DECEMBER 11, 1995

Business Insurance®

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / $4

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Updates

Bill would restrict captive tax break based on size of related business

WASHINGTON—Captives would have to take on more outside business for their parents to take tax deductions on premiums paid to the insurance subsidiaries, under a proposal unveiled last week by the Clinton administration.

No more than 50% of a captive's net written premiums could be attributable to insurance or reinsurance of its parent's risks for the arrangement to be considered a valid insurance transaction, under the proposal in the administration's new budget bill.

See **Updates** *on next page*

GE insurer is insolvent

Suits filed over regulators' recent approval of reorganization

By DOUGLAS McLEOD

HAMILTON, Bermuda—The sudden collapse of a huge General Electric Co. liability insurer soon after its reorganization as a Bermuda company is sparking legal action against U.S. regulators who approved the reorganization plan.

Electric Mutual Liability Insurance Co., a longtime GE liability insurer, filed for voluntary liquidation in Bermuda after recognizing a roughly $750 million shortfall in reserves for GE-related asbestos and environmental claims.

The reserve shortfall leaves EMLICO insolvent by $500 million or more, making it one of the largest property/casualty failures on record.

The liquidation filing came only a few months after EMLICO moved to Bermuda from Massachusetts as part of a reorganization intended to separate loss-plagued GE policies from more profitable ongoing business.

Under the plan, approved by Massachusetts regulators last summer, EMLICO spun off its largely GE-related workers compensation, automobile and other business into a former subsidiary, keeping only those GE liability risks dating back to at least 1952.

EMLICO's collapse has apparently taken U.S. and Bermuda regulators by surprise: In approving the restructuring in June, Massachusetts regulators concluded that EMLICO and GE had no intention of liquidating the insurer.

Last week, several of EMLICO's reinsurers—including underwriters at Lloyd's of London, General Re Corp. units and Allstate Insurance Co.—sued the Massachusetts Insurance Division, alleging that its approval of the plan was improper.

General Re, for one, didn't find out about the reorganization until it was notified last month that

See **EMLICO** *on page 47*

Cost of risk drops for U.S. companies

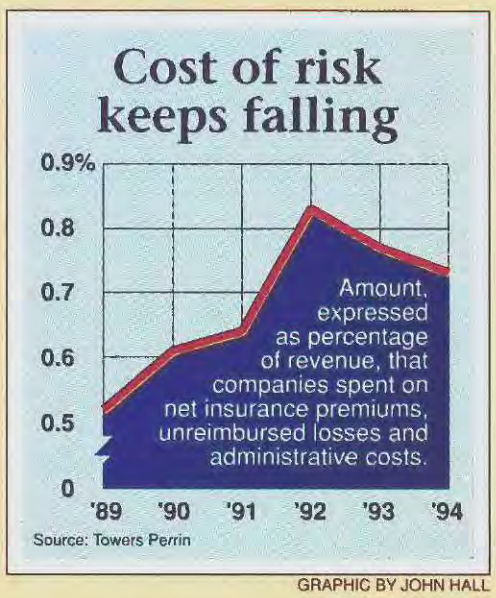
Study cites lower casualty costs

By MICHAEL BRADFORD

U.S. companies saw their total cost of risk fall for the second straight year in 1994, helped by the continued steady decline of workers compensation costs and a sharp drop in expenses related to other casualty risks.

The cost of risk declined by 5% for the average U.S. company in 1994, totaling $7.30 per $1,000 of revenue. That comes on the heels of a 7% decrease in 1993 risk costs, which was the first decline after a decade of increases (*BI*, May 1).

A major factor in the 1994 decline was a 22% drop in liability risk financing costs to $2.55 per $1,000 of revenue. That drop reversed two years of increases and, when combined with an 18% decline in workers comp costs, helped offset a near tripling of retained property losses for U.S. companies in 1994.



GRAPHIC BY JOHN HALL

Canadian companies, however, saw their cost of risk continue rising last year. The survey showed that Canadian-based respondents' cost of risk went up 21% to $3.40 Canadian per $1,000 Canadian of revenue ($2.42 per $713) in 1994.

The figures are part of the survey of corporate risk management expenses conducted since 1977 by the Tillinghast division of Towers Perrin and the Risk & Insurance Management Society Inc.

For the survey's purposes, cost of risk was defined as:

- Insurance premiums and related taxes.
- Retained losses for property/casualty and workers comp ex-

See **Costs** *on page 45*

Benefit law gets call to duty

Law details benefits owed workers in military service

By JERRY GEISEL

WASHINGTON—With the call-up last week of 3,800 men and women reservists to train for possible duty in Bosnia, a 1994 law designed to clarify benefits due employees during military service will get its first real deployment.

The law gives employers more guidance on benefits for reservists and their dependents than they had five years ago, when tens of thousands of employees were called up from National Guard and other reserve units for active military service after Iraq invaded Kuwait.

Congress—in a belated reaction to the Persian Gulf War and the employee benefit issues it raised—enacted The Uniformed Services Employment and Reemployment Rights Act. The 1994 law sets precise rules on the type and the manner in which employers must extend benefits to employees called up from military reserves. For employers with defined contribution plans, such as 401(k) plans, the requirements set by the law are a broad expansion of their benefit obligations.

See **Military** *on page 41*

AP/WIDE WORLD

President Clinton last week greeted U.S. soldiers in Germany, who will be among the first U.S. troops in Bosnia and may soon be joined in their peacekeeping mission by reservists.

Cover for big product liability risks

Facility would offer $4 billion in capacity to drug, medical device manufacturers

By GAVIN SOUTER

NEW YORK—Large pharmaceutical companies and medical equipment manufacturers soon could have access to an innovative new facility for financing catastrophic product liability exposures.

The as-yet-unnamed facility will offer $4 billion in shared capacity over a 10-year term to its members. It will provide coverage above the limits now generally available in world markets.

The high-limit and high-attachment point facility will likely be in place in the second quarter of 1996, offering coverage for an annual premium of between $10 million and $40 million, depending on factors like the policyholder's gross revenues and exposures.

The facility, whose development is led by Capital Risk Strategies in New York, will also tap capital markets for $1.6 billion in capacity and obtain additional capacity from reinsurance markets.

Capital Risk Strategies currently is discussing the coverage with potential policyholders in Europe and the United States. It would be offered to between eight and 15 companies, said Andrew W. Potash, president of the insurance broker/corporate finance company he founded in January 1995.

Several pharmaceutical and medical equipment manufacturers would be interested in buying the coverage for the right price, risk managers say.

The facility is designed to cover "corporate life threatening" products liability exposures, explained Mr. Potash.

"Over the past 35 years, there have been five major pharmaceutical or medical equipment catastrophes, and three of them were well in excess of $1 billion on a present-value basis," said Mr. Potash.

He said these include the silicone breast implant claims, which the manufacturers had offered to settle for $4.23 billion before that deal eroded earlier this year (*BI*, Oct. 16), and the Dalkon Shield liability, which cost manufacturer A.H. Robins Co. at least $2.4 billion in claims payments (*BI*, Oct. 9).

"The problem is that there isn't enough traditional insurance to provide limits to cover these catastrophes," he said.

Currently, pharmaceutical and medical equipment manufacturers can buy up to $650 million in product liability coverage, according to Mr. Potash.

The new facility would provide $4 billion in shared limits over 10 years. Coverage would be limited to $1 billion per occurrence, which would be defined as all

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Updates

Captive tax change proposed

Continued from page 1

Such a change would be significant tightening of current law. Several appeals courts have ruled that a parent could deduct premiums paid to a captive even if as little as 30% of the captive's premium volume came from unrelated business.

"Potentially, this is a very significant change," said Jon Harkavy, vp and general counsel at captive management firm USA Risk Group in Arlington, Va.

Premiums exceeding this new 50% threshold would be characterized as payments for risk management services and their tax treatment would be governed by general rules on business expense deductions.

The administration says the lack of clarity on whether transactions involving a captive are considered to be "insurance" has encouraged "aggressive planning and excessive controversy."

But James Cameron, a captive tax specialist with Baker & McKenzie in New York, says federal tax officials have been unhappy with court rulings on captive tax deduction cases and want a "bright line" test on how much related-business a captive can write in order for the parents to take a tax deduction on premiums paid into the captive.

Separately, the Supreme Court agreed Friday to decide whether the government can constitutionally charge a 4% excise tax on premiums paid to foreign insurers for risks that occur wholly or partly in the United States. Lower courts have ruled in *U.S. vs. IBM* that the tax is an unconstitutional tax on exports.

Nationwide pumps up reserves

COLUMBUS, Ohio—Continuing a trend among major insurers, Nationwide Mutual Insurance Co. plans to add $1.1 billion to its asbestos and environmental reserves, nearly quadrupling them to $1.5 billion.

Pending approval at a Dec. 13 board meeting, the company will make the contribution in the fourth quarter. The money will cover exposures and related loss adjustment expenses from insurance written by Nationwide units, as well as affiliated companies like Employers Insurance of Wausau and National Casualty Co.

Nationwide had been reviewing its ultimate liabilities for a year, said Robert A. Oakley, executive vp and chief financial officer. As a result, "we looked at estimates of final liabilities and where we needed to be. . .to be adequately reserved."

Aetna Life & Casualty Co., Fireman's Fund Insurance Co. and Swiss Re North America also recently have made big reserve additions. In addition, CIGNA Corp. has boosted asbestos and environmental reserves as part of a plan to run off its long-tail liabilities.

"The emphasis on environmental and asbestos reserves in the past couple years really focused our attention," said Mr. Oakley.

The effects of the move will be reflected in the 1995 results of the companies in Nationwide's inter-company reinsurance pool.

Funds deny CIGNA exposure

HARRISBURG, Pa.—Raising CIGNA Corp. policyholder concerns but shooting down at least one industry argument against CIGNA's reorganization plan, the nation's guaranty fund association asserts that state guaranty funds likely would not respond if CIGNA's proposed long-tail liability runoff operation were to fail.

Under CIGNA's plan, Insurance Co. of North America, the unit with the most asbestos and environmental liabilities, would be divided in two. The entity retaining most of those liabilities would be renamed CCI Indemnity Co. and then merged into Century Indemnity Co., a CIGNA unit that would become the lead runoff company. The other half of INA would remain part of CIGNA's active operation.

Despite CIGNA's estimates that the runoff operation would have more than $7 billion, which it says would be more than adequate to pay claims, some policyholders and other insurers remain skeptical (*BI* Dec. 4). Insurers fear they unfairly would be obligated to pay CIGNA's long-tail liabilities if the runoff operation fails.

But, the National Conference of Insurance Guaranty Funds told Pennsylvania regulators at a hearing last week that state funds likely would not respond because CCI never was a licensed insurer and Century did not write any of the coverage at stake.

"From a policyholder perspective, this is just another reason why the plan cannot go through on the fast track it's going through on," contends policyholder attorney John N. Ellison, a partner with Anderson Kill Olick & Oshinsky P.C. in Philadelphia.

But the guaranty fund group's argument is meritless, said a CIGNA spokesman. The policies "stay with the issuing insurer or its legal successor, which is what happens in a division or merger," he said.

Value Health acquires vendor

AVON, Conn.—Value Health Inc. is continuing its rebound from midyear financial troubles as it completes the acquisition of a Minneapolis-based vendor of a pharmacy information management system.

Last week's signing of an agreement to acquire Medintell Systems Corp., which is expected to cost about $26 million, also resulted in a management change at Value Health, an Avon, Conn.-based specialty managed care firm. Kevin L. Roberg, Medintell's chief executive officer, was named CEO of Value Health's ValueRx pharmacy benefit management unit. He replaced Barry M. Smith, who resigned.

Value Health predicts earnings will grow about 20% next year.

Value Health ran into financial problems earlier this year when it acquired Diagnostek Inc. for $216.2 million, thus creating the nation's largest prescription benefit management firm not owned by a drug company (*BI*, June 12; April 3). But weaker-than-expected Diagnostek results caused a 25% drop in Value Health's stock price in mid-September and led the New York Stock Exchange to suspend trading of the stock for and a day and a half (*BI*, Sept. 25).

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Pension underfunding drops

Higher contributions and interest rates ease liabilities

By JERRY GEISEL

WASHINGTON—Unfunded liabilities in the nation's 50 most underfunded pension plans are dropping dramatically.

The 50 plans' unfunded guaranteed benefits—those that the Pension Benefit Guaranty Corp. would have to pay participants if a plan were terminated—fell sharply to $10.9 billion in 1994 from $32.3 billion in 1993.

Much of that two-thirds drop in underfunding was the result of General Motors Corp. plowing billions of dollars into its once massively underfunded plan for hourly employees.

In 1993, GM's pension plan had $15.9 billion in unfunded guaranteed benefits, by far the biggest unfunded pension plan on the PBGC Top 50 list.

But about $10 billion in contributions above the minimum required amounts moved GM off the Top 50 list.

Also leaving the list were other companies that increased contri-

See **PBGC 50** *on page 41*

Largest funding shortfalls*		Worst funding ratios	
Westinghouse	$1.69 billion	Ravenswood Aluminum	31%
Bethlehem Steel	1.44 billion	Bridgestone-Firestone	58%
LTV	1.38 billion	LTV	59%
Navistar	653 million	Keystone Consolidated	60%
Starfire Holding	464 million	Starfire Holding	61%

*For benefits guaranteed by PBGC
Source: PBGC

GRAPHIC BY KIM ROME

Ruling may influence liability for online data

By JUDY GREENWALD

SAN JOSE, Calif.—A potentially influential federal district court ruling that online service providers could be held liable for contributory copyright infringement is neither an unalloyed victory nor defeat for companies that run the computer services.

Rather, the ruling last month by U.S. District Judge Ronald M. Whyte of San Jose, Calif., in a suit brought by a Church of Scientology affiliate charts a middle ground in determining when online services might be liable for transmitting copyrighted material.

Even though it is only a federal district court ruling and involves only pre-trial motions, experts in media law ex-

See **Online** *on page 44*

Rough seas ahead for disaster facility

Natural disaster bill faces opposition

By MARK A. HOFMANN

WASHINGTON—Insurer-backed attempts to create a federal catastrophe reinsurance facility are running into increasingly stormy weather on both Capitol Hill and in the state capitals.

New concerns have emerged over the lack of federal or state rate regulation on insurance backed by the proposed facility and the potential costs of the facility to the federal government. That was evident last week both during hearings on H.R. 1856, the Natural Disaster Partnership Act, before the House Transportation and Infrastructure's Subcommittee on Water Resources and Environment and at the National Assn. of Insurance Commissioners' winter meeting in San Antonio.

The insurance industry itself has not united behind the proposal. Proponents are not getting any support from the Risk & Insurance Management Society Inc., either, which has declined to take a stand on the legislation because of the bill's emphasis on personal lines insurance.

Meanwhile, the Washington-based Natural Disaster Coalition, which has been promoting the bill, has prepared for a possible change of leadership.

The coalition's chairman, Franklin W. Nutter, who is also president of the Reinsurance Assn. of America, will continue as chairman for now while a task force reviews succession and also the NDC's political strategy with a view toward improving its chances for success. This includes

See **Disaster** *on page 45*

Proposed regs would fight RSI disorders

California standard doesn't please all

By JOANNE WOJCIK

LOS ANGELES—California's latest proposed ergonomics standard would require far less of employers than the far-reaching plan scrapped last year by the California Occupational Safety and Health Standards Board.

Still, if the agency adopts them, these would be the first comprehensive regulations in the country aimed at combating repetitive strain injuries, the nation's fastest-growing category of occupational disease.

To date only one state, Washington, has adopted formal guidelines on workplace ergonomics—and its guideline is purely voluntary (see related story, page 46).

After the federal Occupational Safety and Health Administration suspended its effort to publish an ergonomics rule earlier this year, many safety professionals had looked to California to produce the nation's first comprehensive regulations. The state's major 1993 workers compensation reform law required state safety regulators to adopt guidelines, which would automatically become law.

Repetitive strain injuries afflict workers ranging from meatpackers to store clerks to secretaries. According to the Bureau of Labor Statistics in Washington, repetitive stress injuries accounted for 56% of all workplace illnesses in 1990, compared with just 14% in

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Business Insurance (ISSN 0007-6864) Vol. 29, No. 50, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $80 a year in U.S. $100 in Canada and Mexico (includes GST). All other countries $200 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1995 by Crain Communications Inc.

Employee benefit marketplace

Managed care or indemnity health plans?

HMO premiums remain low, but traditional plan costs rising

By ROBERT KAZEL

The trend of group health insurance premiums increasingly is becoming a tale of two divergent roads.

One path, marked "managed care," is growing busier with traffic and continues to retain its appeal among employers. Here, premium increases are expected to be minimal—a key advantage in today's marketing wars.

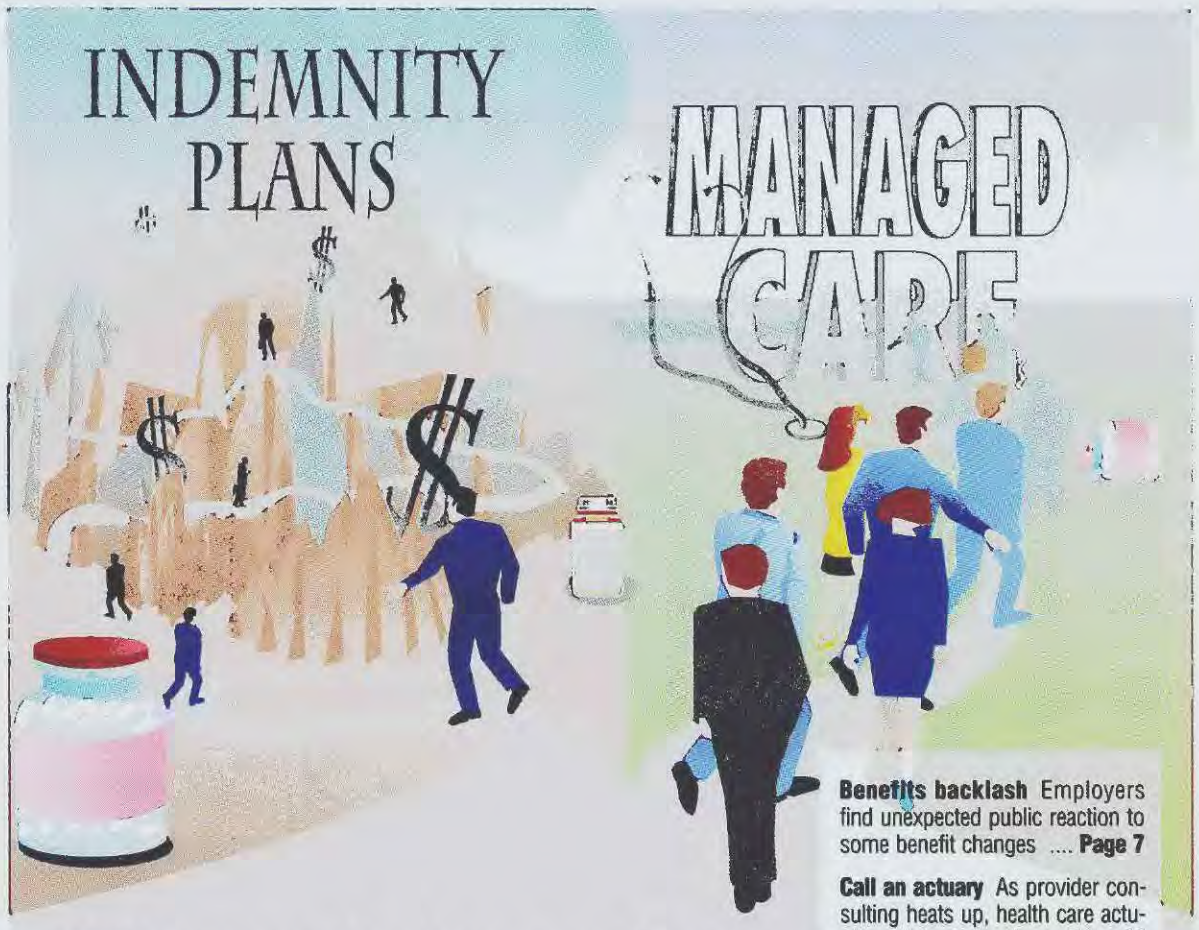
The other road, representing traditional indemnity plans and those offering less managed plans, is getting more expensive.

Low general inflation and medical inflation kept costs relatively low for the industry this year, experts say. The low inflation, together with continued fierce competition among managed care companies, will keep health maintenance organization rates from rising much, if at all, next year. Traditional indemnity plans and those plans with only a partial managed element will see greater increases.

Major HMOs, citing intense rivalry and cost-cutting, generally are predicting that premiums will stay flat or will fall by 1% to 5%. Some HMOs, though, say premiums should rise, but generally by no more than 3%.

Indemnity plan premiums, in contrast, are expected to rise by between 5% and 15% in 1996, with approximately the same range of increases for preferred provider organizations and about 5% to 7% for point-

See **Trends** *on next page*



The route to savings

Streamlined operations and lower costs are leading more employers down the path to managed care, while fewer companies are choosing less managed arrangements like traditional indemnity plans, whose costs are rising.

Benefits backlash Employers find unexpected public reaction to some benefit changes .... **Page 7**

Call an actuary As provider consulting heats up, health care actuaries are in demand ..... **Page 20**

Exporting expertise With more interest worldwide in benefits cost control, consultants are spanning the globe .....**Page 22**

Spotlight Report Editor: Michael Schachner

GRAPHIC BY MIKE GARVEY

World's largest employee benefit consultants

Ranked by worldwide benefit consulting revenues. 1995 figures are estimates.

Name	Gross revenues benefit consulting [1] (millions) 1995	1994	% change	Offices U.S./total	Professional benefit consulting employees [2]/total	Gross revenues total operations (millions) 1995
William M. Mercer Cos. Inc.	$720	$653	10.3	43/107	4,886/7,444	$1,050
Towers Perrin	523	471	11.0	36/73	3,009/5,613	800
Watson Wyatt Worldwide [3]	475	368	29.1	40/87	3,600/4,700	558
Hewitt Associates L.L.C. [4]	381	337	13.1	31/64	3,550/5,300	449
Coopers & Lybrand L.L.P., Human Resource Advisory Group	317	271	17.0	24/89	2,078/2,886	352
Sedgwick Noble Lowndes	271	265	2.3	38/81	1,782/3,791	321
A. Foster Higgins & Co. Inc.	226	213	6.1	51/82	1,525/1,945	251
The Alexander Consulting Group Inc.	196	184	6.5	22/87	865/2,013	227
Buck Consultants Inc.	196	175	12.0	21/48	1,400/1,690	196
Godwins International	166	144	15.3	27/59	1,273/2,064	208
Total	$3,471	$3,081	12.7	333/777	23,968/37,446	$4,412

[1] Excludes revenues from claims administration, compensation consulting, insurance commissions (where no consulting is involved) and other non-benefit consulting [2] Figures may include non-benefit consulting employees [3] Fiscal year ending June 30 [4] Fiscal year ending Sept. 30
Source: *BI* survey

GRAPHIC BY MIKE GARVEY

Plan changes are benefiting consultants

Outsourcing, plan revisions fueling revenue increases

By MICHAEL SCHACHNER

Fueled by employers' increasing desire to streamline benefit plan administration, major benefit consulting firms are celebrating their strongest performance in years.

After struggling throughout the 1990s to achieve any revenue growth, the top firms estimate double-digit increases in revenues in 1995.

Executives at the largest employee benefit consultants say all signs point to continued growth in the year ahead.

