. Inc.

In November, American International Group Inc., Chubb Corp. and Goldman Sachs

& Co. unit GS Capital Partners 2000 L.P. finalized formation of Allied World. The Bermuda-based insurer and reinsurer is capitalized at \$1.5 billion.

Aon has put together Endurance Specialty Insurance Ltd., capitalized at \$1.2 billion, and White Mountains Insurance Group Ltd. has formed Montpelier Reinsurance Ltd., which has \$1 billion in capital.

Several high-profile industry executives are joining the new ventures, including former Lloyd's of London underwriters Anthony Taylor and John Charman.

Among the largest infusions of new capital among existing Bermuda facilities are the \$1 billion raised by ACE Ltd. and \$820 million generated by XL Capital Ltd. Four other underwriters have raised a total of \$1.56 billion in new capital.

And more could be on the way, according to Mr. Watson. He said he expects at least another \$8 billion will be raised in the insurance market overall.

The additional capital could thwart the hopes of some market participants that the hardening market would lead to a surge in securitization deals. For several years, many securitization experts have predicted that a significant increase in insurance rates would lead to a spike in the number of securitized coverages.

The current conditions likely are causing some head-scratching among risk securitization professionals who were busy structuring such deals in anticipation of the market hardening, said Bart Hedges, executive vp and chief operating officer at Scandinavian Rein-

surance Co. Ltd., a Bermuda-based writer of finite reinsurance. "I'm sure some of them will continue to go on," he said of such deals, "but I would be surprised if there is a real need to do them, the way there might have been."

Best's Ms. Farrell said that "it's been a very slow incubation with the securitized market," because low prices in the traditional market have dampened interest in the arrangements. With prices rising, that could change, but it remains to be seen whether investors will want to put their money into the deals or invest it in the growing demand for insurance and reinsurance capacity, she noted.

"Securitization does provide additional relief in a difficult environment," said Mr. Watson, but there likely will not be a significant number of such deals in the near future as a result of the new capital, he noted.

A report by New York-based Lehman Brothers, however, suggests that securitized risk products will prosper for some catastrophe risks. Despite the infusion of new capital, fewer insurers and reinsurers are willing to underwrite large limits on a single piece of property, so financial markets can provide the capital and spread of risk to complete transactions, according to the report issued late last month.

Another question is whether the new capacity will stick around.

Mr. Hedges pointed out that some of the investors supplying the market's new capital are not insurance companies. Insurers, he suggested, might be more willing than others to allow "some volatility in the results" and stick with their investments. "It will be inter-

esting to see what kind of underwriting discipline there is. I can't imagine all these investment funds will want to be in for 10 years."

Mr. Kramer of ACE said that while some have said the new capacity is "naive," it is the lineup of talent directing the new companies that will bring success. "These are smart guys. Where you get the capital from is not what drives the company. They are the ones driving the companies."

BERMUDA EXPANDS

New formations (Capital in millions)

AXIS Specialty Ltd.	\$1,600
Allied World Assurance Co.	1,500
Endurance Specialty Insurance Ltd.	1,200
Montpelier Reinsurance Ltd.	1,000
DaVinci Reinsurance Ltd.	500
Goshawk Re	141
Total	\$5,941

Companies adding capital (Capital in millions)

ACE Ltd.	\$1,000
XL Capital	820
Arch Reinsurance Ltd. (Bermuda)	424
IPCR Ltd.	400
Renaissance Reinsurance Co. Ltd.	383
PartnerRe Ltd.	350
Total	\$3,377

Total new capital \$9,318

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