Having endured a three-year slowdown in business brought on by factors like uncertainty over the outcome of the national health care reform debate, employer and employee resistance to managed care and a sluggish economy, consultants are again finding their services to be in demand as employers enter a new phase of benefits management: tying health and retirement benefits to an overall corporate business strategy.

Specifically, consultants report revitalization in their health care practices, a realization by employers that they need to rework retirement programs and booming business in the area of outsourcing benefit plan administration.

See **Consultants** *on page 14*

Trends

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of-service plans.

The HMOs are taking credit for continuing to hold down costs, though low general inflation is also contributing to controlled pricing. The Consumer Price Index rose just 2.8% for the year ended Oct. 31, compared with 3% in the previous year. Medical inflation fell to 4.2% from 4.7% in that period.

HMOs are continuing to manage costs effectively as they aggressively expand into new markets, said Todd Swim, a Chicago-based health actuary and capitation practice leader at Buck Consultants Inc. Premiums on balance should stay flat, though some may decrease, he said.

Randall K. Abbott, a managing director at Lyndhurst, N.J.-based Alexander & Alexander Consulting Group Inc., predicts many HMOs will hold the line on premiums and some, particularly in California, will cut premiums by 1% to 2%.

Employers can expect premium increases of 11% to 13% for traditional indemnity plans next year, 9% to 10% for PPOs, 5% to 7% for POS plans that have gatekeepers and "aggressive incentives" to stay in network, and flat to 3% increases for HMOs, Mr. Abbott said. Attractive managed care pricing has pulled many employees out of the indemnity fold and caused several employers to offer only managed care alternatives.

"What we have seen is a lot of people who had been in indemnity plans migrating to PPOs, a lot who were in PPOs migrating to POS, and a lot who were in POS migrating to HMOs," Mr. Abbott said.

But the dampening of managed care premium increases is not likely to continue much beyond 1996, he said.

"If there's fat in the market, you can wring it out," he said. "But when you get to the bone, what are you going to do then?"

At Kaiser Foundation Health Plan Inc., premiums will fall almost across the board, said Jim Taul, director of pricing for the Oakland, Calif.-based HMO. On average, nationwide, premiums will drop about 5% next year for Kaiser Permanente HMOs, with decreases in individual markets ranging up to 13%. "Just about every area has a greater decrease than it did last year," he said.

The pricing decreases are the result of competition and cost containment techniques, such as Kaiser's aggressive negotiation of contracts with hospitals, Mr. Taul said.

Kaiser's prominence in the managed care market also offers unique opportunities to share administrative tasks among its units and benefit from economies of scale.

"We're centralizing some purchasing and accounting functions, and we have plans for some other functions as well," he said. "We purchase in huge bulk. There are tremendous economies of scale there."

Still, some managed care companies say premiums may edge up a couple of percentage points in 1996.

"We've extracted from the providers about as much as we can and figure it's time for a breather," said a spokesman for Health Systems International Inc. in Woodland Hills, Calif. "We feel the time has come to call a halt to price cutting."

And some consultants also are predicting slight increases in HMO premiums next year.

John Erb, a Miami, Fla.-based principal with A. Foster Higgins & Co. Inc., foresees "single-digit increases, but increases nonetheless," in many premiums for 1996. But, Mr. Erb predicts increases will be markedly higher for non-managed plans.

Traditional indemnity plan rates will rise by an estimated 10% to 15% next year, he said, with PPOs rising 5% or less, POS plans rising 5% to 10% and HMOs at about 5%.

Managed care prices will remain fairly stable next year in part because plan sponsors are taking an active, consumer-oriented approach to shopping around for the best deal wherever possible.

These corporate buyers of health insurance are upset that insurers haven't fully passed along cost savings to them in the past year or two, said Dr. David B. Friend, a physician and global director for health care consulting with the Wellesley Hills, Mass., office of consulting firm Watson Wyatt Worldwide.

Next year, he predicted, will generally bring employers some premium savings.

"I think savvy buyers can see no increase if they're smart," Dr. Friend said. "If you're paying an increase, get yourself another consultant because you're not paying the best price."

Even though the cost of indemnity plans is not going through the roof in today's competitive market, he said that he expects indemnity plan rate hikes will hold at 5% to 6%, and a sizeable segment of plan members will continue to opt for them. "People are paying for choice," Dr. Friend said. "They're paying for the bells-and-whistles option." But he also predicted growth in POS plan enrollment, with POS premiums rising by between 3% and 5% next year.

PPO plans are generally succeeding in reducing costs to compete and POS plans are trying to do the same. But because POS plans are still relatively new and because members are using many out-of-network providers, they are often priced relatively high. That, Dr. Friend said, will change.

At Fort Lee, N.J.-based Sanus Corp. Health Systems, premiums will either stay flat or decrease slightly next year, a reflection of hot competition in most areas, said Frank Keenan, vp and actuary. Employers are not hesitating to switch insurance plans to save money, he said, regardless of the inconvenience. "Employers are still willing to put up with all the disruption to get a better price," he said. "Price seems to be the main issue cropping up all the time."

But Mr. Keenan said premium increases may surface late in 1996.

"Our margins are being squeezed," he said. "It's kind of a waiting game. How long will people have the stomach for the financial consequences of keeping premiums low?"

The waiting game is widespread across the country, no longer confined to HMO competitive war zones like the West Coast. At Waltham, Mass.-based Tufts As-

See **Trends** *on page 6*

Integrated Cost-Reduction Services – Utilization Management – Case Management – Medical Review Services – National Provider Networks – ProVention Services – Injury Management Program – Pre-Certification – PPO Program – Intervention Services – Continued Stay Review – Medical Case Management – Independent Medical Exam – Vocational Rehabilitation – Disability Management Program – Review Services – Bill Review – Peer Review

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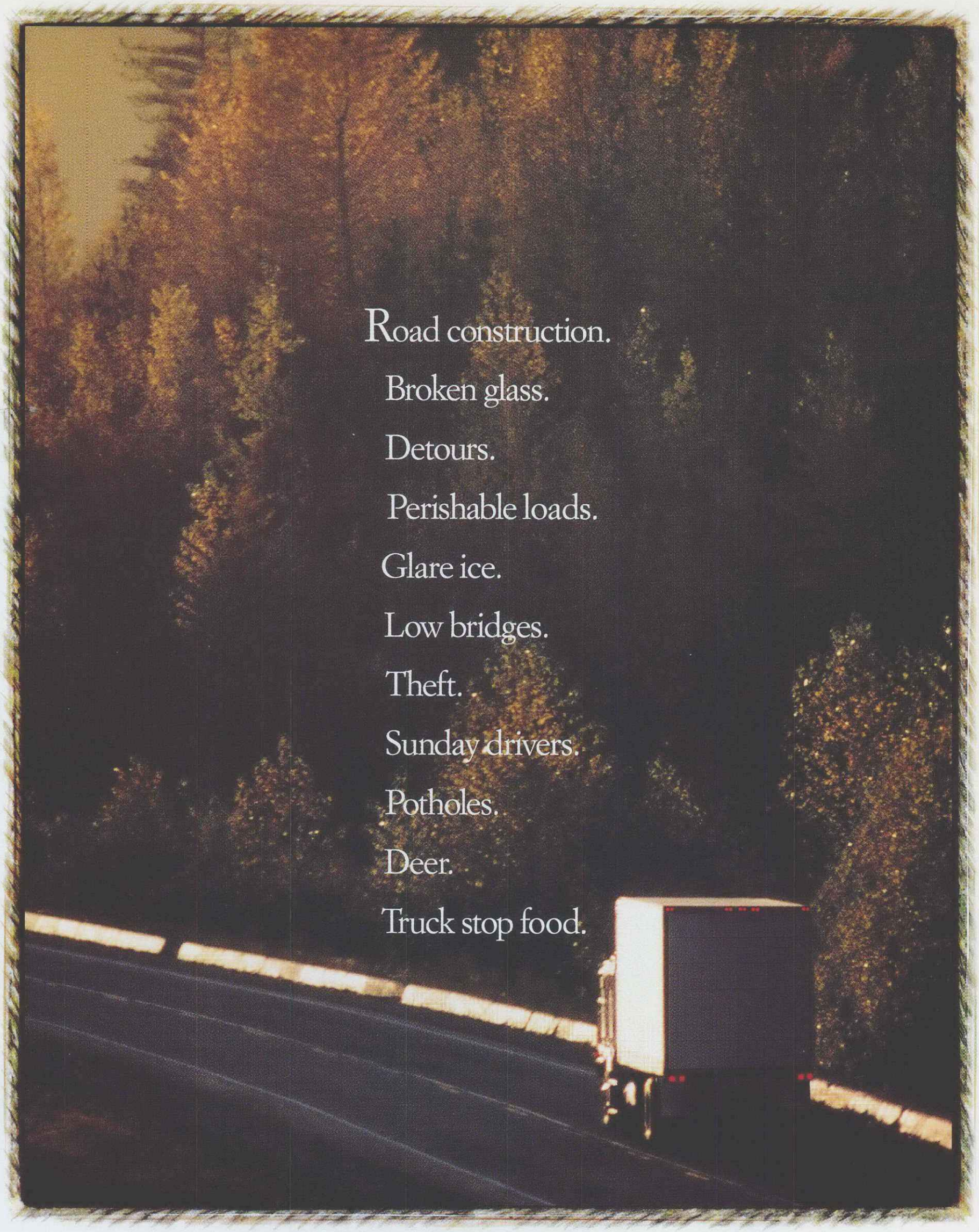

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Spotlight report

Trends

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sociated Health Plans, extreme competition that began putting pressure on prices more than two years ago is expected to continue this year.

The plan's 500,000 HMO members are benefiting from the price wars and, in many cases, plan sponsors are shopping for multi-year contracts to lock in good prices, said Kevin Counihan, vp of sales and marketing. Prices will drop about 4% for HMOs and POS plans next year and will be flat for PPOs, but will increase approximately 5% for indemnity plans. Tufts offers managed care as well as traditional plans.

At Hartford, Conn.-based Aetna Health Plans, HMO premiums will be flat in some markets and rise by up to 5% in others, said Amin Khalifa, chief financial officer and senior vp. Meanwhile, premiums for Aetna POS plans will increase by 3% to 7%.

"Some markets are becoming more competitive and you'll see some places where there are decreases," Mr. Khalifa added. But, in general, PPO premiums will go up by 5% to 9% this year, while indemnity plan premiums should increase by about 10%. Aetna has about 15.6 million health plan members, with just under 1 million people moving this year from plans with less managed organization to more "gated" varieties. About one-third remain in indemnity plans while the remaining two-thirds are split among HMOs, POS plans and PPOs.

"I think people are starting to see the link between the cost and quality of going to managed care," Mr. Khalifa said.

At Hartford, Conn.-based CIGNA Corp., HMO prices will be flat or rise in the low single digits, said Jeff Verney, senior vp of national accounts. POS plan premiums will rise in the mid-single digits, while PPO premiums will increase in the high single digits and indemnity plan premiums will rise in the mid-double digits. Over 50% of CIGNA's customers are in managed care.

At Roseland, N.J.-based Prudential Health Care Plan Inc., traditional indemnity plan premiums will rise between 12% and 15%, and up to 18% in some local markets, said Dana Benbow, vp of group underwriting. PPO premiums will rise 10% to 15%, and premiums for POS plans will increase 5% to 10%. "Those increases will moderate as we move to more tightly controlled health care products," he said. "We certainly expect that the indemnity market share is going to decline."

Employers that purchase coverage through Prudential HMOs will see price increases or decreases of 2% to 3%, depending on particular market conditions, Mr. Benbow said.

At Chicago-based Rush-Prudential Health Plans, president and CEO Scott Serota says the HMO's premiums could rise between 3% and 4%. "Issues of medical intensity are starting to flare up again," he said, pointing to such recent phenomena as the expense of competing in new markets, increasingly aging patients, patients with more advanced illnesses, and high-cost procedures such as infertility work.

"I don't think rate decreases right now are pertinent," he said. "On a general basis, it's just now what the (market) is calling for."

At Woodland Hills, Calif.-based CareAmerica, prices are expected to remain the same until possibly late in 1996, said David Schmidt, senior vp for sales and customer services. Extreme competition has brought great price pressure for the company's HMO, which has about 200,000 group members, but an increase of "a couple of percent" will be necessary to help make up for recent revenue losses. Prices for CareAmerica's PPO, with only about 7,500 members, will remain about flat, Mr. Schmidt said. The general trend for the near future, he said, may be rising prices in managed care.

"We are clearly approaching, if not reaching a point in some markets—a point of diminishing returns in terms of hospital utilization," he said.

At HealthPartners, a 650,000-member HMO in the Minneapolis-St. Paul area, premiums rose by an average of 3% to 5% this year. Next year, premiums are expected to be flat, said Anne Darnay, senior vp-underwriting. The continued slow rise in premiums is a result of competition in the market and keeping a tight rein on costs, she said.

Employers are expressing confidence in their ability to keep increases at bay.

Helen Darling, manager of health care strategy and programs for Stamford, Conn.-based Xerox Corp., expects a decrease of 2.2% in HMO premiums in 1996, compared with a 1.9% decrease this year. "We anticipate continuing success at holding down health benefit costs," she said. "Subscribers' purchasing power is now focused on holding down the cost of care at least for another year."

Three-quarters of Xerox's 47,000 U.S. employees are in a total of 219 HMOs, with 20% in indemnity plans, which the company expects to rise in price by 6% next year. Ms. Darling said that sophisticated companies are using such tools as purchasing groups, network managers and subsidies to move workers to more cost-effective plans.

"A plan cannot just come in and say they need more money," she said. "The purchasers will continue to find increases intolerable."

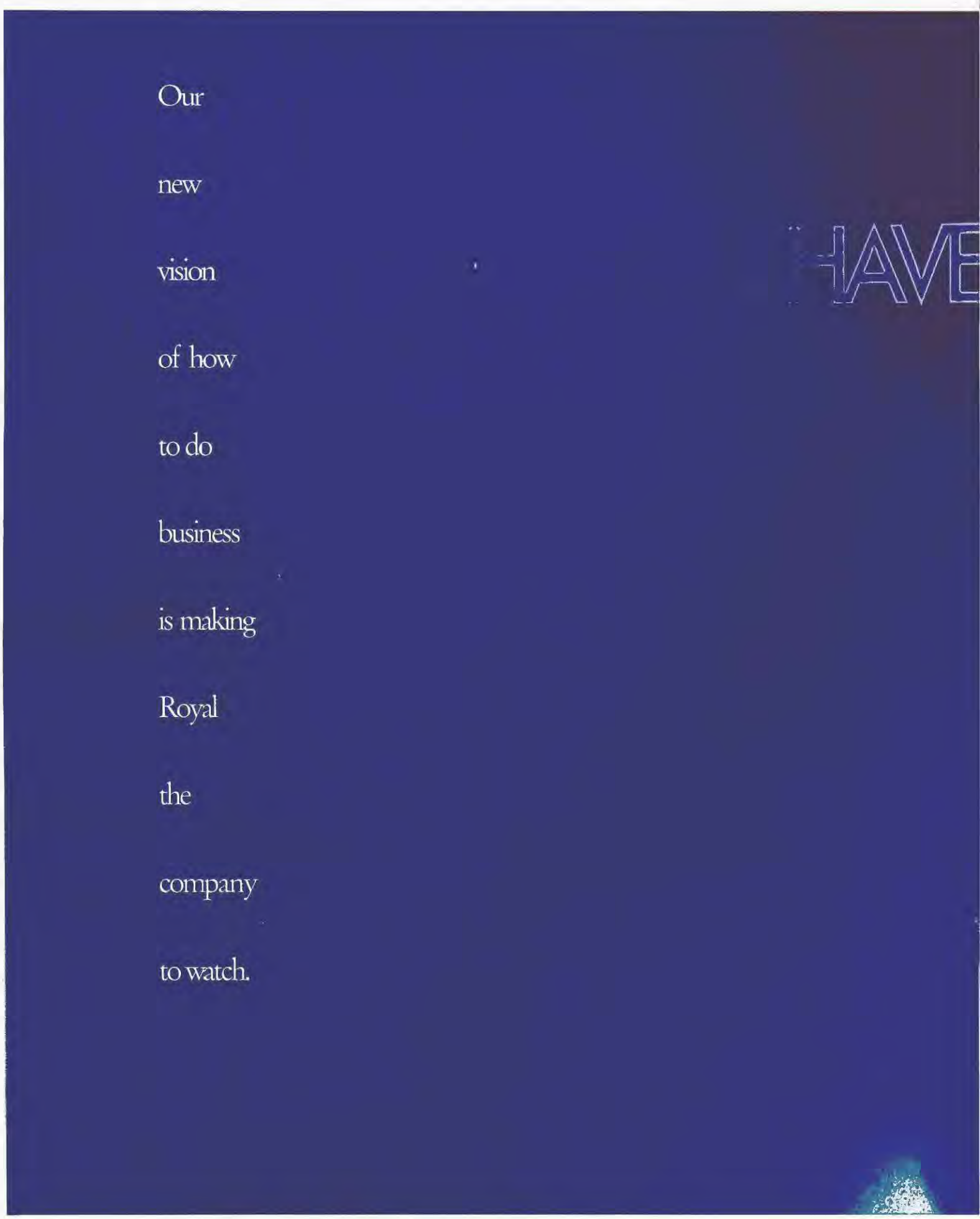
GTE Corp., also based in Stamford, is anticipating a 4% to 5% increase in indemnity plan premiums, but is expecting little change in rates for employees in the company's 130 HMOs or POS plans, said Bruce I. Taylor, director of health care management. The company now has 59% of its workers in managed care.

"We think we're pretty good at negotiating effectively at plans around the country," Mr. Taylor said. As for predictions of price hikes made by some insurers, he seemed skeptical.

"I think that's what I call saber rattling," he said. "What better way to prepare the market: 'Buy now—the price may go up.' Almost like a trial balloon."

Some employers say greater employer savvy in the bidding process, along with competition, is helping to reduce premiums.

"We've gotten pretty sophisticated in developing some RFPs (requests for proposals) and really bidding that work," said Tom Murphy, group vp for human resources and labor relations at Kroger Corp. in Cincinnati. "We're sort of going into the second phase of the HMO business in areas where we have already had it and rebid it. The competition is driving the cost down." BI



Private benefits, public controversy

Extending benefits to domestic partners may stir local protests

By SALLY ROBERTS

When commissioners in Williamson County, Texas, last year denied Apple Computer Inc. $750,000 in tax abatements in return for building an $80 million sales support center in the area, Apple was caught off guard.

The personal computer manufacturer was especially bewildered because a deciding factor in the denial was the company's employee benefit policy. The commissioners said they believed local taxpayers should not have to subsidize health care benefits for homosexuals.

Apple is one of about 200 employers currently extending health care benefits to same-sex domestic partners.

"We were caught by surprise," recalled Sally Brewster, benefits manager for the Cupertino, Calif.-based computer giant.

"There were discussions on how we thought our employees would respond and how we should communicate the offering, but there really wasn't any discussion on how we thought the outside public would respond to this," she said.

Apple implemented the benefit policy change in July 1993, a year before the Williamson County commissioners blocked the tax abatements. The commissioners later changed their minds, approved similar tax incentives and Apple built the center (*BI*, Dec. 13, 1994).

But that wasn't the end of it. Word spread about the Texas incident, which resulted in "an incredible influx of communications from outside companies," Ms. Brewster said. "While most of the communication was supportive, some agreed with the Texas commissioners."

Apple is not alone in experiencing negative public reaction to its employee benefit policy.

Earlier this year, 15 Florida legislators sent Walt Disney Co. a letter after Disney announced it would offer health, dental and vision benefits to the live-in partners of its gay and lesbian employees starting Jan 1 (*BI*, Oct. 16).

The letter condemned Disney's policy as anti-family and unbefitting of a family-oriented entertainment company.

Disney would not comment on the matter but did confirm it had received the letter.

Benefit managers and consultants say employers generally elect not to extend benefits to same-sex domestic partners because of costs and a lack of need among employees. But, they agree that recent incidents at Apple, Disney and other companies will cause employers to think twice before extending same-sex domestic partner benefits and risking negative reaction from the public.

"Anecdotal evidence is incredibly powerful and has a long shelf life," said Mike Sass, a principal in the New York office of A. Foster Higgins & Co. Inc. "Eight years from now, an employer (looking to extend domestic partner benefits) will look back and remember that Apple...got the rug pulled out from under them in Texas," he said.

Most employers, especially consumer product companies, are concerned about adverse publicity when they offer benefits that might be deemed controversial, said John Hickey, a principal at Kwasha Lipton L.L.C. in Fort Lee, N.J.

With the recent adverse reactions some employers have received after extending health benefits to same-sex domestic partners, "it might inhibit" other employers from extending those health benefits in the future, he said. "No one wants bad publicity."

However, if employers are candid about their reasons for offering controversial benefits—which can include any benefit associated with issues on which groups have taken moral stances—they can withstand the criticism, consultants say.

"I've got to believe Walt Disney and Apple were trying to be fair" when they extended their benefits, said Gregory J. Wiber, group executive at Buck Consultants Inc. in Philadelphia.

"They recognized they do not have all the same workforce. (Extending the benefits) was not something they had to do, but they went ahead anyway because it is good for the workforce. Unfortunately, negative backlash occurs, but companies can compensate for this if they go in with the right intentions," he said.

Indeed, employers must consider and understand all the issues involved when they offer a controversial benefit, including the potential loss of sales from consumers who disagree with the company's decision, consultants advise.

Employers do not need to "agonize" over the potential negative reaction they might receive, said Mr. Sass, but they should quickly try to take the pulse of their external and internal audiences.

Consultants say employers may consider conducting internal focus groups or research the attitudes of their external target market or local environment.

"Employers that anticipate potential problems have a better chance at solving them," Mr. Sass said.

When Golden, Colo.-based Coors Brewing Co. extended its medical and dental insurance benefits to same-sex domestic partners last June, the company discussed the potential problems it might encounter from the public and its employees.

"We knew what happened to Apple, but we looked at it, and Pete Coors said we have to do it because it was a response to employee requests," a company spokesman said.

Indeed, a group of employees known as the Lesbian & Gay Employee Resource, or LAGER, lobbied the company to extend health benefits to domestic partners (*BI*, July 24).

However, Coors did not expect word to travel so quickly to its consumers. Outside of its employee base, Coors only publicly

See **Backlash** *on page 12*

OUR ATTENTION.

Royal Insurance

Opinions

It's time to break the bank

WE'RE ENCOURAGED that Congress has taken its first step to kill once and for all the federal law that requires employers to report health care plan enrollment information to the government.

The House Ways and Means Committee earlier this month approved legislation that would repeal the much-criticized Medicare data bank law (*BI*, Dec. 4). As of late last week, a vote on the House floor had not been scheduled and may not occur until next month.

Fast action is necessary because the data bank law, after an earlier congressional delay, is due to go into effect next year. We think repeal of what is widely recognized as a ridiculous law is inevitable. Employers shouldn't have to spend one penny complying with a law that sooner or later—we hope sooner—is headed for the congressional dustbin.

Certainly, as we have noted before, the basic concept of the data bank law was and continues to be sound: providing federal regulators with the information to ensure that employer health care plans, not Medicare, are the primary payers of claims for workers staying on the job after age 65.

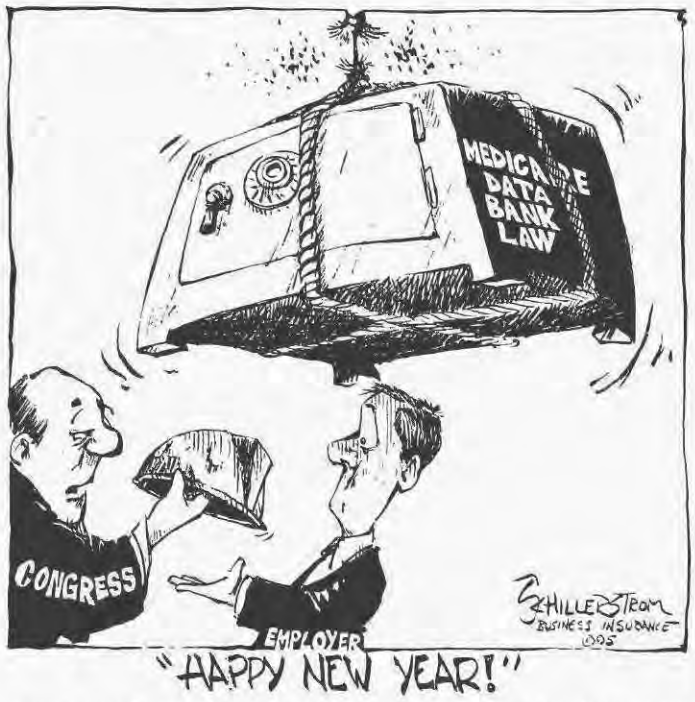
Fair enough. But where the data bank law goes overboard is requiring employers to file with the federal government health care coverage information, such as employees' and dependents' Social Security numbers, for all their workers and dependents enrolled in health care plans.

A fair guess would be that 98% of this information will be useless to regulators. For example, of what use would enrollment information for employees' children be to the government regulators trying to spot claims Medicare improperly paid?

And, in the real world, does the government have sufficient resources to comb through coverage reports on the roughly 160 million people enrolled in group health care plans?

In short, employers would be wasting millions of dollars generating largely useless reports that no one would read.

We'd rather see—and we're sure Congress would



too—employers use corporate resources to improve the efficiency and quality of their health care programs and not on producing mountains of unnecessary paperwork.

A year ago, Congress voted to delay implementation of the program until 1996 (*BI*, Oct. 3, 1994). That vote came several months after the Health Care Financing Administration, which administers Medicare and the data bank program, itself said a delay was warranted as it sought to ease employers' reporting burdens. Enough evidence has accumulated by now that there are better ways to prevent Medicare from improperly paying bills—like cracking down on doctors and hospitals that send older workers' health care claims to both the government and employers.

For employers concerned about the costs of complying with this law—a classic example of government overkill—now is the time to urge your representative to break the bank.

Letters

Finite risk cover not limited to big liability risks

To the editor: It was encouraging to read the Nov. 13 Spotlight Report article, "Finite Risk's Appeal Grows: Accounting, Financial Firms Explore Risk Financing Option for E&O Risks," and to see this important but often misunderstood tool get the increased attention it deserves.

But I'm concerned that your article may leave the mistaken impression that finite risk has limited application beyond professional service firms with large liability concerns. In fact, the five building blocks of finite risk—multiyear contracts, aggregate limits of liability, profit sharing, broad coverage and custom solutions—make it an attractive alternative for a wide range of companies that lack adequate coverage for difficult-to-insure exposures.

In working with our clients, we have found that there are at least two litmus tests for determining the fit of finite risk with an individual company's needs. First, does it offer a comparable or lower outlay and cost, after considering the potential for profit sharing? Second—and oftentimes most important to the risk manager, treasurer and CFO—does it provide other enhancements to the company's finances? These enhancements might include creating additional capacity, freeing up capital, improving credit availability, reducing volatility and, ultimately, increasing the price-to-earnings ratio.

As your article correctly pointed out, there has to be significant risk transfer if a finite policy is to be a valuable tool for financial risk management. We have found that this is best accomplished by custom-designing a program in which finite risk is blended with other coverages to achieve appropriate risk transfer and create a cost-effective solution. To accomplish this, risk managers must go beyond their historic role of managing traditional insurance problems and more holistically view their role as encompassing overall financial risk management (including credit, interest rate, liquidity, commodity, currency exchange, political and other financial risk).

Finite risk can be an excellent vehicle for many companies, as well as an important element in a blended solution that accesses the capacity available in the capital markets.

Andrew Potash
President and CEO
Capital Risk Strategies
New York

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Web terms help avoid spider bite

To the editor: I just finished reading the Spotlight report on Risk Management Systems & Strategies in the Dec. 4 issue. I was particularly interested in the article titled "A Guide for Those Afraid of Spiders."

Now I understand all the terminology that I have been stumbling over for so long.

As a one-person risk management department for a $1.2 billion global high-technology company, I use the Internet as I strive to "work smarter" and stay on the cutting edge.

I encourage my risk management colleagues to take full advantage of all that the Internet has to offer. To do otherwise is foolish.

Karen J. Miller
Risk Manager
LSI Logic Corp.
Milpitas, Calif.

Business Insurance®

Reporting weekly on corporate risk, employee benefit and managed health care news

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Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312/280-3174, E-Mail 76735.3045@Compuserve.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. $4 a copy. $80 a year in U.S. $100 in Canada and Mexico (includes GST). All other countries $200/yr (includes expedited air delivery). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313/446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312/280-3174.

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Consultants

Continued from page 3

Also, international consulting practices are growing at unprecedented levels as globalization of business continues and countries begin to privatize state-run health and pension plans.

Among the 10 largest employee benefit consulting firms, estimated average revenue growth for 1995 will be a robust 12.6%. Growth had been only 6.8% and 2.2%, respectively, in the preceding two years.

Not since the 1980s had the firms posted double-digit growth figures.

Among the Top 10 firms, seven estimate they will post double-digit revenue increases for 1995, with Watson Wyatt Worldwide leading the pack with a nearly 30% gain.

Much of that increase, however, is attributable to The Wyatt Co.'s alliance earlier this year with U.K.-based consultant R. Watson & Sons (*BI*, March 27).

Only three of the major global consulting firms—Sedgwick Noble Lowndes, A. Foster Higgins & Co. Inc. and The Alexander Consulting Group Inc.—reported revenue growth estimates below the group's average.

Business Insurance ranks the firms on revenues generated by worldwide employee benefit consulting, defined as providing advice on a fee-for-service basis on benefit issues. Providing benefits administration and record-keeping on an "outsourced" basis for clients is also included. Only revenues from majority-owned consulting affiliates are included.

Revenues from claims administration, compensation consulting and insurance placement are not included.

All 1995 figures are estimates by the consultants unless otherwise noted. Fluctuating currency exchange rates skew revenues somewhat for firms with sizable international clientele.

Business Insurance also ranks the largest consulting firms based on benefit consulting revenues derived in the United States or from advising U.S. multinationals (see chart).

Consultants continue to gain from the "outsourcing phenomenon" that began about three years ago and still is picking up speed as employers try to improve efficiencies and reduce costs by shedding the burdensome job of administering pension, employee savings, flexible benefit and other welfare plans.

Most large benefit consulting firms say they are being inundated with requests from employers interested in farming out many benefits-related chores to improve efficiency.

In many cases, consultants are offering to take over benefits administration from the client and they assert that they can do it more efficiently and at a lower cost than employers can.

For the consulting firms that have invested millions of dollars in state-of-the-art outsourcing centers, the commitment is paying off in the form of increased revenues.

"Outsourcing is such a huge phenomenon that some people may be questioning whether it's just another fad like TQM. But it's permanent and valid for benefits administration and other forms of human resources record-keeping. Why should employers burden themselves with this when it's far removed from their core business?" said A.W. "Pete" Smith Jr., president and chief executive officer of Watson Wyatt in Washington.

In fact, Watson Wyatt last week announced a joint venture with State Street Boston Corp. that will provide outsourcing services (see Updates, page 46).

"Employers are becoming increasingly smarter about how they run their business, and with that, benefits and human resources are falling in line with overall business strategies. Having said that, the two never have been truly divorced, but they were somewhat separated," said Peter Coster, president of William M. Mercer Cos. Inc. in New York.

When consultants say employers are "tying benefits strategies" to overall corporate strategies, they primarily mean that clients are trying to streamline benefit programs as they have other operations. And, they are often having to run the programs out of benefits departments that have been downsized.

"Few of our clients are looking to be the most generous company they can be. If something doesn't support the business, they don't want any part of it," said Howard Fluhr, president and CEO of Segal Co. in New York.

"The client environment is changing. (Benefit) strategies today are different. Clients are looking for thought leadership to help them through a period of hypercompetition. Consequently, companies are concentrating on what they do best and are getting away from non-essential responsibilities," said Reed A. Keller, vice chairman of Coopers & Lybrand L.L.P.'s Human Resource Advisory Group in Atlanta.

Apart from employers and consultants working together to integrate benefit programs into overall corporate strategies, consultants say business has improved in areas like health and welfare consulting, communications consulting and actuarial work for retirement plans.

In the area of health care, employers are still seeking to provide low-cost, quality care, which in almost every case means implementing or fine-tuning managed care programs. But, with consolidation in the health care delivery system so intense, employers are struggling to identify the strong, cost-effective managed care networks and are enlisting consulting firms to help them.

"The two sea changes in our field are change in the delivery system, where consolidation (among providers) is widespread, and re-engineer-

See **Consultants** *on page 18*

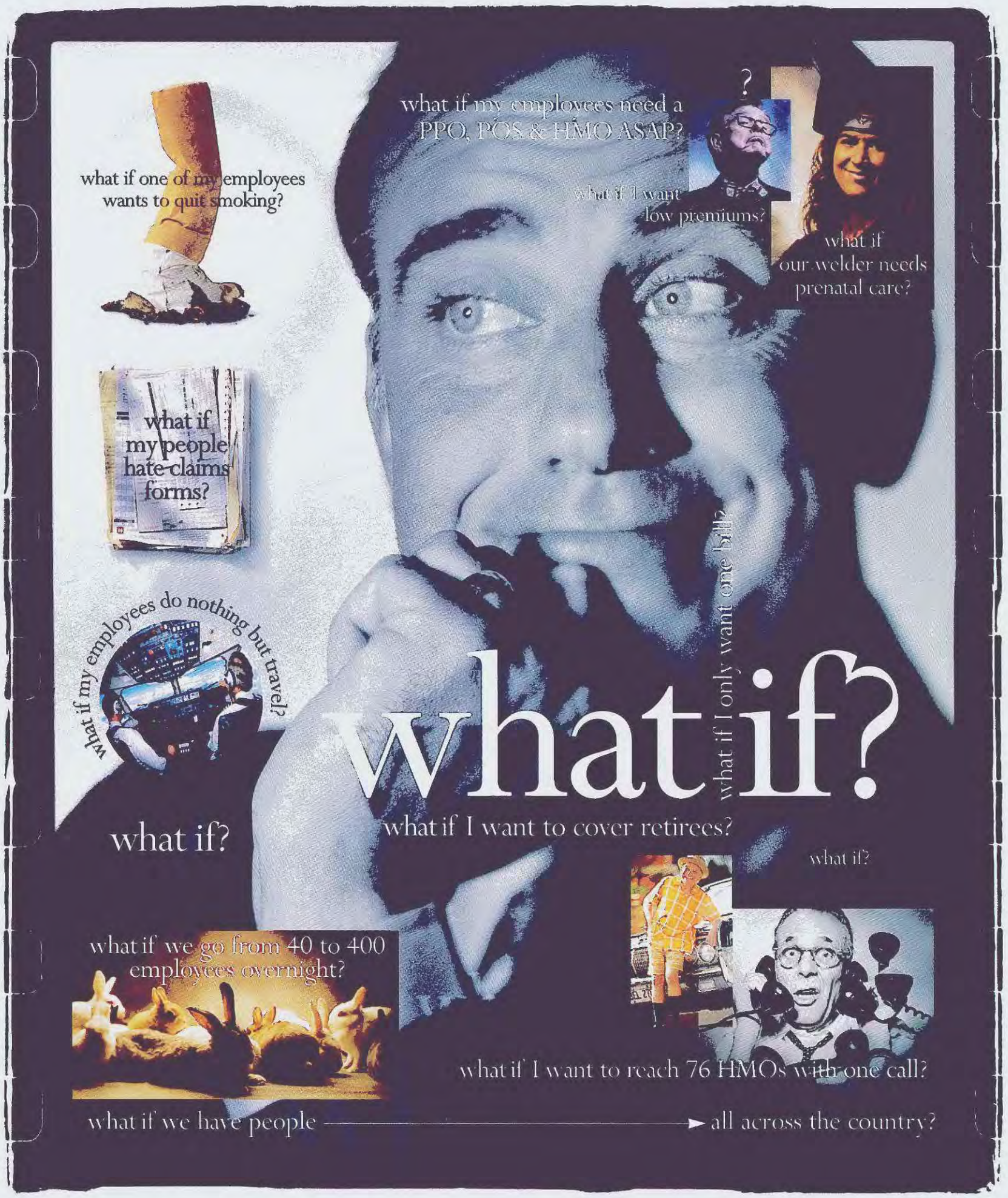
Top 10 U.S. benefit consultants

Based on U.S. benefit consulting revenues

	1995 estimates (in millions)
William M. Mercer	$417.6
Towers Perrin	371.3
Hewitt Associates[1]	350.5
Watson Wyatt Worldwide[2]	313.2
A. Foster Higgins	187.6
Coopers & Lybrand	169.4
Buck Consultants	147.0
Alexander Consulting Group	113.7
Godwins Booke & Dickenson	109.4
Deloitte & Touche	87.1
Total	**$2,266.8**

[1] Fiscal year Sept 30 [2] Fiscal year June 30
Source: BI survey

GRAPHIC BY KIM ROME



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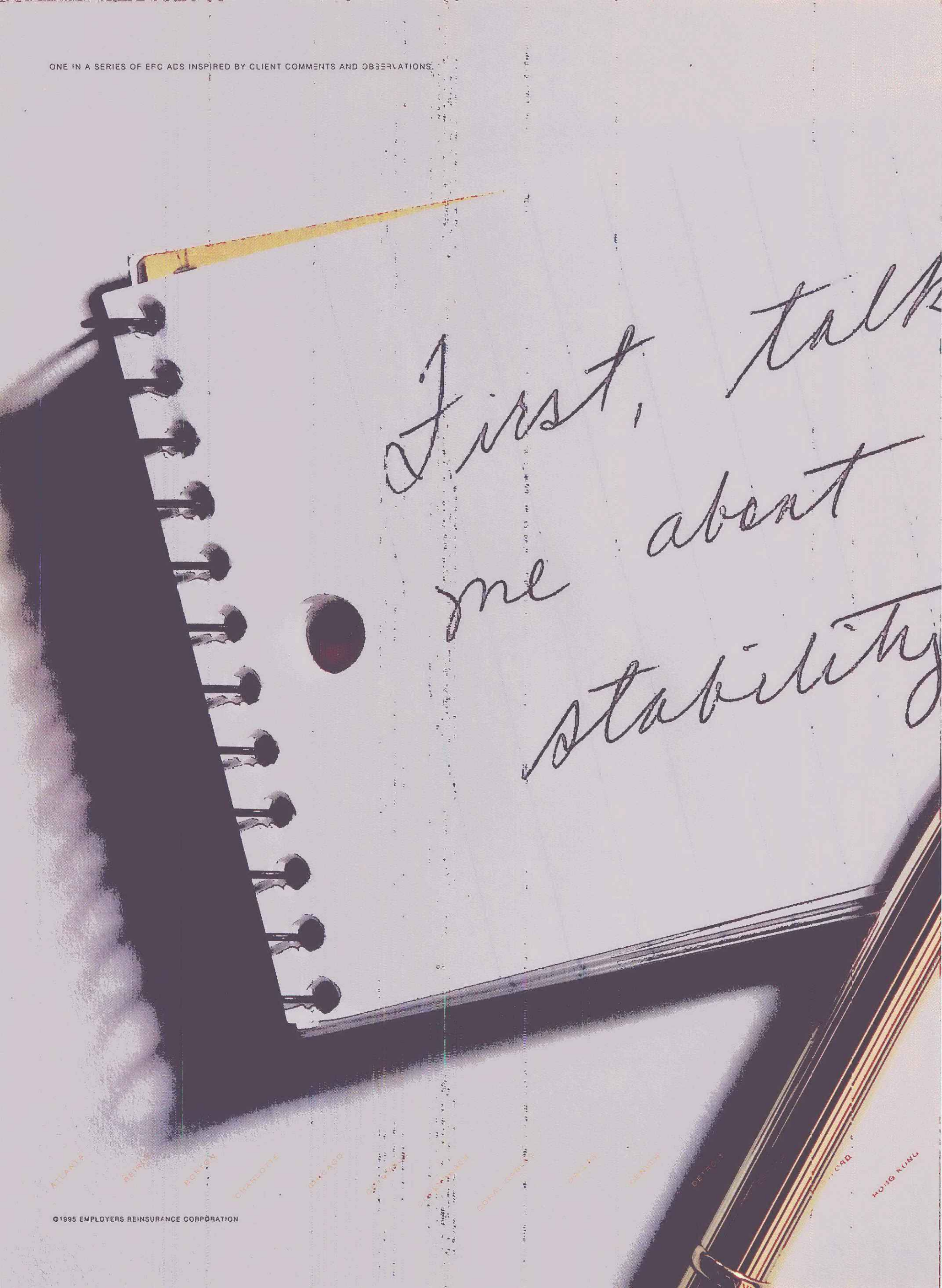

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Provider practice growth puts new demands on consulting firms

By MICHAEL SCHACHNER

The changing health care delivery system—in which hospitals, physicians and managed care firms are entering into myriad forms of at-risk contracts—is boosting the provider consulting practices at many large consulting firms and, at the same time, the value of health care actuaries.

The stock of the health care actuary has never been higher as providers ranging from state governments to hospitals to doctor groups are all seeking advice on short- and long-term business costs and the adequacy of capitated contracts.

With health care actuarial services in greater demand, the major consulting firms are hiring qualified health care actuaries at unprecedented levels and, in some cases, are even training pension actuaries in the nuances of health care cost analysis.

"The job of the health care actuary today is to forecast costs and to measure the impact of change in the delivery system. No qualified health care actuary is wanting for a job," said John Hickey, a principal at Kwasha Lipton L.L.C. in Fort Lee, N.J.

"With everything that's going on—changes in the health care delivery system, governments rethinking their role in Medicare and Medicaid, and capitated managed care contracting—there is an element of truth to the statement that health care actuaries are in hot demand," said Mr. Hickey.

Executives at the major consulting firms say they are actively recruiting actuaries with health care expertise, and high-level actuaries that have achieved FSA status—meaning they are fellows in the Society of Actuaries—are often writing their own job tickets.

"Probably one out of every four search requests I get is for someone who can provide health care actuarial services. Five years ago, this type of search request was sporadic," said Deirdre Bilz, partner in charge of managed health care with the Accord Group/Johnson Smith & Knisely, an executive search firm in Boston. "This field has never been so active. But health care actuaries tend to be highly compensated people who don't move around much, so it's been hard to find qualified candidates."

But with demand for their services increasing, more actuaries are beginning to move from job to job, Ms. Bilz said. She offered the following example of how hot health care actuaries have become in this day of managed care:

"I know one of the accounting firms was willing to pay a 28-year-old, mid-level actuary $100,000 in salary plus a $25,000 starting bonus. A senior-level FSA can ask for $250,000 and probably get it," she said. "I only expect the demand for these people to intensify. Internationally, emerging markets are developing and there's a push toward privatization of health care. Opportunities for health care actuaries are increasing."

Al Breitman, a consulting health care actuary at O'Neill Finnegan & Jordan, a Boston-based actuarial consulting firm, said hospitals and physicians that are contracting among themselves, with employers or with managed care companies should seek advice from a qualified actuary on the soundness of capitation agreements before signing on the dotted line.

"Any hospital or doctor group that is capitating with managed care companies is in a precarious situation. Providers can lose money before they realize it if they go into these deals without technical analysis as to whether their contract is financially sound," said Mr. Breitman. "In 1979, who needed a health care actuary other than the major insurance companies? But this boom in managed care requires providers to either hire one on staff or find a consultant to help them. There's a lot of this business for us today, whereas there was none just five years ago."

Executives at the large consulting firms agree that provider consulting has become a healthy new source of revenues and that it has been a challenge to provide clients with consulting actuaries capable of dissecting a managed care contract and determining whether it's financially solid.

"Consolidation and vertical integration in health care is presenting an all new consulting opportunity," said Robert F. Powell, chairman and CEO of A. Foster Higgins & Co. Inc. in New York. "Members of the delivery system are hungry to learn as much as they can about costs."

David Rahill, a principal with Foster Higgins, added that hospitals and physicians are concerned about "controlling their own destiny" because managed care companies increasingly are dictating how health care will be delivered.

"They need to know what steps they must take, what are appropriate costs to assume and who is the competition. Hospitals don't have their own actuaries on staff," so they're turning to consultants, he said.

"I think we probably have enough actuaries. But we could also use more. I know we could keep them busy from the minute they walk through the door," said Mr. Powell.

Timothy J. Lynch, an actuary by training and an executive vp at William M. Mercer Inc. in New York, said consultants with a strong cadre of FSAs and ASAs (associates in the Society of Actuaries) are best positioned to enter into the growing provider consulting field. But he disagreed with the assertion that health care actuaries are in such demand that pension actuaries are switching over to the health care side.

"Pension actuaries either have compliance or funding and plan design expertise. We don't see them converting. Frankly, I'd be skeptical about an actuary with pension expertise doing health care work," Mr. Lynch said.

Other major consultants reported an increase in their provider consulting practice, which has heightened the need for actuaries.

"We've been a big employer of health care actuaries since the 1970s. And there's no doubt that these people are in demand and that the demand will continue as long as the health care industry is in a state of change," said Alan Dugan, managing director of global employee benefit services with Towers Perrin in Boston. BI

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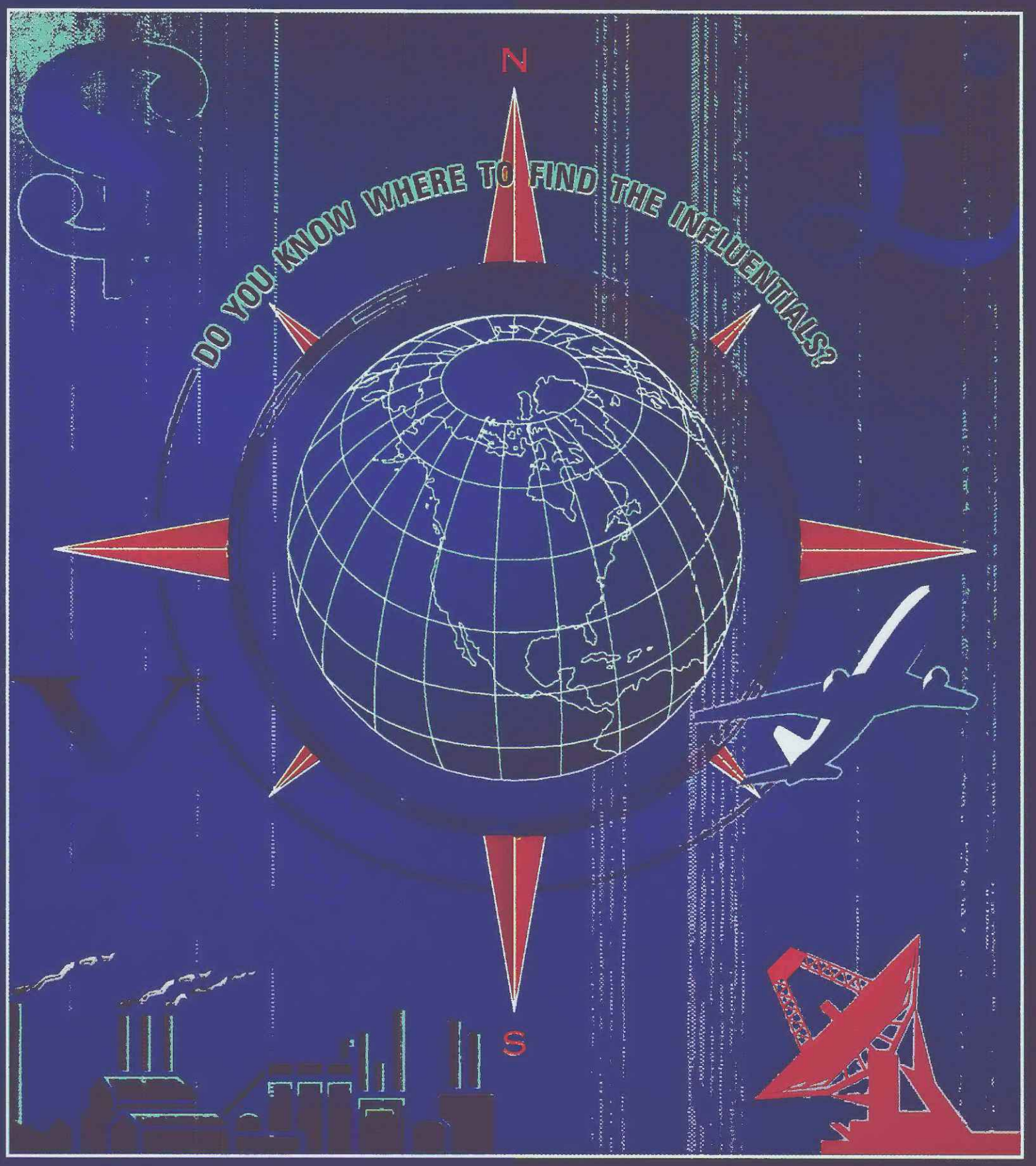

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Demand up for global advice

Growth of cost control outside U.S. spurs benefit consultants

By MICHAEL SCHACHNER

As more U.S.-based companies expand their international operations and numerous foreign governments ponder shifting health and retirement benefit responsibilities to the private sector, benefit consultants say their international business is growing.

Foreign-based clients and U.S. companies with international operations are taking a much more aggressive approach to managing their benefit programs, and are turning to consultants for assistance.

In some emerging markets, such as China and India, benefit consultants are seeing revenues up as much as 30% to 40% annually.

"The work we're doing basically mirrors our U.S. work, except for health care consulting, which can be either more or less important depending on local laws and what programs are being offered. All in all, probably one third of what we're doing is for local companies, one third is for U.S. multinationals and the remaining third is for European multinationals," said A.W. "Pete" Smith Jr., president and CEO of Watson Wyatt Worldwide in Washington.

In many areas of Asia—such as China, Hong Kong, Taiwan and India—benefit consulting is booming because multinationals are just beginning to implement benefit strategies for their overseas workforces.

"In these loosely developing countries, wages are low, so employers can offer more in benefits. We're helping employers introduce basic life insurance benefits, and we're doing some other forms of consulting there, too," said Rob White-Cooper, executive chairman with Sedgwick Noble Lowndes, the only British firm among the world's 10 largest benefit consultants. Sedgwick Noble Lowndes also is the only firm in that group to derive more revenues from outside the United States than within it.

"About 50% of our business is in the U.K., where there's increasing (pension) regulation, which means compliance consulting. There's also a trend in the (U.K.) private sector toward defined contribution and away from defined benefit. Other drivers are pressures on pension administration and managed care entering into the supplemental health care market," said Mr. White-Cooper.

With respect to U.S. companies with operations spread over the globe, he said consultants are performing more audits of international benefit plans to let U.S. headquarters know whether international operating units are providing benefits that fit into corporate strategies.

Mr. White-Cooper said consultants are really earning their keep in countries moving toward privatization. "Look at Italy. It has had a state pension fund forever, but now it is being privatized. The same thing is occurring is certain Latin American countries and Eastern Europe. The trend to private and away from the state yields all sorts of opportunities. The margins for us are generous."

Other consultants also noted that their international consulting practices are quite healthy. "There's a huge amount of interest in benefits and human resources as U.S. companies of all sizes go global. Asia and India are becoming very big sales and manufacturing sites," said Dale L. Gifford, chief executive with Hewitt Associates L.L.C. in Lincolnshire, Ill.

But Mr. Gifford was still reserved in assessing the growth potential of these countries. "We have to be aware that benefits are not the first thing of importance when a company is building a plant in China or someplace similar."

Beyond Asia, consultants are eyeing Latin and South America, as managed care is making its first inroads in industrialized countries like Brazil and Argentina. "It's a combination of H.R. consulting and retirement-related consulting, with emphasis on health care cost-containment. We've seen our first HMO-type entities popping up in Brazil and Argentina," said Alan Dugan, managing director, global employee benefit services with Towers Perrin in Boston.

Canada is another country offering consultants a fair amount of business as the government-financed health and retirement systems sag under financial pressures.

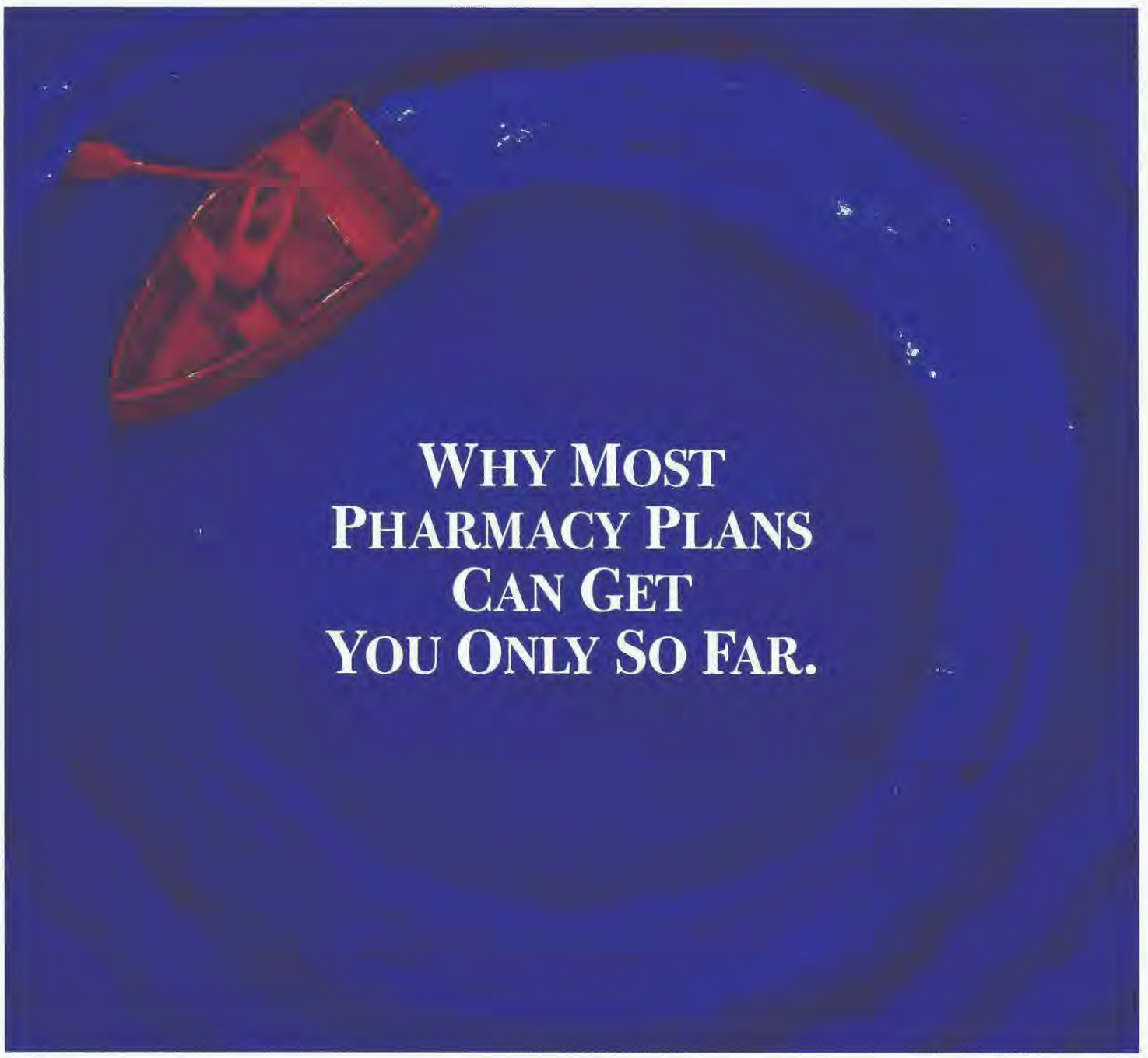
"Canada is mired in a poor economy, so there are a lot of questions about what employers can afford to offer in terms of supplemental health benefits," said Donald L. Seeley, president and CEO of Alexander Consulting Group Inc. in Lyndhurst, N.J.

And in Continental Europe, Mr. Seeley said several governments are trying to pull back from full sponsorship of health and retirement programs. "Our private pension and health care practices are really growing. It's much more than group life. It's a very attractive market for consultants."

"The international practice is key to our growth. With all the changes in Europe and Latin America involving government social security, payment to expatriates in corporate stock and questions about the future of defined benefit plans, it's good business," added Peter Coster, president of William M. Mercer Cos. Inc. in New York. "When we originally thought about getting into an international growth mode, we thought exclusively about English-speaking countries. But Europe, Latin America and Asia have become very strong.

"It's a benefit owning your international offices and growing through acquisitions. Not only do you get immediate market presence and local clients, but it's your identity. We see that as being better than having a 3% stake in a company that's part of some loosely knit network."

"No matter what country you're in, it's important to be seen as local in that country," added William E. Giegerich Jr., chairman of Buck Consultants Inc. in New York. BI



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Business Insurance's annual directory of benefit consultants

A

ADP Benefit Services Inc.

630 Third Ave., New York, N.Y. 10017;
212-370-3360; fax: 212-370-3369

Benefit consulting since: 1975.
Parent: Automatic Data Processing Inc.
Services: 95% of revenues from benefit consulting.
Retirement/savings plan consulting: 80% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement preparation.
Other services: Compensation consulting, claims administration.
Locations: Washington; Baltimore; Philadelphia; Richmond, Va.
Staff: 225 benefit consulting employees; 162 professionals, including five FSAs, four ASAs, 15 CEBSs, two CLUs, two CPAs, two attorneys, 22 EAs.
Clients: 1,175 total; 100% corporations. No minimum size client.
Compensation: By the project, on retainer, by the hour.
Gross revenues: $25 million estimated from worldwide benefit consulting in 1995.
Officers: Jeff Levy, Tom Reed, Jerry Stokes, Charles Thacher and Bob Williams, principals.
Contact: Richard Darian.

Actuarial Sciences Associates

270 Davidson Ave., Somerset,
N.J. 08873; 908-302-5977;
fax: 908-271-2680

Benefit consulting since: 1984.
Parent: AT&T Corp.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement and booklet preparation.
Staff: 146 benefit consulting employees; all professionals, including 13 FSAs, 28 ASAs, three CEBSs, 15 attorneys, 30 EAs
Clients: 99% corporations, 1% government agencies/entities. Minimum size client: 500 employees.
Compensation: By the project, on retainer, by the hour: senior consultant, $300; consultant, $260; clerical, $70.
Gross revenues: $26.54 million estimated from worldwide benefit consulting in 1995; $23.24 million in 1994; $26.54 million estimated total worldwide revenues 1995. All revenues are from U.S. locations.
Officers: Michael J. Gulatta, president/CEO; Scott J. Macey, executive vp/general counsel; Kalyan K. Basu, vp/managing actuary; Franklin B. Becker, vp/controller; Christopher Bone, vp/chief actuary.

The Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
708-577-6000;
fax: 708-870-9200

Benefit consulting since: 1982.
Services: 90% of revenues from benefit consulting.
Retirement/savings plan consulting: 72% of revenues.
Welfare plan consulting: 9% of revenues.
Benefit communications consulting: 9% of revenues. Includes communications consulting; benefit statement and booklet preparation; interactive software for retirement planning.
Other services: Claims administration.
Staff: 90 benefit consulting employees; 70 professionals, including two ASAs, two CPAs, one attorney, three EAs.
Clients: 350 total; 100% corporations.
Compensation: By the project, on retainer, by the hour: senior consultant, $250; consultant, $150; clerical, $40; systems consulting/development, $100.
Gross revenues: $10 million* estimated from worldwide benefit consulting in 1995.
Officers: John Salajka, CEO; David Goldenberg, CFO.
Contact: Mark Tucker, director-sales/marketing.
** BI estimate.*

The Alexander Consulting Group Inc.

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

Benefit consulting since: 1934.
Parent: Alexander & Alexander Services Inc.
Services: 87% of revenues from benefit consulting.
Retirement/savings plan consulting: 40% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, retirement planning/education, retirement-related software/systems consulting, review and compliance, information technologies consulting.
Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible remuneration, administration services, systems consulting, strategic health care planning (sponsor and provider), employee research.
Benefit communications consulting: 12% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; training design
Other services: Compensation consulting, brokering, claims administration, general human resource consulting.
Locations: Pasadena, San Francisco and San Jose, Calif.; Greenwich, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Baltimore and Owings Mills, Md.; Boston and Newburyport, Mass.; Detroit; Minneapolis; Hazelwood, Kansas City and St. Louis, Mo.; New York; Philadelphia; Pittsburgh; Dallas. Adelaide, Brisbane, Melbourne and Sydney, Australia; Antwerp and Brussels, Belgium; Calgary, Edmonton, London, Montreal, Ottawa, Regina Saskatoon, Thunder Bay, Toronto, Vancouver and Winnipeg, Canada; Wiesbaden, Germany; Dublin, Ireland; Milan, Italy; Amsterdam, Netherlands; Auckland and Wellington, New Zealand; Paris; Edinburgh and Glasgow, Scotland; Singapore; Madrid, Spain; Stockholm, Sweden; Geneva and Zurich, Switzerland; Birmingham, Bristol, Harrow, Leeds, London, Manchester, Southampton and Woking, United Kingdom.
Staff: 1,348 benefit consulting employees; 665 professionals, including 137 FSAs, 52 ASAs, 35 CEBSs, 70 CLUs, 12 CPAs, 18 attorneys, 61 EAs.
Clients: 21,000 total; 97% corporations 0.5% multiemployer plans, 0.5% MEWAs, 1% government agencies/entities, 1% other. No minimum size client.
Compensation: By the project, commissions, on retainer, by the hour.
Gross revenues: $195.5 million estimated from worldwide benefit consulting in 1995 (58% from U.S. locations);
Continued on next page

Continued from previous page
$184 million in 1994 (62% from U.S. locations); $226.7 million estimated total worldwide 1995 revenues (58% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, from the United States.

Officers: Donald L. Seeley, president/CEO-ACG Worldwide; Neil A. Burger, chairman/CEO-U.S. Consulting; John L. Goodyear, chairman/CEO-U.S. Benefits Brokerage; Tom Ross, chairman/CEO-U.K.; Robert K. Burden, executive vp-ACG; Robert Braun, chairman/CEO-Canada.

Apex Management Group Inc.

125-310 Village Blvd., Princeton, N.J. 08540; 609-452-2488; fax: 609-452-2668

Benefit consulting since: 1993.

Services: 22% of revenues from benefit consulting.

Welfare plan consulting: 21.12% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, managed care.

Benefit communications consulting: 0.88% of revenues. Includes communications consulting, booklet preparation.

Other services: General management consulting, claims administration, risk management consulting, software.

Staff: Nine benefit consulting employees; seven professionals, including two FSAs, three ASAs, three CEBSs, one CLU.

Clients: 24 total; 100% corporations. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $250 to $300; consultant, $150 to $250; clerical, $50 to $75.

Gross revenues: $550,000 estimated from worldwide benefit consulting in 1995 (100% from U.S. locations); $381,000 in 1994 (100% from U.S. locations); $2.6 million estimated total worldwide 1995 revenues (88% from U.S. locations).

Officers: Donato Gasparro, managing director; David Wilson, managing director; Allison Kalban-Gernett, Ed Winterbauer, David Searles, principals.

Arthur Andersen L.L.P.-Compensation & Benefits Practice

133 Peachtree St. N.E., Suite 2500, Atlanta, Ga. 30303; 404-223-7170; fax: 404-223-7155

Parent: Arthur Andersen L.L.P.

Services: 70% of revenues from benefit consulting.

Retirement/savings plan consulting: 50% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, compliance review, litigation/enforcement support, independent fiduciary and related services, retirement planning/investment education and assistance.

Welfare plan consulting: 13% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cafeteria and flexible benefit plans, retiree health care.

Benefit communications consulting: 7% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, general management consulting, claims administration, human resources strategy, structure and outsourcing assistance.

Locations: Seventeen U.S.; six non-U.S.

Staff: 260 benefit consulting employees; 215 professionals.

Compensation: By the project, by the hour.

Gross revenues: $28 million* estimated from worldwide benefit consulting in 1995.

Officers: David M. Walker, partner.

**BI estimate.*

Averbeck Co.

3380 Shelby St., Ontario, Calif. 91764; 909-941-6699; fax: 909-788-1549

Benefit consulting since: 1980.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 7.5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 2.5% of revenues. Includes communications consulting, booklet preparation.

Other services: Compensation consulting, brokering, general management consulting, claims administration.

Locations: Los Angeles and Riverside, Calif.

Staff: 15 benefit consulting employees; eight professionals, including one CLU, one attorney.

Clients: 200 total; 85% corporations, 5% individuals, 10% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer.

Gross revenues: $1.8 million estimated from worldwide benefit consulting in 1995; $1.7 million in 1994. All revenues are from U.S. locations.

Officers: Rich Crean, Don Descombes,

Continued on page 27

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The annual directory of employee benefit consultants lists 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. Companies that do not report gross revenues are not included in the directory.

Business Insurance defines benefit consulting as providing advice on benefit issues on a fee-for-service basis, excluding health care and other claims administration, compensation consulting and non-benefit-related consulting, including brokering insurance.

Listings begin with the **name** and **address** of the company, followed by the **year benefit consulting began** and **parent** company, if any.

The **services** heading lists the percent of gross revenues a company derives from benefit consulting. This figure is broken down into the percent of gross revenues generated from **retirement and savings plan**, **welfare plans** and **employee benefit communications** consulting. Specific services provided in each area are listed as well as **other services** from non-benefit consulting activities.

Next are the **locations** of U.S. and foreign offices conducting benefit consulting. **Staff** information includes benefit consulting staff, professional staff assigned to employee benefit consulting and professional designations.

The total number of **clients** in 1994 is given along with a breakout based on the clients' type of business which usually includes corporations, multi employer plans (pension or welfare plans jointly run by employers in the same industry and a labor union), MEWAs-multiple employer welfare arrangements (welfare plans covering a group of unrelated employers-usually small firms or individuals).

Methods of billing for services are provided under **compensation**. Estimated 1995 benefit consulting **gross revenues** and 1994 benefit consulting revenues are listed along with the percent generated from U.S. offices. Estimated 1995 worldwide gross revenues may also be included followed by the manner in which **non-U.S. benefit consulting** is provided.

Names and titles of principal **officers**, followed by the name of a **contact** for those requesting further information, complete the listings.

Although every effort is made to publish complete and accurate listings, *Business Insurance* is unable to verify all information provided by the companies.

The following are the full professional designations for those abbreviated under the staff heading:

ASA-Associate, Society of Actuaries; CEBS-Certified Employee Benefit Specialist; CLU-Chartered Life Underwriter; CPA-Certified Public Accountant; EA-Enrolled Actuary; FSA-Fellow, Society of Actuaries.

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Ever since Kenny Rogers' Roasters, Kenny's first-read-of-the-day is Nation's Restaurant News!

Adelphi U's irrepressible President Peter Diamandopoulos' first-read-of-the-day is American School & University!

The brilliant Donna Karan's first-read-of-the-day, always, is Women's Wear Daily!

The Phantom of the Opera's first-read-of-the-night is... Contemporary Surgery!

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Continued from page 25

Robert E. Lancaster, John Shack, Joy Ward, principals.

Contact: Robert E. Lancaster.

B

BPI Benefits Planning

101 Larkspur Landing Circle, Suite 120, Larkspur, Calif. 94939; 415-461-8383; fax: 415-925-2077

Benefit consulting since: 1978.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 12% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 78% of revenues. Includes plan design consulting, insurer selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; open enrollment; education.

Other services: Brokering.

Staff: 12 benefit consulting employees; four professionals.

Clients: 95% corporations, 3% MEWAs, 2% government agencies/entities.

Compensation: By the project, commissions, on retainer.

Gross revenues: $2.6 million estimated from worldwide benefit consulting in 1995; $2.4 million in 1994; $2.6 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Robert J. Christadore, Michael D. Michalski, Victor A. Dersnys, principals.

BeneCom Associates L.L.C.

152 Simsbury Road, P.O. Box 1423, Avon, Conn. 06001; 860-674-2626; fax: 860-764-2627

Benefit consulting since: 1992.

Services: 100% of revenues from benefit consulting.

Benefit communications consulting: 100% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; plan documents; enrollment kits; claim kits; interactive voice response systems; newsletters; summary plan documents; ID cards; posters; payroll inserts.

Staff: Six employees.

Clients: 173 total; 94% corporations, 6% government agencies/entities. No minimum size client.

Compensation: By the project.

Gross revenues: $2.5 million* estimated from worldwide benefit consulting in 1995.

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

Contact: William E. Griffin.

** BI estimate.*

Benefit Concepts Inc.

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

Benefit consulting since: 1985.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, non-qualified plan consulting, employee benefit outsourcing, ESOP consulting.

Welfare plan consulting: 35% of revenues. Includes managed care consulting to providers, flexible benefits consulting and administration, FAS 106/retiree medical benefit consulting.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual materials preparation.

Locations: Dallas.

Staff: 60 benefit consulting employees; 53 professionals, including two FSAs, nine ASAs, three CEBSs, three CLUs, two CPAs, two attorneys, eight EAs.

Clients: 500 total; 85% corporations, 1% multiemployer plans, 9% government agencies/entities, 5% other. Minimum size client: 50 employees.

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

Gross revenues: $10 million estimated from worldwide benefit consulting in 1995.

Officers: Brian Whitney, managing principal; Robert Plante, William Tremko, William Husic, senior vps; Mike Gaffney, executive vp.

Contact: William Husic.

Benefit Dynamics Inc.

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

Benefit consulting since: 1978.

Services: 99% of revenues from benefit consulting.

Retirement/savings plan consulting: 45% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 43% of revenues. Includes plan design consulting, insurer/broker selection consulting, Section 125 administration.

Benefit communications consulting: 11% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokering.

Staff: 30 benefit consulting employees; 10 professionals, including one CEBS, one CLU, one CPA, one EA.

Clients: 2,100 total; 90% corporations, 10% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $250; consultant, $125; clerical, $75; accounting staff, $100.

Gross revenues: $2 million* estimated from worldwide benefit consulting in 1995.

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

Contact: Mark E. Moran, vp, or Jo-Ann Massanova.

** BI estimate.*

Benefits Controls Cos.

910 E. Washington St., Greenville, S.C. 29601; 803-242-9441; fax: 803-232-6655

Benefit consulting since: 1985.

Services: 86% of revenues from benefit consulting.

Retirement/savings plan consulting: 18% of revenues. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 66% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 2% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokering.

Locations: Atlanta; Charlotte, Hickory and High Point, N.C.; Columbia, S.C.

Staff: 27 benefit consulting employees; 21 professionals.

Clients: 91% corporations, 5% individuals, 4% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $200; consultant, $150; administration, $100; clerical, $65.

Gross revenues: $3.1 million estimated from worldwide benefit consulting in 1995; $2.8 million in 1994; $3.6 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: William A. Gantt Jr., CEO; Douglas Dellinger, William P. Foster, Michael Hawkins, Edwin P. Icard, Carl Sharpe, Donald E. Ward, branch presidents.

Contact: T. Matthew Gantt, vp-marketing.

George Beram & Co.

233 Needham St., Newton, Mass. 02164; 617-965-1200; fax: 617-244-5569

Benefit consulting since: 1975.

Services: 95% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues.

Welfare plan consulting: 20% of revenues.

Benefit communications consulting: 5% of revenues.

Other services: Compensation consulting, brokering.

Staff: 55 benefit consulting employees; 28 professionals, including three FSAs, seven ASAs, one CEBS, one CLU, two attorneys, nine EAs.

Clients: 200 total; 95% corporations, 5% government agencies/entities. No minimum size client.

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

Gross revenues: $5.5 million* estimated from worldwide benefit consulting in 1995; $5.2 million in 1994.

Officers: George Beram, president; Philip G. Bruno, executive vp; Barry D. Cohen, CEO.

Contact: William E. Adams, consultant.

** BI estimate.*

Blomquist & Co.

1 Oakbrook Terrace, Suite 812, Oakbrook Terrace, Ill. 60181; 708-620-0200; fax: 708-620-0324

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, defined benefit plan actuarial work, administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, plan document drafting.

Benefit communications consulting: 10% of revenues. Includes booklet preparation.

Staff: Eight benefit consulting employees; five professionals, including one FSA, one CLU, one EA.

Clients: 100% multiemployer plans. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $185; consultant, $180; clerical, $55.

Gross revenues: $1.5 million* estimated from worldwide benefit consulting in 1995.

Officers: Jack A. Diem, president; Paul E. Hawkins, executive vp; Kurt S. Starbuck, vp; Jeffrey J. Smaha, senior consultant.

Contact: Jack A. Diem.

** BI estimate.*

T.E. Brennan Co.

330 E. Kilbourn Ave., Suite 750, Milwaukee, Wis. 53202; 414-271-2232; fax: 414-271-0104

Benefit consulting since: 1985.

Services: 44% of revenues from benefit consulting.

Retirement/savings plan consulting: 7% of revenues. Includes plan design consulting.

Welfare plan consulting: 27% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, expert witness.

Benefit communications consulting: 10% of revenues. Includes communications consulting, booklet preparation, employee communications.

Other services: Compensation consulting, expert witness.

Staff: Five benefit consulting employees; four professionals, including one CEBS, one CPA, one attorney.

Clients: 75 total; 45% corporations, 35% government agencies/entities, 20% other. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $175; consultant, $150; $1,500/day plus expenses for conference attendance.

Gross revenues: $790,000 estimated from worldwide benefit consulting in 1995; $728,000 in 1994; $1.81 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: John Hayes, chairman; Thomas E. Gold, president; Arvid R. Tillmar, CEO; William Foran, secretary; William Siehr, executive vp.

Contact: Arvid R. Tillmar.

Buck Consultants Inc.

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

Benefit consulting since: 1916.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, preretirement and financial planning seminars, employee education, executive benefit consulting, outsourcing/re-engineering, international benefit consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, evaluation of postretirement/postemployment benefit liabilities, managed care consulting, flexible benefits, group actuarial, dependent care consulting, employee focus groups, health care provider consulting, welfare plan administration/outsourcing.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive communications; participant service center.

Locations: Phoenix; Los Angeles; San Francisco; Denver; Stamford, Conn.; Washington; Atlanta; Honolulu; Chicago; Fort Wayne, Ind.; Kansas City, Kan.; Boston; Detroit; Secaucus, N.J.; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Dallas; Houston. Adelaide, Brisbane, Hobart, Melbourne, Perth and Sydney, Australia; Vienna, Austria; Brussels, Belgium; Calgary, Montreal, Ottawa and Toronto, Canada; Paris; Magdeburg and Wiesbaden, Germany; Hong Kong; Dublin, Ireland; Leon and Mexico City, Mexico; Rotterdam, Netherlands; Singapore; Barcelona and Madrid, Spain; Port of Spain, Trinidad; Birmingham, Edinburgh, Leeds and London, United Kingdom.

Staff: 1,690 benefit consulting employees; 1,400 professionals, including 77 FSAs, 130 ASAs, 29 CEBSs, six CLUs, 10 CPAs, 44 attorneys, 147 EAs.

Clients: 5,000 total; 80% corporations, 20% other, including multiemployer plans, government entities and non-profits. No minimum size client.

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

Gross revenues: $196 million estimated from worldwide benefit consulting in 1995 (75% from U.S. locations); $175 million in 1994 (80% from U.S. locations); $196 estimated total worldwide 1995 revenues (75% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

Officers: William E. Giegerich Jr., chairman; Joseph A. LoCicero, president.

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

Burke Group

10 Ontario St., Honeoye Falls, N.Y. 14472; 716-624-5500; fax: 716-624-2367

Benefit consulting since: 1989.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 80% of revenues. Includes plan design consulting, defined benefit plan actuarial work.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, evaluation of service providers.

Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement preparation.

Staff: 18 benefit consulting employees, including one FSA, two EAs.

Clients: 195 total; 80% corporations, 10% multiemployer plans, 10% government agencies/entities. Minimum size client: 100 employees.

Compensation: By the project, on retainer.

Gross revenues: $1.8 million estimated from worldwide benefit consulting in 1995; $1.4 million in 1994. All revenues are from U.S. locations.

Officers: Patrick C. Burke, managing principal; Richard E. Burke, principal/COO.

Byerly & Co. Inc.

7600 E. Orchard Road, Suite 250-S, Englewood, Colo. 80111; 303-220-7575; fax: 303-220-7010

Services: 63% of revenues from benefit consulting.

Welfare plan consulting: 61.7% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment and compliance services, flexible spending account and COBRA administration.

Benefit communications consulting: 1.3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, general management consulting, claims administration.

Locations: Sacramento, Calif.; Chicago; Baton Rouge and Metairie, La.; Harrisburg, Pa.

Staff: 34 benefit consulting employees; 20 professionals, including nine CEBSs, two CLUs, one CPA.

Clients: 500 total; 85% corporations, 2% multiemployer plans, 4% MEWAs, 9% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $150 to $250; consultant, $100 to $150; clerical, $30 to $50.

Gross revenues: $4.2 million estimated from worldwide benefit consulting in 1995; $4.9 million in 1994; $6.3 million estimated total worldwide gross revenues 1995. All revenues are from U.S. locations.

Officers: Robert N. Morehead, president; Mark E. Hogan, executive vp/COO; Gerald A. Peters, vp/CFO; Jane Gruhl, David F. Uppinghouse, senior vps.

C

The CBI Group

100 S. Prospect Ave., Park Ridge Ill. 60068; 708-698-1090; fax: 708-698-1146

Parent: Joseph Lemmer & Co.

Services: 65% of revenues from benefit consulting.

Welfare plan consulting: 65% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, ERISA legal compliance.

Staff: Eight benefit consulting employees; all professionals, including one FSA, one attorney, one EA.

Clients: 60% corporations, 20% MEWAs, 20% government agencies/entities. No minimum size client.

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

Gross revenues: $14 million estimated from worldwide benefit consulting in 1995; $11.5 million in 1994; $14 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Joseph Lemmer, president/CEO.

Contact: Joseph Lemmer.

CGI Consulting Group Inc.

200 Chesterfield Parkway, Malvern, Pa. 19355; 610-889-9100; fax: 610-889-9126

Benefit consulting since: 1973.

Services: 95% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Human resources.

Staff: 68 benefit consulting employees; 17 professionals.

Clients: 100 total; 100% corporations. Minimum size client: 300.

Compensation: Per capita.

Gross revenues: $450 million estimated from worldwide benefit consulting in 1995.

Non-U.S. benefit consulting: Via correspondents, from the United States.

Officers: Alex Johns, Harriet Hamkin, Ruth Ringwood, Tamra Walton.

Contact: Thomas Ringwood.

Century Financial Services

185 N.W. Spanish River Blvd., Suite 170, Boca Raton, Fla. 33431; 407-362-0111; fax: 407-362-0133

Benefit consulting since: 1985.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, evaluation of other service providers.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, flexible benefit design/administration, HMO analysis/negotiation, EAP vendor evaluation, managed mental health strategies, financial monitoring, ERISA compliance, negotiations with insurers and service organizations, preparation of utilization review studies, general plan administration/claims settlement assistance, surveys, general benefits research, state/federal legislative development updates.

Benefit communications consulting: 10% of revenues. Includes communications consulting, booklet preparation, welfare plan documents and summary

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Continued from previous page
plan description preparation.

Other services: Brokering, claims administration, seminars on money management/estate planning and development of managed care workers compensation programs.

Staff: Eight benefit consulting employees; six professionals.

Clients: 38 total; 88% corporations, 7% individuals, 5% government agencies/entities. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $110 to $135; consultant, $70 to $110; personal computer programming assistant, $60.

Gross revenues: $866,000 estimated from worldwide benefit consulting in 1995; $742,000 in 1994; $1.08 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Ronald Reshefsky, president; Richard J. Leonard, Gary H. Morris, senior vps; Ellen R. Segal, Mitchell L. McEwen, vps.

Contact: Richard J. Leonard.

Chicago Consulting Actuaries Inc.

216 S. Jefferson, Suite 608, Chicago, Ill. 60661; 312-454-3222; fax: 312-454-1213

Benefit consulting since: 1991.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, plan administration consulting, asset/liability forecasting, asset allocation studies.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, health care cost containment, actuarial valuations for postretirement welfare plans.

Other services: Software development, PBGC premium audits.

Staff: 14 benefit consulting employees; 13 professionals, including seven FSAs, five ASAs, five EAs.

Clients: 60 total; 100% corporations.

Compensation: By the project, by the hour: senior consultant, $240 to $290; consultant, $180 to $200; clerical, $60.

Gross revenues: $2.5 million* estimated from worldwide benefit consulting in 1995. All revenues are from U.S. locations.

Officers: Thomas S. Terry, president/principal; James R. Baumstark, Harold S. Cooper, Lina Flores Hilko, James G. Peard, principals.

Contact: Thomas S. Terry.

** BI estimate.*

Chiusana & Co.

10 Thatcher St., Boston, Mass. 02113; 617-248-1920; fax: 617-248-0915

Benefit consulting since: 1988.

Services: 65% of revenues from benefit consulting.

Retirement/savings plan consulting: 65% of revenues. Includes 401(k) consulting, including investment manager selection consulting, asset/investment consulting focusing on guaranteed investment contracts' credit quality and daily rates of return.

Other services: Reporting to trustees on insurance company credit rates.

Staff: Two total, both professionals.

Clients: Five total; 80% corporations, 20% investment managers. Minimum size client: 250 employees.

Compensation: By the project, commissions, on retainer.

Officers: Michael J. Chiusana, president.

Contact: Jeffrey Lloyd Aronson, marketing director

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

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

Benefit consulting since: 1898.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 52% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, compliance audits.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, satisfaction surveys, feasibility studies, alliance and network creation, risk management.

Benefit communications consulting: 13% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice response and employee service center.

Other services: Compensation consulting, general management consulting, claims administration, organizational effectiveness, diversity.

Locations: Los Angeles; San Francisco; Stamford, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Louisville, Ky.; Baltimore; Boston; Detroit; Minneapolis; Parsippany, N.J.; Albany and Syracuse, N.Y.; Charlotte, N.C.; Cleveland and Columbus, Ohio; Philadelphia; Pittsburgh; Dallas; Houston; Seattle. Buenos Aires, Argentina; Melbourne and Sidney, Australia; Vienna, Austria; Antwerp and Brussels, Belgium; Hamilton, Bermuda; Sao Paulo, Brazil; Calgary, Fredericton, Halifax, London, Montreal, Ottawa, St. John's, Toronto and Vancouver, Canada; Beijing; Prague, Czech Republic; Paris; Berlin, Cologne, Duesseldorf, Essen, Frankfurt, Hamburg, Karlsruhe and Munich, Germany; Hong Kong; Budapest, Hungary; Bombay, India; Jakarta, Indonesia; Dublin, Ireland; Milan, Italy; Tokyo; Kuala Lumpar, Malaysia; Mexico City; Amsterdam and Utrecht, Netherlands; Auckland, New Zealand; Warsaw, Poland; Lisbon, Portugal; Johannesburg, South Africa; Barcelona and Madrid, Spain; Basel, Lausanne and Zurich, Switzerland; Taipei, Taiwan; Bangkok, Thailand; Aberdeen, Belfast, Nirmingham, Bristol, Edinburgh, Leeds, Liverpool, London, Manchester, Norwich, Nottingham, Reading, Sheffield and Southampton, United Kingdom.

Staff: 2,597 benefit consulting employees; 2,078 professionals, including 127 FSAs, 118 ASAs, 20 CEBSs, 126 CPAs, 104 EAs.

Clients: 90% corporations, 5% MEWAs, 5% government agencies/entities.

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

Gross revenues: $317.4 million estimated from worldwide benefit consulting in 1995 (46.6% from U.S. locations); $271.2 million in 1994 (45.8% from U.S. locations); $351.7 million estimated total worldwide 1995 revenues (45% from U.S. locations).

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

Contact: Katherine D'Urso.

Frank Crystal Benefits

40 Broad St., 15th Floor, New York, N.Y. 10004; 212-504-5851; fax: 212-269-6612

Benefit consulting since: 1982.

Parent: Frank Crystal & Co. Inc.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 2% of revenues. Includes plan design consulting.

Welfare plan consulting: 75% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 3% of revenues. Includes communications consulting, booklet preparation.

Other services: Brokering.

Locations: San Francisco; Fort Lauderdale, Fla.; Houston.

Staff: 24 benefit consulting employees; 21 professionals, including three CEBSs, three CLUs.

Clients: 200 total; 90% corporations, 1% multiemployer plans, 1% MEWAs, 7% individuals, 1% government agencies/entities. Minimum size client: 10 employees.

Compensation: By the project, commissions.

Gross revenues: $3.4 million estimated from worldwide benefit consulting in 1995; $3 million in 1994; $4.25 million estimated total 1995 revenues.

Officers: James W. Crystal, chairman/CEO; Arthur H. Littman, CEO; Vincent J. Gandolfo Jr., senior vp.

Contact: Vincent J. Gandolfo Jr.

D

Deloitte & Touche L.L.P./ Employee Benefit Group

10 Westport Road, Wilton, Conn. 06897-0820; 203-761-3000; fax: 203-834-2246

Benefit consulting since: 1978.

Services: 43% of revenues from benefit consulting.

Retirement/savings plan consulting: 34% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, litigation support, ESOPs, operational reviews, outsourcing, early retirement windows, personal financial planning.

Welfare plan consulting: 9% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, managed care consulting to purchasers and providers, pricing strategies for providers, claims/utilization review audits, network development, health reform strategy consulting, performance audits.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; communications audits; customized computer communications; diagnostic surveys/focus groups; interactive voice response systems; multimedia.

Other services: Compensation consulting, general management consulting, human resources strategies, integrated health group, insurance consulting group.

Locations: Los Angeles; San Francisco; Stamford and Hartford Conn.; Washington; Chicago; Detroit; Minneapolis; New York; Houston. Australia, Canada, France, Indonesia, Japan, Luxembourg, South Africa.

Staff: 705 benefit consulting employees; 615 professionals.

Clients: Minimum size client: 500 employees.

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

Gross revenues: $103.69 million estimated from worldwide benefit consulting in 1995 (84% from U.S. locations); $82 million in 1994 (83% from U.S. locations); $240.08 million estimated total worldwide 1995 revenues (62% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

Officers: Maurice M. Smith, national director; Richard Berens, principal-in-charge, Minneapolis; Ainar Ayala, principle-in-charge, New York; Tim Garmager, principal-Chicago; Richard Kleinert, principle-in-charge, Los Angeles.

Contact: Maurice M. Smith, 213-688-5373.

E

Empire Professional Services Inc.

77 Sully's Trail, Pittsford, N.Y. 14534; 716-264-4400; fax: 716-264-4450

Benefit consulting since: 1974.

Parent: Blue Cross & Blue Shield of the Rochester Area.

Services: 93% of revenues from benefit consulting.

Retirement/savings plan consulting: 46% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting.

Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 7% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; comprehensive flexible benefits communications.

Other services: Flexible benefits administration.

Staff: 18 benefit consulting employees; all professionals, including one ASA, one CEBS, one EA.

Clients: 799 total; 97% corporations, 1% individuals, 2% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $150; consultant, $100; clerical, $30; benefits administrator, $75.

Gross revenues: $1.38 million estimated from worldwide benefit consulting in 1995; $1.26 million in 1994; $1.49 million estimated total 1995 revenues. All revenues from U.S. locations.

Officers: Gus A. Platas, vp/general manager; Paula Moran, director-retirement plan services; Linde Northrup, manager-business development; Michael D. Tucci, senior actuary.

Contact: Gus A. Platas.

The Epler Co.

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

Benefit consulting since: 1971.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 76.5% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 9% of revenues. Includes plan design consulting, insurer/broker selection consulting, health care cost containment.

Benefit communications consulting: 4.5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting.

Locations: Orange County, Calif.

Staff: 14 benefit consulting employees; 11 professionals, including two FSAs, one CEBS.

Clients: 50 total; 60% corporations, 40% government agencies/entities. Minimum size client: 50 employees.

Compensation: By the project, by the hour: senior consultant, $175; consultant, $125; clerical, $40, plan administrators, $70.

Gross revenues: $1.4 million estimated from worldwide benefit consulting in 1995; $1.35 million in 1994; $1.6 million estimated total 1995 revenues. All revenues from U.S. locations.

Officers: Jane Barry, president; Lin Ball, Lou Filliger, vps.

Contact: Lin Ball.

Ernst & Young L.L.P. Human Resource Consulting Services

787 7th Ave., New York, N.Y. 10019; 212-773-3000; fax: 212-773-1510

Benefit consulting since: 1987.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 40% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, claim audits, managed care studies, flexible benefits plan design and implementation, workers compensation consulting.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice communications; strategic employee communication.

Other services: Compensation, general management, international compensation and benefits, and personal financial consulting; tax planning.

Locations: 100 offices nationwide; 600 international offices.

Staff: 825 benefit consulting employees, all professionals.

Clients: 2,000 total; 90% corporations, 10% government agencies/entities. No minimum size client.

Compensation: By the project.

Gross revenues: $125 million estimated from worldwide benefit consulting in 1995 (50% from U.S. locations); $6.87 billion estimated total worldwide 1995 revenues (43% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, from the United States.

Officers: Timothy P. Ridge, national director-human resource consulting services; John W. Derse, national director-people effectiveness services; Thomas J. Laubenthal, national director-benefit plan efficiency.

Contact: Timothy P. Ridge, 1300 Huntington Building, 925 Euclid Ave., Cleveland, Ohio 44115; 216-861-2989.

F

FST Associates Inc.

118 S. Clinton St., Suite 250, Chicago, Ill. 60661; 312-258-0275; fax: 312-258-8481

Benefit consulting since: 1992.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Staff: Six benefit consulting employees; four professionals.

Clients: 20 total; 90% corporations, 10% not-for-profit. Minimum size client: 150 employees.

Compensation: Commissions, on retainer.

Gross revenues: $695,000 estimated from worldwide benefit consulting in 1995; $617,000 in 1994; $695,000 estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Peter Anderson, president; William Racine, principal; Jill Winterhalter, account manager.

Fringe Benefits Management Co.

1720 S. Gadsen St., P.O. Box 1878, Tallahassee, Fla. 32302-1878; 800-872-0345; fax: 904-425-6220

Benefit consulting since: 1976.

Services: 8% of revenues from benefit consulting.

Retirement/savings plan consulting: 2% of revenues. Includes record keeping and administration systems consulting, plan administration consulting.

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Business Insurance®

• SERVICES •

EDITORIAL INDEX

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Continued from previous page

Welfare plan consulting: 3% of revenues. Includes plan design consulting, insurer/broker selection consulting.

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; design and development of PC-based interactive benefit communication software.

Other services: Brokering, general management consulting, claims administration.

Staff: 10 benefit consulting employees; five professionals, including two CEBSs and two CLUs.

Clients: 32 total; 100% government agencies/entities. Minimum size client: 300 employees.

Compensation: By the project, commissions.

Gross revenues: $942,770 estimated from worldwide benefit consulting in 1995; $889,995 in 1994; $11.8 million estimated total 1995 revenues. All revenues are from U.S. locations.

Officers: Michael Sheridan, president/CEO; Lorraine S. Ritch, senior vp-marketing; Agnes R. McMurray, executive vp-administration; Debra Tougas, senior vp-controller; William Bischoff, senior vp/corporate counsel.

Contact: Lorraine S. Ritch.

G

Gallagher Benefit Services

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

Benefit consulting since: 1975.

Parent: Arthur J. Gallagher & Co.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, plan/trust legal document drafting, plan administration consulting, investment manager selection, asset/investment consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokering, claims administration.

Locations: Denver; Boca Raton and Tampa Bay, Fla.; Chicago, Downers Grove and Schaumburg, Ill.; Boston; Troy, Mich.; Kansas City and St. Louis, Mo.; White Plains and Yonkers, N.Y.; Dallas.

Staff: 204 benefit consulting employees, including two ASAs, seven CEBSs, three CLUs, three CPAs.

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

Gross revenues: $50 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: James W. Durkin Jr., vp/president-Gallagher Benefit Services; J. Patrick Gallagher Jr., president/CEO; Robert E. Gallagher, chairman; John P. Gallagher, vice chairman; Michael J. Cloherty, vp-finance.

Contact: James W. Durkin Jr.

Godwins International

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

Benefit consulting since: 1941.

Parent: Aon Corp.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 48% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, tax planning for employees and dependents.

Welfare plan consulting: 29% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, COBRA record keeping.

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; structured technology consulting.

Other services: Compensation consulting, brokering, claims administration, benefit program management, human resources consulting.

Locations: Costa Mesa, Los Angeles and San Francisco, Calif.; Washington; Jacksonville, Miami and Tampa, Fla.; Atlanta; Cedar Rapids, Iowa; Boston; Detroit, Grand Rapids and Grosse Pointe, Mich.; St. Louis; Parsippany, N.J.; Briarcliff Manor and New York, N.Y.; Charlotte, Raleigh and Winston-Salem, N.C.; Columbus, Ohio; Portland, Ore.; Philadelphia; Pittsburgh; Seattle; Houston.

Staff: 1,542 benefit consulting employees; 1,273 professionals, including 27 FSAs, 30 ASAs, 58 CEBSs, 21 CLUs, 25 CPAs, 16 attorneys, 50 EAs.

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

Gross revenues: $165.82 million estimated from worldwide benefit consulting in 1995 (66% from U.S. locations); $143.6 million in 1994 (72% from U.S. locations); $208.28 million estimated total worldwide 1995 revenues (67% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, from the United States.

Officers: Daniel T. Cox, chairman/CEO; Donald C. Ingram, chairman-Goodwins Booke & Dickenson; J. Hunter DeVine, chairman-Godwins Ltd.

Contact: Donald C. Ingram.

H

HPL&S Inc.

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

Benefit consulting since: 1977.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 5% of revenues. Includes plan design consulting.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement and booklet preparation.

Other services: Claims administration, commissions on investment.

Staff: 31 professional benefit consulting employees, including seven CPAs, three attorneys, three EAs.

Clients: 700 total; 90% corporations, 10% individuals.

Compensation: By the project, by the hour: senior consultant, $125 to $200; consultant, $60 to $120; clerical, $45 to $55.

Gross revenues: $2.65 million estimated from worldwide benefit consulting in 1995; $2.26 million in 1994; $2.91 million estimated total worldwide 1995 revenues.

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

Halliwell Consulting Group

393 Vanadium Road, Pittsburgh, Pa. 15243-1427; 412-429-3300; fax: 412-429-3310

Benefit consulting since: 1984.

Services: 75% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, plan/trust legal document drafting.

Welfare plan consulting: 5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers.

Other services: Risk management consulting, expert witness.

Staff: 15 benefit consulting employees, including three FSAs, one ASA, six EAs.

Clients: 350 total; 83% corporations, 5% multiemployer plans, 12% government agencies/entities. No minimum size client.

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

Gross revenues: $1.23 million estimated from worldwide benefit consulting in 1995; $1.66 million in 1994; $1.65 million estimated total worldwide 1995 revenues.

Officers: Paul D. Halliwell, president; Thomas S. Baily, vp.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-893-0270; fax: 215-875-2833

Benefit consulting since: 1911.

Parent: Hay Group.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 50% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Locations: Los Angeles and Walnut Creek, Calif.; Washington; Atlanta; Chicago; Boston; New York; Dallas. Brussels, Belgium; Toronto; London; Paris; Utrecht, Netherlands.

Staff: 155 professional benefit consulting employees, including 30 FSAs, 15 ASAs, 15 CEBSs, five CLUs, five CPAs, five attorneys, 75 EAs.

Clients: 1,000 total; 70% corporations, 10% multiemployer plans, 10% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour.

Gross revenues: $30 million estimated from worldwide benefit consulting in 1995 (80% from U.S. locations); $25 million in 1994 (80% from U.S. locations); $250 million estimated total worldwide 1995 revenues (50% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches.

Officers: Kenneth Shapiro, president; Michael Cotter, Marie Dufresne, Kurt Fichthorn, Ed Hustead, Don Samples, Joe Sapora, senior vps.

Contact: Kenneth Shapiro.

Hewitt Associates L.L.C.

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-6412

Benefit consulting since: 1940.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, claims administration.

Locations: Phoenix; Los Angeles, Newport Beach, San Francisco and Walnut Creek, Calif.; Denver; Rowayton, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Boston; Detroit; Minneapolis; St. Louis; Bedminster, N.J.; New York; Charlotte, N.C.; Cleveland and Dayton, Ohio; Philadelphia; Pittsburgh; San Juan, Puerto Rico; Seattle; Dallas, Houston, San Antonio and The Woodlands, Texas; McLean and Richmond, Va.; Milwaukee. Buenos Aires, Argentina; Sydney, Australia; Brussels, Belgium; Sao Paulo, Brazil; Montreal; Toronto; Santiago, Chile; Paris; Wiesbaden, Germany; Hong Kong; Bangalore, Bombay and New Delhi, India; Dublin, Ireland; Milan, Italy; Tokyo; Mexico City; Amsterdam, Eindhoven, Rotterdam and Utrecht, Netherlands; Auckland, Christchurch and Wellington, New Zealand; Singapore; Madrid, Spain; Stockholm, Sweden; Geneva, Neuchatel and Zurich, Switzerland; Bangkok, Thailand; St. Albans, United Kingdom.

Staff: 3,550 professionals, including 156 FSAs, 136 ASAs, 47 CEBSs, 10 CLUs, 94 CPAs, 64 attorneys, 123 EAs.

Clients: 2,500 total. No minimum size client.

Compensation: By the project, by the hour.

Gross revenues: $381 million* estimated from worldwide benefit consulting in 1995 (92% from U.S. locations); $337 million* in 1994; $448.6 million* estimated total worldwide 1995 revenues (92% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

Officers: Dale L. Gifford, CEO.

** Fiscal year ends Sept. 30.*

A. Foster Higgins & Co. Inc.

125 Broad St., New York, N.Y. 10004-2424; 212-574-9000; fax: 212-574-9100

Benefit consulting since: 1927.

Parent: Johnson & Higgins.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 28% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, outsourcing, administrative consulting, retiree health care.

Welfare plan consulting: 57% of revenues. Includes plan design consulting, insurer/broker selection consulting,

Continued on next page

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evaluation of service providers, health care cost containment, cutsourcing, managed care, workers compensation, flexible compensation.

Benefit communications consulting: 5% of revenues. Includes communications consulting benefit statement, booklet and audiovisual preparation; interactive voice response systems.

Locations: Costa Mesa, Los Angeles and San Francisco, Calif.; Hartford and Stamford, Conn.; Washington; Miami; Atlanta; Chicago; West Des Moines, Iowa; Minneapolis; Princeton, N.J.; Philadelphia; Dallas; Richmond, Va.; Seattle. London, Manitoba, Montreal, Toronto, Vancouver and Winnipeg, Canada.

Staff: 1,875 benefit consulting employees; 1,525 professionals, including 56 FSAs, 60 ASAs, 38 CEBSs, seven CPAs, 23 attorneys, 75 EAs.

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

Gross revenues: $226 million estimated from worldwide benefit consulting in 1995 (33% from U.S. locations); $213 million in 1994 (83% from U.S. locations); $251 million estimated total worldwide 1995 revenues (85% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

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

Contact: Stephanie Poe, 202-785-9080.

I

Insurance Consulting Associates

1 International Plaza, Mahwah, N.J. 07495-0019; 201-512-9600; fax: 201-512-9635

Benefit consulting since: 1956.

Services: 40% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, negotiation and implementation of programs.

Locations: Clark, Hasbrouck Heights and Wyckoff, N.J.

Staff: 18 benefit consulting employees; 10 professionals, including four CPAs, two attorneys.

Clients: 300 total; 97% corporations, 1% multiemployer plans, 1% government agencies/entities, 1% associations. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $195 to $275; consultant, $150; clerical, $45; auditor, $75.

Gross revenues: $1 million estimated from worldwide benefit consulting in 1994.

Officers: Barron S. Wall.

K

KBC Inc.

521 Fifth Ave., New York, N.Y. 10175-1275; 212-867-0070; fax: 212-922-9299

Benefit consulting since: 1983.

Parent: The Kornreich/NIA Organization.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 6% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, financial consulting analysis, managed care access analysis.

Benefit communications consulting: 4% of revenues. Includes communications consulting, benefit statement.

Other services: Brokering, claims administration.

Locations: West Palm Beach, Fla.

Staff: 14 benefit consulting employees; nine professionals, including two CEBSs, two CLUs, one CPA, one attorney.

Clients: 105 total; 95% corporations, 5% multiemployer plans. Minimum size client: 100 employees.

Compensation: By the project, commissions, on retainer.

Gross revenues: $810,000 estimated from worldwide benefit consulting in 1995; $875,000 in 1994; $2.5 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Paul Gross, president/CEO; Steve Grossberg, executive vp/COO; Philip Ruggieri, senior vp.

Contact: Philip Ruggieri.

KPMG Peat Marwick L.L.P.-Compensation & Benefits Practice

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

Benefit consulting since: 1961.

Services: 75% of revenues from benefit consulting.

Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment

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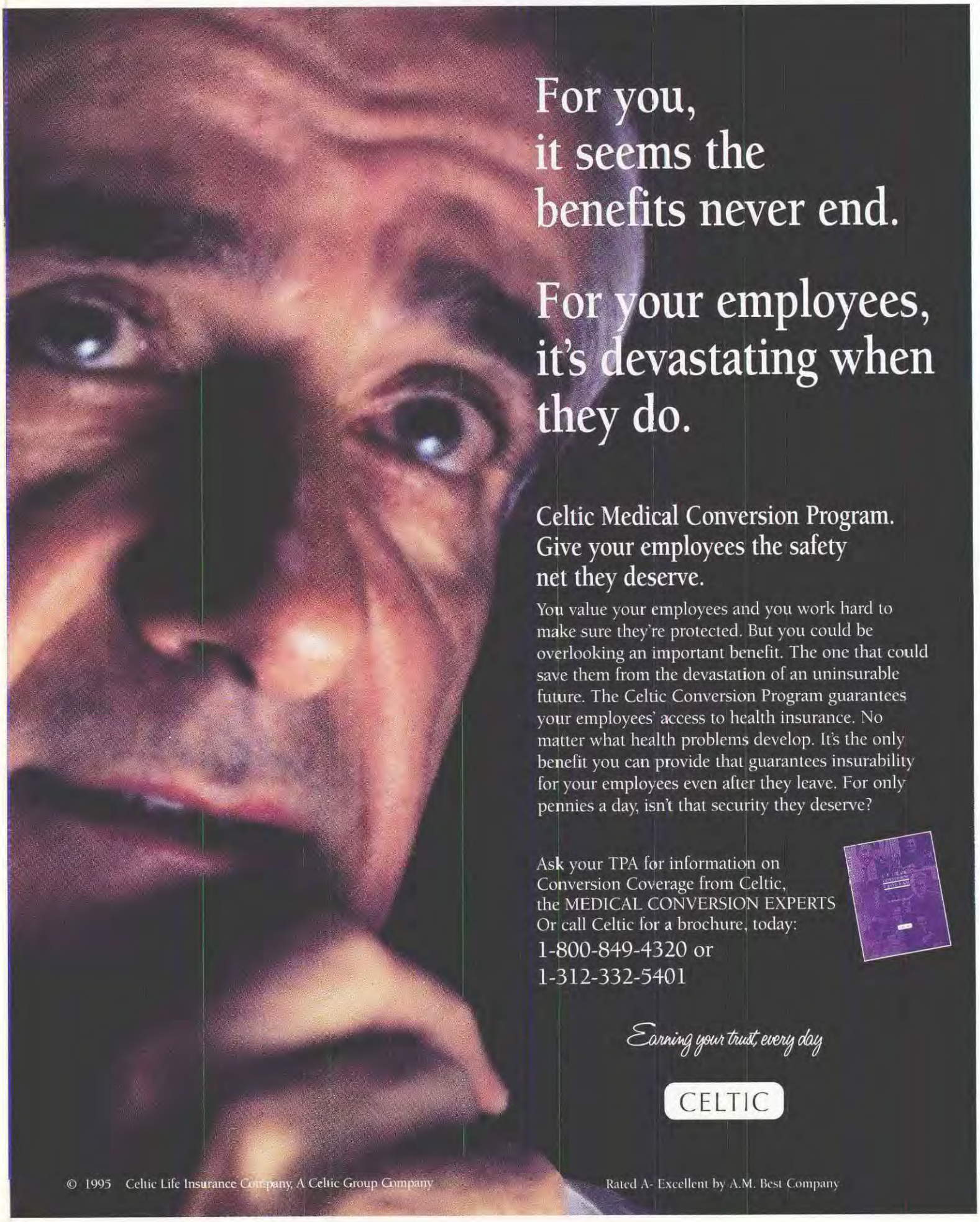

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manager selection consulting, asset/investment consulting, tax consulting.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, managed care analysis.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; computer retirement planning modeling.

Other services: Compensation consulting.

Locations: Phoenix; Costa Mesa, Los Angeles, San Diego and San Francisco, Calif.; Cleveland and Hartford, Conn.; Washington; Atlanta; Honolulu; Chicago; Des Moines, Iowa; Baltimore; Boston; Minneapolis; Kansas City and St. Louis, Mo.; Lincoln, Neb.; Short Hills, N.J.; Albuquerque, N.M.; Albany and Rochester, N.Y.; Portland, Ore.; Philadelphia; Pittsburgh; Dallas; Houston; Salt Lake City; Norfolk and Richmond, Va.

Staff: 1,000 benefit consulting employees; 900 professionals, including 30 FSAs, 40 ASAs, 10 CEBSs, 10 CLUs, 15 CPAs, 13 attorneys, 50 EAs.

Clients: 3,500 total; 85% corporations, 5% multiemployer plans, 5% individuals, 5% government agencies/entities. No minimum size client.

Compensation: By the hour.

Gross revenues: $90 million estimated from worldwide benefit consulting in 1995 (67% from U.S. locations); $75 million in 1994 (67% from U.S. locations); $120 million estimated total worldwide (67% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: Lester Oliver, partner-compensation/benefits; J.T. Colburn, actuarial practice leader; J.E. Buckley, group benefits practice leader; B.J. Mackey, DCS practice leader.

Contact: Lester L. "Roy" Oliver, 213-955-8837.

Keenan & Associates

2355 Crenshaw Blvd., Torrance, Calif. 90501; 310-212-3344; fax: 310-328-6793

Benefit consulting since: 1972.

Services: 32% of revenues from benefit consulting.

Welfare plan consulting: 32% of revenues.

Other services: Brokerage, claims administration, adjusting, risk management, insurance pools, administration.

Locations: Campbell, Emeryville, Fresno, Riverside, Sacramento, San Diego, Santa Ana, Westlake Village, Calif.

Staff: 85 benefit consulting employees; 58 professionals, including three CEBSs, three CLUs, one CPA.

Clients: 10% corporations, 90% government agencies/entities. Minimum size client: 100 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $175; consultant, $150; clerical, $40.

Gross revenues: $12 million estimated from worldwide benefit consulting in 1995; $11.1 million in 1994; $37 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: John R. Keenan, CEO/president; David J. DeWenter, executive vp/CAO; Keith R. Pippard, CFO; Sean K. Smith, executive vp/sales director; Richard B. Stewart, executive vp.

Contact: Sean K. Smith.

Kennedy Consulting Group

1460 Renaissance Drive, Suite 210, Park Ridge, Ill. 60068; 708-299-7000; fax: 708-299-7071

Benefit consulting since: 1990.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, PPO network development, HMO rate negotiation, funding/financial analysis.

Benefit communications consulting: 5% of revenues. Includes communications consulting, medical plan open enrollment, flexible benefits.

Staff: Four benefit consulting employees; three professionals, including one CLU, one attorney.

Clients: 74 total; 73% corporations, 4% multiemployer plans, 16% government agencies/entities, 7% professional associations. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $150 to $200; consultant, $100 to $150.

Gross revenues: $600,000 estimated from worldwide benefit consulting in 1995; $450,000 in 1994; $600,000 estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: James P. Kennedy, president.

Kimball Akins & Bigwood Inc.

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

Benefit consulting since: 1970.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 85% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefit consulting, COBRA compliance, postretirement benefits design measurement.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; flexible benefit enrollment forms.

Other services: Referrals to other professional service consultants for other services.

Staff: 25 benefit consulting employees; 22 professionals, including four ASAs, one CEBS, one CLU, one CPA, one attorney, four EAs.

Clients: 85% corporations, 15% multiemployer plans. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $175; consultant, $145; clerical, $60 to $90.

Gross revenues: $2 million estimated from worldwide benefit consulting in 1995; $1.5 million in 1994; $2 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

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

Contact: Richard S. Fitts.

The Kooper Group

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

Benefit consulting since: 1966.

Services: 85% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 5% of revenues. Includes computer services.

Other services: Brokerage.

Staff: 32 benefit consulting employees; 18 professionals.

Continued on next page

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Aetna

Aetna Casualty and Surety Company
Farmington Casualty Company
Aetna Casualty and Surety Company of America
Standard Fire Insurance Company

Continued from previous page

Clients: 600 total; 100% corporations.

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

Gross revenues: $5.2 million estimated from worldwide benefit consulting in 1995; $4.5 million in 1994. All revenues are 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

Benefit consulting since: 1982.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: 21% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 56% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, flexible benefits.

Benefit communications consulting: 8% of revenues. Includes communications consulting; booklet and audiovisual preparation.

Other services: Claims administration, flexible spending account administration.

Locations: Washington; Grand Rapids, Mich.

Staff: Eight benefit consulting employees; five professionals.

Clients: 400 total; 85% corporations, 15% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $75 to $100; consultant, $50 to $75; clerical, $25 to $35.

Gross revenues: $780,000 estimated from worldwide benefit consulting in 1995; $524,000 in 1994; $1.04 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: From the United States.

Officers: Gary B. Kushner.

Kwasha Lipton

2100 N. Central Road, Fort Lee,
N.J. 07024; 201-592-1300;
fax: 201-592-9075

Benefit consulting since: 1944.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 83% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, total administration with voice response system and customer service center, interfacing with investment managers and trustees, nondiscrimination testing, international benefit consulting, stable value fund consulting and management, process re-engineering, investment education for employees, legal and compliance services.

Welfare plan consulting: 9% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flex pricing and credits, FAS 106, FAS 112, automated flex enrollment services, data analysis.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; personalized communications; manager and employee training.

Staff: 593 benefit consulting employees; 412 professionals, including 21 FSAs, 37 ASAs, three CEBSs, one CPA, six attorneys, 51 EAs.

Clients: 300 total; 98% corporations, 2% multiemployer plans.

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

Gross revenues: $60 million* estimated from worldwide benefit consulting in 1995.

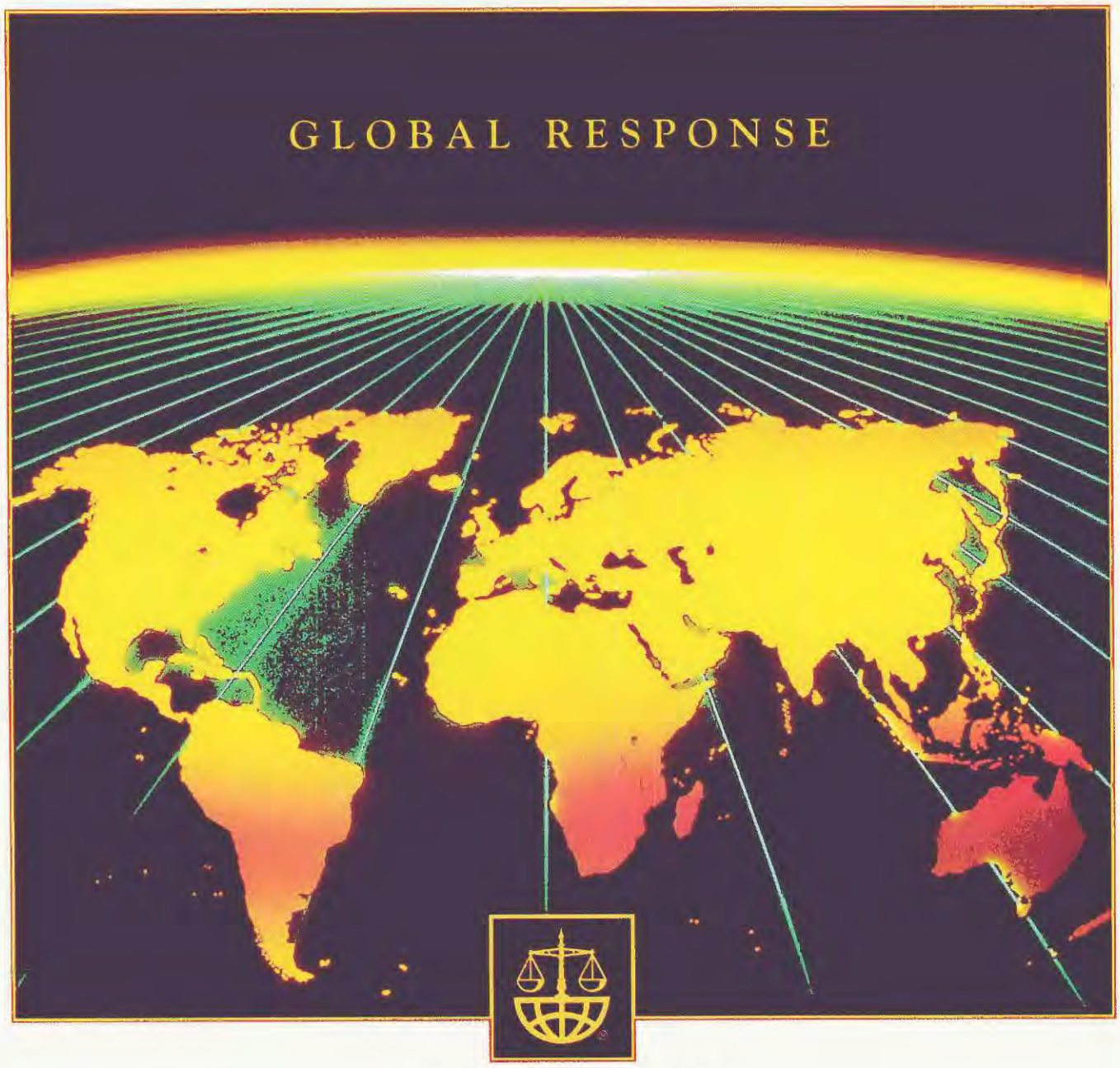
Non-U.S. benefit consulting: Via correspondents, from the United States.

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

Contact: Sid Mendelson, principal, 201-302-5260.

** BI estimate.*

The directory of employee benefit consultants begins on page 25; terms and methods are explained on page 26.



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INTERNATIONAL LOSS ADJUSTERS

M

Mack & Parker Inc.

55 E. Jackson, Chicago, Ill. 60604;
312-922-5000; fax: 312-922-5358

Benefit consulting since: 1935.

Services: 24.8% of revenues from benefit consulting.

Retirement/savings plan consulting: 2.5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 18.6% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 3.7% of revenues. Includes communications consulting.

Other services: Brokering, claims administration.

Staff: 14 benefit consulting employees; 12 professionals, including one CEBS.

Clients: 150 total; 90% corporations, 2% individuals, 8% government agencies/entities. No minimum size client.

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

Gross revenues: $2.1 million estimated from worldwide benefit consulting in 1995; $1.9 million in 1994; $9.7 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Edward E. Mack, chairman; Martin P. Hughes, president; Veronica Campbell, CFO; Robert A. Jonak, Marie Raninger, vps.

Mahoney & Associates

Baystate West, Suite 2116, Springfield,
Mass. 01115; 413-788-7303;
fax: 413-781-0701

Benefit consulting since: 1975.

Services: 70% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 5% of revenues. Includes communications consulting.

Other services: Compensation consulting, brokering, corporate-owned life insurance.

Locations: Fort Lauderdale, Fla.

Staff: 24 benefit consulting employees; nine professionals, one CEBS, one CLU, one CPA, one attorney.

Clients: 120 total; 100% corporations. Minimum size client: 200 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $175; consultant, $150; clerical, $35; by mutual agreement.

Gross revenues: $1.75 million estimated from worldwide benefit consulting in 1995; $1.4 million in 1994; $2.5 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: Various joint venture partners.

Officers: William E. Mahoney Jr., president; Martha L. Mahoney, Larry W. Brand, vps.

Mammel & Associates Inc.

9110 W. Dodge Road, Suite 175,
Omaha, Neb. 68114; 402-397-7000;
fax: 402-398-2458

Benefit consulting since: 1959.

Parent: Silver Stone Inc.

Services: 26% of revenues from benefit consulting.

Retirement/savings plan consulting: 24% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 1% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 1% of revenues. Includes benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, claims administration.

Continued on next page

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Staff: 59 benefit consulting employees; 21 professionals, including three FSAs, two ASAs, four CEBSs, seven CLUs, five CPAs, six attorneys, three EAs.

Clients: 650 total; 87% corporations, 1% multiemployer plans, 1% MEWAs, 1% individuals, 10% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $190; consultant, $150; clerical, $50.

Gross revenues: $2.25 million estimated from worldwide benefit consulting in 1995; $2.5 million in 1994; $7.5 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Carl Mammel, chairman; Lewis Trowbridge, president; Donn Jones, executive vp/secretary; Mark Weber, Anthony Sorrentino, Dan Wintz, Tom Von Riesen, executive vps.

Contact: Natalie Rademacher.

Masi Research Consultants Inc.

500 23rd St. N.W., Suite B202, Washington, D.C. 20037; 202-223-2399; fax: 202-223-2392

Benefit consulting since: 1984.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, lecturing on program design.

Benefit communications consulting: 20% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; evaluating communications of service providers.

Staff: 32 benefit consulting employees; 30 professionals.

Clients: 90% corporations, 10% government agencies/entities. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $200; consultant, $100; clerical, $25.

Gross revenues: $650,000 estimated from worldwide benefit consulting in 1995; $600,000 in 1994; $650,000 estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Dale Masi, president/CEO; Eric Masi, vp/treasurer.

William M. Mercer Cos. Inc.

1166 Ave. of the Americas, New York, N.Y. 10036-2708; 212-345-7000; 212-345-7423

Benefit consulting since: 1975.

Parent: Mercer Consulting Group Inc.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 63% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, single-source administrative servicing with unbundled investment managers.

Welfare plan consulting: 22% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, health claims analysis, workers compensation medical management, disability management.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive benefit communications.

Other services: Compensation consulting, general management consulting, claims administration, actuarial consulting on issues unrelated to employee benefits.

Locations: Birmingham, Ala.; Anchorage, Alaska; Phoenix; Irvine, Los Angeles, Orange, San Francisco, San Jose and San Juan, Calif.; Denver; Stamford, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago and Deerfield, Ill.; Indianapolis; Louisville, Ky.; New Orleans; Baltimore; Boston; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Morristown, N.J.; Albuquerque, N.M.; Rochester, N.Y.; Charlotte, N.C.; Cincinnati, Cleveland and Columbus, Ohio; Portland, Ore.; Philadelphia; Pittsburgh; Memphis, Tenn.; Dallas, Fort Worth and Houston, Texas; Richmond, Va.; Seattle; Milwaukee. Buenos Aires, Argentina; Adelaide, Brisbane, Camberwell, Melbourne, Perth and Sydney, Australia; Antwerp and Brussels, Belgium; Rio de Janeiro and Sao Paulo, Brazil; Calgary, Halifax, London, Mississauga, Montreal, Ottawa, Quebec City, St. John's, Saskatoon, Toronto, Vancouver and Winnipeg, Canada; Santiago, Chile; Copenhagen, Denmark; Paris; Frankfurt and Stuttgart, Germany; Hong Kong; Budapest, Hungary; Cork City and Dublin, Ireland; Milan, Italy; Tokyo; Kuala Lumpur, Malaysia; Juarez and Mexico City, Mexico; Amsterdam, Arnhem, The Hague and Rotterdam, Netherlands; Auckland, Christchurch and Wellington, New Zealand; Lisbon, Portugal; Seoul, South Korea; Barcelona and Madrid, Spain; Stockholm, Sweden; Geneva, Switzerland; Taipei, Taiwan; Birmingham, Brentwood, Chichester, Douglas (Isle of Man), Edinburgh, Glasgow, Leatherhead, Leeds, Liverpool, London, Manchester, Watford and Windsor, United Kingdom.

Staff: 4,886 professional benefit consulting employees, including 118 FSAs, 189 ASAs, 90 CEBSs, 100 attorneys, 200 EAs.

Clients: 87% corporations, 1% multiemployer plans, 1% MEWAs, 9% government agencies/entities, 2% other. Minimum size client: 100 employees.

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

Gross revenues: $720 million estimated from worldwide benefit consulting in 1995 (58% from U.S. locations); $653 million in 1994 (58% from U.S. locations); $1.05 billion estimated total worldwide gross revenues 1995 (63% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

Officers: Peter Coster, president; Jean-Louis Bourbeau, executive vp-Canada/Latin America; Peter Felton, executive vp-Europe/Asia Pacific; Timothy J. Lynch, Vikesh Mahendroo, executive vps-United States.

Meridian Resource Corp.

2 E. Mifflin St., Suite 403, Madison, Wis. 53703; 608-258-3350; fax: 608-258-3359

Benefit consulting since: 1991.

Parent: United Wisconsin Services Inc.

Services: 90% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, claims auditing, hospital bill auditing, medical cost indexing, actuarial services, provider profiling.

Benefit communications consulting: 10% of revenues. Includes employee surveys and provider report cards.

Other services: General management consulting, subrogation services, health care data analysis, economic analyses.

Locations: Des Plaines, Ill.; Milwaukee and Pewaukee, Wis.

Staff: 78 benefit consulting employees; 63 professionals, including five FSAs, three ASAs, six CPAs.

Clients: 30% corporations, 50% government agencies/entities, 20% health care associations, provider groups and third-party administrators. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $150 to $200; consultant, $100 to $150; clerical, $65.

Gross revenues: $89.1 million esti-

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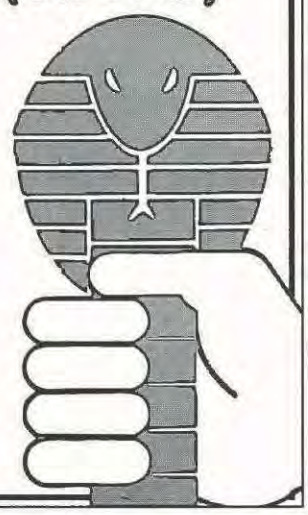

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mated from worldwide benefit consulting in 1995; $73.2 million in 1994; $99 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: From the United States.

Officers: Roger A. Formisano, president; Jennifer Donnelly, director-consulting operations; Bruce Christiansen, program director; Michael Miller, director-auditing; Dr. Richard Christenson, medical director.

Contact: Kate M. Nisbet.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800, Seattle, Wash. 98101-2605; 206-624-7940; fax: 206-340-1380

Benefit consulting since: 1947.

Services: 33% of revenues from benefit consulting.

Retirement/savings plan consulting: 30% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 2% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, general management consulting, claims administration.

Locations: Phoenix; Irvine, Los Angeles, San Diego and San Francisco, Calif.; Denver; Hartford, Conn.; Washington; Atlanta; Chicago; Indianapolis; Boston; Minneapolis; St. Louis; Omaha, Neb.; Albany and New York, N.Y.; Portland, Ore.; Philadelphia; Dallas; Houston; Salt Lake City; Milwaukee. Hamilton, Bermuda; Tokyo.

Staff: 339 benefit consulting employees; 142 professionals, including 61 FSAs, 50 ASAs, three CEBSs, one CPA, two attorneys, 87 EAs.

Clients: 5,000 total; 80% corporations, 5% multiemployer plans, 5% MEWAs, 10% government agencies/entities.

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

Gross revenues: $52 million estimated from worldwide benefit consulting in 1995; $47 million in 1994; $165 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: From the United States and Woodrow Milliman network firms.

Officers: Daniel J. McCarthy, chairman; Robert L. Collett, president/CEO; Brian S. Pollack, assistant corporate secretary; Lloyd B. Robinson, director-marketing support; L.J. Lee, treasurer.

Contact: Lloyd B. Robinson.

Minet Employee Benefit Services

1530 Page Mill Road, Palo Alto, Calif. 94304; 415-843-3800; fax: 415-843-3801

Benefit consulting since: 1993.

Parent: Minet Inc.

Services: 15% of revenues from benefit consulting.

Retirement/savings plan consulting: 3% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 8% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokering.

Locations: Santa Ana, Calif.; Boston.

Staff: 30 benefit consulting employees; 25 professionals, including five CEBSs.

Clients: 256 total; 100% corporations. No minimum size client.

Compensation: By the project, commissions, on retainer.

Gross revenues: $674,000 estimated from worldwide benefit consulting in 1995; $280,000 in 1994; $3.82 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: From the United States.

Officers: J. Bernard Friemann, chairman/CEO, Minet Risk Services; Debora W. Karstetter, president; Paul J. Rooney, senior vp.

Contact: Jay Foley, vp-corporate communications, 212-782-6196.

Mockenhaupt, Mockenhaupt, Cowden & Parks

1 Gateway Center, 11th Floor, Pittsburgh, Pa. 15222-1416; 412-394-9300; fax: 412-261-1207

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, claim audit.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement and booklet preparation.

Other services: Brokering, health care

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Continued from previous page
claim audits.

Staff: 50 benefit consulting employees; 40 professionals, including three FSAs, five CEBSs, two CLUs, two CPAs, three attorneys, three EAs.

Clients: 200 total; 78% corporations; 2% multiemployer plans; 15% MEWAs; 5% government agencies/entities. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $200; consultant, $150; clerical, $40.

Gross revenues: $3.8 million estimated from worldwide benefit consulting in 1995; $4.7 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: Via correspondents.

Officers: Jere L. Cowden, John P. Parks, principals; Ken W. Dean, executive vp; R.G. Kolb, Linda A. Pace, vps.

O

O'Neill, Finnegan & Jordan Inc.

15 Broad St., Boston, Mass. 02109; 617-557-7507; fax: 617-523-5841

Benefit consulting since: 1985.

Services: 20% of revenues from benefit consulting.

Retirement/savings plan consulting: 2% of revenues. Includes plan design consulting.

Welfare plan consulting: 16% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 2% of revenues. Includes communications consulting; benefit statement and booklet preparation.

Other services: Brokering.

Staff: 33 benefit consulting employees; 25 professionals, including one FSA, two CEBSs, one CPA, one attorney.

Clients: 165 total; 81% corporations, 10% multiemployer plans, 3% MEWAs, 1% individuals, 5% government agencies/entities. Minimum size client: 150 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $150; consultant, $80; clerical, $50; associate, $185; principal, $225.

Gross revenues: $1 million estimated from worldwide benefit consulting in 1995; $660,000 in 1994; $5 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: J. Brent Finnegan, managing director; Alan S. Breitman, Carol Chandor, Elizabeth M. Lardiere, Peter E. Marcia, Cynthia P. Newman, Karen O'Quinn, principals.

Contact: Elizabeth M. Lardiere.

P

Pace Healthcare Management L.P.

201 N. Figueroa St., Suite 1100, Los Angeles, Calif. 90012; 213-481-0100; fax: 213-481-2123

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Other services: General management consulting, claims administration.

Locations: San Francisco; Somerset, N.J.

Staff: 18 benefit consulting employees; 15 professionals.

Clients: 90% corporations, 5% multiemployer plans, 5% government agencies/entities. Minimum size client: 500 employees.

Compensation: By the project, by the hour: senior consultant, $200 to $300; consultant, $100 to $200; clerical, $40.

Gross revenues: $4 million estimated from worldwide benefit consulting in 1995; $3.3 million in 1994; $4.7 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Non-U.S. benefit consulting: From the United States.

Officers: Dr. Philip M. Hawley Jr., president; Robert F. Griffith, senior vp; Kevin M. Smith, vp.

Contact: Dr. Philip M. Hawley Jr.

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Benefit consulting since: 1976.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 60% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, interactive communications systems.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, actuarial cost measurement including flexible benefit pricing, interactive communication/enrollment systems.

Benefit communications consulting: 20% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive communication/enrollment systems; personal retirement planner.

Locations: Charlotte, N.C.

Staff: 30 benefit consulting employees; 20 professionals, including one attorney, three EAs.

Clients: 90% corporations, 8% multiemployer plans, 2% MEWAs. No minimum size client.

Compensation: By the hour: senior consultant, $210; consultant, $160; clerical, $50.

Gross revenues: $2 million estimated from worldwide benefit consulting in 1995; $1.6 million in 1994. All revenues are from U.S. locations.

Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, senior vp/managing actuary.

Contact: John R. Parsons.

Pension Resources

401 N. Michigan Ave., Suite 2600, Chicago, Ill. 60611-4240; 312-245-1740; fax: 312-644-4423

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 95% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Benefit communications consulting: 5% of revenues.

Staff: 23 benefit consulting employees; 17 professionals, including one ASA, two CPAs, one EA.

Clients: 700 total; 98% corporations, 2% sole proprietors/partnerships. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $225; consultant, $150; clerical, $67; plan administrators, $110.

Gross revenues: $2 million estimated from worldwide benefit consulting in 1995; $1.8 million in 1994; $2 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

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Continued from previous page

Officers: Michael Schwartz, principal; Irwin Friedman, chairman.
Contact: Michael Schwartz.

Post & Kurtz Inc.

111 John St., Suite 2400, New York, N.Y. 10038; 212-766-8800; fax: 212-766-8807

Benefit consulting since: 1932.
Services: 80% of revenues from benefit consulting.
Retirement/savings plan consulting: 10% of revenues.
Welfare plan consulting: 65% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 5% of revenues. Includes booklet preparation.
Other services: Brokerage, estate planning.
Staff: Eight benefit consulting employees; seven professionals, including four CLUs.
Clients: 30% corporations, 20% individuals, 50% partnerships and professional corporations. No minimum size client.
Compensation: By the project, commissions, on retainer.
Gross revenues: $815,000 estimated from worldwide benefit consulting in 1995; $800,000 in 1994; $1.02 million estimated total worldwide 1995 revenues.
Officers: P.T. Agnew, W.H. Agnew, William J. Kuhn Jr., G. LaGrassa, principals.
Contact: William J. Kuhn Jr.

R

RWL Benefits Inc.

101 W. Renner Road, Suite 240, Richardson, Texas 75082-2003; 214-907-9095; fax: 214-907-9198

Benefit consulting since: 1983.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, plan funding calculations, cash-flow reports.
Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Staff: Five benefit consulting employees; four professionals, including one CEBS, one CPA.

Clients: 65 total; 30% corporations, 70% government agencies/entities. No minimum size client.
Compensation: By the project, on retainer, by the hour: senior consultant, $185.
Gross revenues: $500,000 estimated from worldwide benefit consulting in 1995; $500,000 in 1994. All revenues are from U.S. locations.
Officers: Robert W. Lazarus, president/senior consultant; Roberta A. Lazarus, corporate secretary.
Contact: Robert W. Lazarus.

Risk Management Group Inc.

940 W. Valley Road, Suite 1203, Wayne, Pa. 19087; 610-971-1776; fax: 610-971-0218

Benefit consulting since: 1984.
Services: 90% of revenues from benefit consulting.
Retirement/savings plan consulting: 18% of revenues. Includes plan design consulting, administration systems consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.
Welfare plan consulting: 67.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, comprehensive disability management, integrated design and administration of short-term disability, long-term disability and workers compensation medical care.
Benefit communications consulting: 4.5% of revenues. Includes communications consulting, booklet and audiovisual preparation.
Other services: Brokerage, general management consulting.
Staff: Nine benefit consulting employees; professionals include one attorney.
Clients: 100% corporations.
Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $180; consultant, $125; clerical, $65.
Gross revenues: $1.25 million* estimated from worldwide benefit consulting in 1995.
Officers: Jerald D. Adair, president/CEO/treasurer; Don V. Barbuto, executive vp; Edna L. Nelson, vp-disability management; Pamela Firster, secretary.
Contact: Don Barbuto; Edna Nelson.
* *BI estimate.*

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S

Sedgwick Noble Lowndes

1000 Ridgeway Loop Road, Memphis, Tenn. 38120; 901-761-1550; fax: 901-684-4075

Benefit consulting since: 1934.
Parent: Sedgwick Group P.L.C.
Services: 84% of revenues from benefit consulting.
Retirement/savings plan consulting: 67% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, executive benefits, ESOPs, personal financial planning.
Welfare plan consulting: 16% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, life, executive benefits.
Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice technology; individual retirement benefit projections; seminars and training programs.
Other services: Compensation consulting, brokerage, claims administration, personal financial planning, voluntary benefit programs, workers compensation claims consulting and administration.
Locations: Phoenix; Irvine and San Francisco, Calif.; Denver; Dover, Del.; Fort Lauderdale, Fort Myers, Naples, Orlando and West Palm Beach, Fla.; Atlanta; Boise, Idaho; Chicago; Portland, Maine; Boston; Minneapolis; St. Louis; Las Vegas and Reno, Nev.; Roseland, N.J.; Melville, New York and Rochester, N.Y.; Charlotte, N.C.; Oklahoma City; Portland, Ore.; Harrisburg, Philadelphia, Pittsburgh and Warminster, Pa.; Hato Rey, Puerto Rico; Columbia, S.C.; Dallas; Falls Church, Va.; Seattle, Spokane and Yakima, Wash. Adelaide, Brisbane, Melbourne, Perth and Sydney, Australia; Antwerp and Brussels, Belgium; Montreal, Toronto and Vancouver, Canada; Santiago, Chile; Beijing; Paris; Frankfurt and Munich, Germany; Hong Kong; Budapest, Hungary; Cork City, Dublin and Galway City, Ireland; Milan, Italy; Amsterdam, Netherlands; Auckland and Wellington, New Zealand; Barcelona and Madrid, Spain; Aberdeen, Belfast, Birmingham, Bristol, Croydon, Edinburgh, Glasgow, Leeds, Leicester, London, Manchester, Northampton, Redditch, Slough, Solihull, Watford and Witham (Essex), United Kingdom.
Staff: 3,572 benefit consulting employees; 1,782 professionals, including 113 FSAs, 107 ASAs, 49 CEBSs, 13 CLUs, seven CPAs, 14 attorneys, 31 EAs.
Clients: 16,760 total; 80% corporations, 6% multiemployer plans, 2% MEWAs, 6% individuals, 6% government agencies/entities. No minimum size client.
Compensation: By the project, commissions, on retainer, by the hour.
Gross revenues: $270.7 million estimated from worldwide benefit consulting in 1995 (25% from U.S. locations); $265 million in 1994 (26% from U.S. locations); $321.3 million estimated total worldwide 1995 revenues (26% from U.S. locations).
Non-U.S. benefit consulting: From the United States, from other group companies.
Officers: W. Rob White-Cooper, executive chairman; Peter R. Brew, group managing director-Americas/Asia Pacific; Kenneth G. Martin, CEO-North America; David F. Strauss, group managing director-Europe; John A.V. Montague, group finance director.
Contact: Kenneth G. Martin.

Continued on next page

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The Segal Co.
1 Park Ave., New York, N.Y. 10016-5895; 212-251-5000; fax: 212-251-5490

Benefit consulting since: 1939.
Services: 96% of revenues from benefit consulting.
Retirement/savings plan consulting: 47% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan administration consulting, investment manager selection consulting, investment performance services.
Welfare plan consulting: 43% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 6% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Other services: Compensation consulting, brokering, computer and management consulting, flex administration software, human resource strategy consulting.
Locations: Phoenix; Los Angeles; San Francisco; Hartford, Conn.; Washington; West Palm Beach, Fla.; Atlanta; Chicago; New Orleans; Boston; Minneapolis; Cleveland; Houston; Seattle, Wash. Edmonton and Toronto, Canada.
Staff: 555 benefit consulting professionals, including 22 FSAs, 27 ASAs, 57 EAs.
Clients: 2,500 total; 48% corporations, 52% multiemployer plans.
Compensation: By the project, on retainer, by the hour.
Gross revenues: $82 million estimated from worldwide benefit consulting in 1995; $76 million in 1994.
Non-U.S. benefit consulting: Two Canadian offices; in Europe, Mexico and Australia via the Multinational Group of Actuaries & Consultants.
Officers: Robert D. Krinsky, chairman; Dale B. Grant, vice chairman; Howard Fluhr, president/CEO; Richard M. Frenzel, executive vp.
Contact: Mary L. Feldman, vp-public affairs, 212-251-5029.

E.W. Siver & Associates dba Siver Insurance Management Consultants
9400 Fourth St. N., Suite 119, St. Petersburg, Fla. 33702; 813-577-2780; fax: 813-579-8692

Benefit consulting since: 1970.
Services: 30% of revenues from benefit consulting.
Retirement/savings plan consulting: 1.5% of revenues. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 27% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 1.5% of revenues. Includes communications consulting, audiovisual preparation.
Other services: General management consulting, claims administration.
Staff: Three benefit consulting employees; including one CLU, two attorneys.
Clients: 35 total; 30% corporations, 70% government agencies/entities. No minimum size client.
Compensation: On retainer, by the hour: senior consultant, $175 to $200; consultant, $125 to $175; clerical, $35 to $45.
Gross revenues: $500,000 estimated from worldwide benefit consulting in 1995; $183,454 in 1994; $1.5 million estimated total worldwide 1995 revenues. All revenues are from U.S. locations.
Officers: Edward W. Siver, president; James Marshall, executive vp; Robert F. McBurney, senior vp; Stephanie Barnhill, secretary.
Contact: Robert F. McBurney.

J.E. Stone & Associates Inc.
5555 San Felipe, Suite 1100, Houston, Texas 77056; 713-622-8930; fax: 713-622-6705

Benefit consulting since: 1987.
Services: 90% of revenues from benefit consulting.
Retirement/savings plan consulting: 42% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting, evaluation of service providers.
Welfare plan consulting: 43% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Other services: Compensation consulting.
Staff: 35 benefit consulting employees; 25 professionals, including three ASAs, three CEBSs, one CLU, three EAs.
Clients: 60 total; 95% corporations, 5% government agencies/entities. No minimum size client.
Compensation: By the hour: senior consultant, $220; consultant, $160; clerical, $45.
Gross revenues: $5.5 million* estimated from worldwide benefit consulting in 1995.
Non-U.S. benefit consulting: From the United States.
Officers: J.E. Stone, managing principal; John Ford, managing director; John Currie, Ken Haynes, Tom McCord, Phil Peters, Craig Rennpage, Ellen Sanborn, principals.
Contact: Phil Peters.
** BI estimate.*

Continued on next page

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Continued from previous page

Towers Perrin

245 Park Ave., New York, N.Y. 10167;
212-309-3400; fax: 212-309-3660

Benefit consulting since: 1934.

Services: 68% of revenues from benefit consulting.

Retirement/savings plan consulting: 42% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 18% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, general management consulting.

Locations: Irvine, Los Angeles, San Diego and San Francisco, Calif.; Denver; Hartford and Stamford, Conn.; Miami and Tampa, Fla.; Atlanta; Chicago; Boston; Detroit; Minneapolis; Kansas City, Mo.; Parsippany and Voorhees, N.J.; Valhalla, N.Y.; Charlotte, N.C.; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Providence, R.I.; St. Louis; Nashville, Tenn.; Austin, Dallas, Houston and San Antonio, Texas; Arlington, Va.; Seattle; Washington; Milwaukee. Buenos Aires, Argentina; Brisbane, Melbourne, Perth and Sydney, Australia; Brussels, Belgium; Rio de Janeiro and Sao Paulo, Brazil; Calgary, Montreal, Toronto and Vancouver, Canada; Cologne and Frankfurt, Germany; Hong Kong; Milan, Italy; Mexico City; Amsterdam and Rotterdam, Netherlands; Wellington, New Zealand; Paris; Lisbon, Portugal; San Juan, Puerto Rico; Singapore; Johannesburg, South Africa; Seoul, South Korea; Madrid, Spain; Stockholm, Sweden; Bern and Geneva, Switzerland; London, Newbury, St. Albans and Woking, United Kingdom; Caracas, Venezuela.

Staff: 3,734 benefit consulting employees; 3,009 professionals, including 312 FSAs, 332 ASAs, 79 CEBSs, 10 CLUs, 25 CPAs, 58 attorneys, 210 EAs.

Clients: 94% corporations, 6% government agencies/entities.

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

Gross revenues: $523 million estimated from worldwide benefit consulting in 1995 (74% from U.S. locations); $471 million in 1994 (71% from U.S. locations); $800 million estimated total worldwide 1995 revenues (74% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches.

Officers: John Lynch, chairman; Alan Dugan, employee benefit services group; Marvin Greene, managing director-administration/operations LOB; Rollie Stichweh, human resources services group; Bruce Pittenger, managing director-strategic growth/development.

Watson Wyatt Worldwide

601 13th St. N.W., Suite 1000,
Washington, D.C. 20005;
202-508-4600; fax: 202-508-4688

Benefit consulting since: 1946.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, health care consulting, including managed care.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, surveys, risk management, organizational research, software development/implementation.

Locations: Anchorage, Alaska; Phoenix; Irvine, Los Angeles, Santa Clara, San Diego and San Francisco, Calif.; Denver; Stamford, Conn.; Jacksonville and Miami, Fla.; Atlanta; Honolulu; Chicago; Boston and Marlborough, Mass.; Detroit and Grand Rapids, Mich.; Minneapolis; St. Louis; Little Falls and Rochelle Park, N.J.; New York; Cleveland and Columbus, Ohio; Beaverton, Lake Oswego and Portland, Ore.; Philadelphia; Memphis, Tenn.; Dallas; Houston; Richmond, Va.; Seattle; Milwaukee. Buenos Aires, Argentina; Melbourne and Sydney, Australia; Barbados; Brussels, Belgium; Calgary, Montreal, Ottawa, Toronto and Vancouver, Canada; Shanghai, China; Bogota, Colombia; Paris; Dusseldorf and Munich, Germany; Hong Kong; Jakarta, Indonesia; Dublin, Ireland; Milan, Italy; Kingston, Jamaica; Tokyo; Nairobi, Kenya; Kuala Lumpur, Malaysia; Mexico City; Amsterdam, Netherlands; Auckland and Wellington, New Zealand; Oslo, Norway; Manila, Philippines; Lisbon, Portugal; Singapore; Seoul, South Korea; Barcelona and Madrid, Spain; Stockholm, Sweden; Geneva; Taipei, Taiwan; Birmingham, Bristol, Edinburgh, Leeds, London, Manchester, Reigate and Warwick, United Kingdom; Harare, Zimbabwe.

Staff: 3,600 professional consulting employees, including 200 FSAs, 300 ASAs.

Clients: No minimum size client.

Gross revenues: $474.6 million estimated from worldwide benefit consulting in 1995 (66% from U.S. locations); $368.4 million in 1994 (77% from U.S. locations); $558.4 million estimated total worldwide 1995 revenues (66% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, from the United States.

Officers: A.W. "Pete" Smith Jr., president/CEO; Paul R. Daoust, executive vp/COO.

W.F. Corroon/Willis Corroon

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

Benefit consulting since: 1905.

Parent: Willis Corroon Group P.L.C.

Services: 45% of revenues from benefit consulting.

Retirement/savings plan consulting: 25% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan/trust legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 17% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, general management consulting, claims administration.

Locations: Birmingham and Mobile, Ala.; Anchorage and Fairbanks, Alaska; Phoenix; Los Angeles, Pasadena, Sacramento, San Diego, San Francisco and San Jose, Calif.; Stamford, Conn.; Atlanta; Chicago; Wichita, Kan.; New Orleans; Baltimore, Bethesda and Hunt Valley, Md.; Boston; Grand Rapids and Livonia, Mich.; Minneapolis; Kansas City and St. Louis, Mo.; New York and Rochester, N.Y.; Cleveland and Columbus, Ohio; Eugene and Portland, Ore.; Media and Pittsburgh, Pa.; Greenville and Columbus, S.C.; Chattanooga and Knoxville, Tenn.; Dallas, Fort Worth and Houston, Texas; Salt Lake City; Seattle; Milwaukee. Edmonton, Montreal, Toronto and Vancouver, Canada; Belfast, Bristol, Birmingham, Glasgow, Hemel Hempstead, Ipswich, Kingston, London, Maidstone, Manchester, Reading and Thatcham, United Kingdom.

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

Gross revenues: $61.49 million estimated from worldwide benefit consulting in 1995 (70% from U.S. locations); $62.12 million in 1994 (69% from U.S. locations); $136.65 million estimated total worldwide 1995 revenues (87% from U.S. locations).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the United States.

Officers: John Reeve, Ken Pinkston, Richard Dalzell, Max Taylor, George Nixon, Brian Johnson, executive directors.

Contact: Brian Johnson, CEO.

R.H. Wohl & Associates

14501 Antigone Drive, Gaithersburg,
Md. 20878; 301-340-2821;
fax: 301-279-0115

Services: 75% of revenues from benefit consulting.

Benefit communications consulting: 75% of revenues. Includes communications consulting; booklet and audiovisual preparation; summary plan descriptions; human resource policy and procedure manuals; policy audits.

Other services: Compensation consulting, general management consulting, management manuals, decision support services, strategic planning, business plans, case studies, procedures, product instructions.

Staff: Seven professional benefit consulting employees.

Clients: 10 total; 80% corporations, 20% government agencies/entities. Minimum size client: 100 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, $100 to $250; consultant, $80 to $120; clerical, $50.

Gross revenues: $600,000 estimated from worldwide benefit consulting in 1995; $500,000 in 1994; $800,000 estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Ronald H. Wohl, president.

W.R. Wood & Co.

5605 Glenwood Rd., Bethesda,
Md. 20817; 301-907-0170;
fax: 301-907-0172

Benefit consulting since: 1992.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, multiple employer plans.

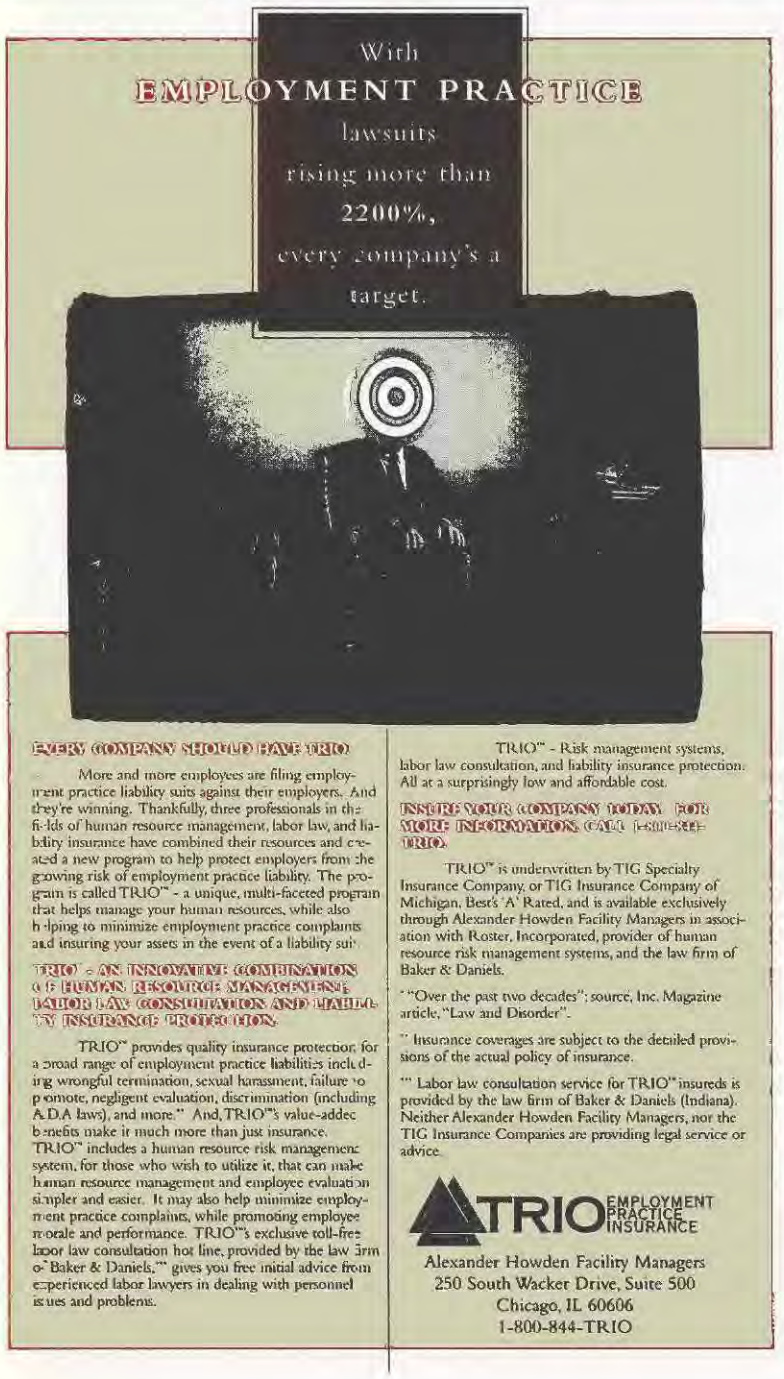
Staff: Three benefit consulting employees, all professionals.

Clients: 12 total; 42% corporations, 17% multiemployer plans, 34% MEWAs. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $180; consultant, $100.

Gross revenues: $511,000 estimated from worldwide benefit consulting in 1995; $210,000 in 1994; $511,000 estimated total worldwide 1995 revenues. All revenues are from U.S. locations.

Officers: Walter Wood, president. BI



Germans debate extent of rate cuts

BONN, Germany—Cuts in industrial property insurance rates are good news for German buyers but could spell trouble for some insurers, at least one broker says.

"Industrial insurers are again showing irrationality," complained Klaus Nowitzky, chief executive of broker Jaspers Industrie Assekuranz GmbH & Co. KG in Frankfurt.

Rates have "zig-zagged" within only a year, said Mr. Nowitzky, noting that many industrial property rates were cut by 25% in 1995, after being raised a similar amount the year before.

"On the average, top risks pay 20% less," he said.

"Those who sought maximum rates in the Konsortialkommissionen are now setting rates substantially lower," said Mr. Nowitzky, referring to the German rate-setting cartels known as KO-KOs that until this year set property rates for large commercial risks (*BI*, July 10).

In a few cases, buyers have seen industrial property rate cuts as high as 40%, according to Ottokar Engelhardt, managing director of Jaspers' Frankfurt office, who forecasts a sharp drop in premium volume for insurers in 1996 as a result of the change in pricing.

Mr. Nowitzky agreed, saying that he expects German industrial fire insurers' premium volume to drop at least 300 million DM ($207 million) in 1996 from 4.2 billion DM in 1995 ($2.9 billion) as a result of rate cuts.

The move to lower rates was initiated earlier this year by Allianz A.G. Holding, which decided to price risks independent from the tariffs set by the cartel. Since then, other major insurers, including Gerling and HDI, have followed suit.

"Only a year ago, insurers argued strong rate increases were justified, now they are going in the other direction," observed Mr. Nowitzky.

He criticized this shift, arguing that it could put pressure on small and medium-size industrial insurers to leave the market rather than compete for lower premiums.

"While good for buyers on the short term, it could lead finally to an oligopoly, which is not in the interest of buyers," he said.

"The fact it happened is a good thing, but the way it happened is not," said Hauprecht Freiherr Schenck zu Schweinsberg, managing director of Westdeutsches Assekuranz-Kontor, a captive broker for Essen, Germany-based steel manufacturer Krupp A.G.

"Premiums should reflect a good loss ratio and deductible. It's unfair that insurers force good large risks to pay for poor small risks. That's changed. The problem is the way it was done."

"In an uncontrolled, softening market, there is danger that some of the participants react irrationally," Mr. von Schenck said.

Manfred Illner, a member of Allianz's executive board, admits rate changes in industrial insurance market have been more excessive than anyone anticipated.

"Some insurers are following an irresponsible underwriting policy (that threatens their profits)," he said. "No one could anticipate it would go that far."

Mr. Illner said German industrial insurers have attempted to move from an inflexible system to a system of rating risks on a more individual basis. Unfortunately, he said, the fluctuation of rates has reached a point that some companies will soon find it difficult to stay afloat.

But, Mr. Illner denied that Allianz's intention in changing its own pricing policy was predatory. "Competition exits and should exist," he said. "Midsize and smaller insurers have their own pricing policy. I don't see a move to push them from the market."

Mr. Illner also said it's amazing brokers would criticize a development they favored. "Brokers condemned the cartel situation and the KOKO. Now it's gone, and they're still not happy."

Jaspers' Mr. Nowitzky said that reinsurers may take measures to counter the drop in rates. By 1997, reinsurers will again apply pressure to raise rates, he predicted.

Munich Re Group and Cologne Re Group admit they will seek to improve their portfolios with arguments for a rise in rates in the coming season.

"We're a profit-oriented company and will use every connection and means we have at our disposal to improve our portfolio," a Munich Re spokesman said.

But both companies deny there are measures planned to influence the market in general by 1997.

—By Don Lewis Kirk

INTERNATIONAL

An alternative Lloyd's plan

Members' group suggests placing entire market in runoff

By STACY SHAPIRO

LONDON—All Lloyd's of London syndicates should cease operating at year end and conduct an orderly runoff, proposes a committee representing more than 30 member action groups.

The radical alternative to the market's "Reconstruction and Renewal" plan will be considered by the Validation Steering Group, a Lloyd's committee that is reviewing for all members the advantages and disadvantages of the reconstruction plan, said Sir David Berriman, chairman of the group and also chairman of the Assn. of Lloyd's Members.

Other action group leaders and Lloyd's executives, though, argue that such a runoff would be worse for members than following through on the reconstruction plans, which include setting up runoff reinsurer Equitas Ltd.

That stance does not surprise the Lloyd's Names Assn. Working Party, the group that submitted the runoff proposal last week. "Given the loss of employment within the Lloyd's community that the proposals will entail, it is to be expected that this paper will be greeted with a chorus of protest," the LNAWP said.

In a runoff, it would be "unrealistic" for policyholders to expect all claims to be paid in full, the group adds. The advantage to members would be that they only would have to pay as claims came due, rather than making large upfront payments into Equitas.

Calling its idea merely a possible alternative to Lloyd's reconstruction plan, the LNAWP says that the Lloyd's proposal might actually be preferable if the market would contribute more than the £2.8 billion ($4.32 billion) it has proposed. Instead, the sum should be closer to £4.5 billion ($6.09 billion), said Christopher Stockwell, chairman of the LNAWP.

The group envisions a Lloyd's runoff managed much like Equitas would be. As with Equitas, the management of the runoff of syndicate accounts would be sub-contracted to runoff specialists (*BI*, Dec. 4). But unlike Equitas, which is to have an independent board, the proposed runoff would be overseen by "a new Lloyd's runoff board" controlled by external names.

Any ongoing and profitable underwriting business of Lloyd's should be taken over by new mini-insurance companies or syndicates, the group suggests.

And it questions whether Equitas—the primary means by which Lloyd's plans to end members' litigation and fence off old liabilities from new business—should be set up at all.

No one knows whether the reserves that would be put into Equitas would actually allow the company to continue to pay claims and give members "finality," said Mr. Stockwell.

Under the Lloyd's proposal, if reserves proved inadequate and Equitas became insolvent, members would once again be liable to pay losses.

See **LNAWP** *on next page*

Part-time pensions limited

Employers welcome ruling restricting benefit claims

By SARAH GODDARD

LONDON—Occupational pension fund managers are claiming a "victory for common sense" following a ruling that limits the amount of pension benefits that part-time workers can claim as a result of European Court of Justice rulings.

The decision came last week in the first part of a three-phase trial before the Birmingham Industrial Tribunal over the pension rights of part-time workers.

The Trades Union Congress brought 22 test cases on behalf of U.K. workers after the European Court of Justice issued two decisions in September 1994 that held employers could not exclude part-time workers from occupational pension plans (*BI*, Dec. 5, 1994).

The TUC contends that as many as 60,000 workers, many of them women, are owed £95 million ($145.4 million) in compensation and back pension benefits.

But, in its 37-page ruling, the Birmingham Industrial Tribunal limited employers' retroactive pension obligations. The tribunal said pension claims could only be made within six months after a part-time worker left "the employment which gives rise to the complaint." The tribunal also ruled that claimants are only entitled to retroactive pension benefits, not added compensation as sought by the plaintiffs. And, those benefits are subject to a two-year retroactivity limit under the Pensions Act 1995.

In the trial's second phase, the tribunal will try to resolve a variety of issues, and cases that have not been thrown out or settled after that stage will be looked at individually in the final phase.

The TUC last week was "urgently considering an appeal" of the ruling, said John Monks, general secretary of the TUC in London.

Geof Pearson, chairman of the NAPF's Working Group on Part-Timers, welcomed the ruling, noting employers voluntarily provide occupational pension plans. If employers are subjected to greater legal pressures and higher costs, they could stop offering pensions. "Willing birds fly much further than thrown stones," he said.

Indian cricket stadium collapse insured

State and sports authority to compensate victims, injured

By KAUMUDI MARATHE

NAGPUR, India—Insurance is expected to cover losses stemming from the recent collapse of a stadium section in Nagpur, India, in which nine spectators were killed and at least 70 were injured.

The injuries and deaths occurred when a wall in the stadium's second tier gave way during a cricket match at the newly renovated Vidarbha Cricket Assn. stadium Nov. 26, causing about 100 spectators to fall about 165 feet onto the ground.

The Maharashtra state government began a judicial inquiry following the incident, and two VCA executives, the stadium architect and the building contractor were arrested Dec. 4. VCA President Prabhakar Rama Mundle, VCA General Secretary G.K. Kelkar, architect A.D. Godse and contractor S. Varnekar were arrested on charges of criminal negligence but were later released on bail. Details on the case are not available while the inquiry is being conducted.

Compensation of 200,000 rupees ($5,738) to each victim or family will be provided jointly by the state government and the Board of Control for Cricket in India and its affiliate, the VCA. The Maharashtra government initially announced a compensation plan of 50,000 rupees ($1,434) but later doubled it. The BCCI came forward with an additional 50,000 rupees and the VCA matched that.

The VCA's Mr. Kelkar said the compensation amounts were fixed "while the match was still in progress."

After the accident, the match resumed.

"The VCA officials met and decided to pay the money out of our corpus rather than wait for the insurance. Rupees 50,000 to families of the victims seemed the minimum amount we could pay. As far as the injured are concerned, we will bear all their hospital expenditure," he said.

"Although it is a great financial burden on the VCA, which is not as

See **Stadium** *on next page*

AP/WIDE WORLD

Government authorities in India are investigating a stadium section collapse that killed nine people and injured dozens during a cricket match.

AP/WIDE WORLD

French workers in industries ranging from rail transportation to the nation's financial markets are striking over proposed reduction of state welfare benefits.

Benefit plan change has French in uproar

Budget cut affects private funding

By MARIA KIELMAS

French benefit plans, the role of private companies in funding them and the costs of plans to employers could all change drastically under the French government's plan to reduce its 250 billion franc ($50.5 billion) social security system debt.

To reduce debt in a "womb to tomb" system—one in which annual spending has escalated to 2 trillion francs ($403.8 billion) and which some analysts see headed toward bankruptcy—the government proposes curtailing entitlements and levying new taxes.

At the same time, France will be trying to reduce its expected 1995 budget deficit of 350 billion francs ($70.7 billion), or 6% of the gross domestic product. The deficit must be cut to 3% of GDP by 1997 if France is to fulfill the Maastricht criteria of a 3% GDP budget deficit and qualify for membership in the planned European Monetary Union.

To repay the social security system debt over 13 years, the government proposes levying an additional 0.5% income tax. That proposal, in a country with one of Europe's highest tax rates, has triggered popular protests that the burden of welfare reform is being placed unfairly on the shoulders of employees, while employers are getting off lightly.

Recent street protests and public sector strikes, by contrast, are generally reactions against additional government plans to reform the railway system pension scheme and demands from students for better facilities at universities.

"This government is trying to solve all of its problems at the same time," said Olivier du Passage, co-president of brokerage Groupe Le Blanc de Nicolay of Paris.

The social security reforms are an acknowledgement that France has been living in "social luxury," says Jacques Blondeau, president and chairman of reinsurer SCOR S.A. of Paris.

There is also a power play between the labor unions and the government, he said. "The unions' membership is only 8% to 10% of the workforce, but that does not mean they are not strong. They are strong because they co-manage the social security system." The government now proposes putting the system under the control of the parliament.

One result of the reforms will be long-awaited legislation to introduce private pension plans.

See **France** *on next page*

INTERNATIONAL

France

Continued from previous page

"Private pensions schemes in France are almost a certainty. It's only a question of when and how," said Nicolas Davenport, president and director of Willis Corroon France.

Insurance companies are not commenting publicly on the welfare reforms and possible future opportunities in pensions and health insurance. A spokesman for Union des Assurance de Paris, for example, said only that the company is "waiting to see what will happen."

The social security reforms were outlined to the French National Assembly by Prime Minister Alain Juppe on Nov. 15. The principle points are:

- The social security system debt will be covered over 13 years through a 0.5% income tax called the Remboursement de la dette sociale. It would not apply to minimum wage earners, military invalidity pensions, compensation for accidents at work and income from certain small savings accounts in the Post Office or state-owned savings banks. The tax is expected to generate 25 billion francs ($5.04 billion).
- Public sector employees, like private sector workers, must now work 40 years instead of 37.5 years to qualify for a full state pension.
- Pensioners and the unemployed who receive benefits above the official minimum wage—about 5,700 francs per month—must pay a health insurance charge of 1.2% on income from 1996 and another 1.2% in 1997. The employed pay a health insurance charge of 6.8%.
- Large companies will lose a 2.5 billion franc ($504.8 million) tax credit for life insurance contributions. Also, the pharmaceutical industry will be obliged to contribute 2.5 billion francs, making large company contributions to cutting the deficit total 5 billion francs. Mr. Juppe said that the pharmaceuticals sector operating profits had risen by 12% between September 1994 and September 1995. Up to now, medicines have been prescribed freely and irrespective of cost.
- Contributions to France's 19 health insurance funds, which now vary, will be set the same for everyone covered.
- Patients will no longer be able to see any doctor they please but will receive a personal medical identity card and consult a general practitioner before seeing specialists. It is not clear whether patients will be able to choose their own general practitioners.
- Foreigners will have to pay for medical treatment in a hospital in advance.
- The welfare deficit will be cut to 17 billion francs in 1996 from its present 61 billion francs (to $3.4 billion from $12.3 billion) and a surplus is forecast for 1997 depending on economic growth, Mr. Juppe said.

The welfare system will come under the supervision of parliament. There will be two governing bodies. One will be an administrative council composed of respresentatives of employers, appointed by employers; representatives of employees, appointed by employees; financial specialists. The other body will be a supervisory council controlled by the National Assembly.

This change of the role of the parliament in the social security system will require a constitutional amendment which will be introduced by the government to the Assembly next year.

- The social security tax, currently 2.4% of income, will be assessed based on operating profits. Details will be issued in new legislation next year.

Despite the widespread popular protest against the reforms, insurers and analysts believe the government will be able to tough it out eventually.

"About two-thirds of the French population sympathizes with the strikers even if they work in the private sector," Mr. Davenport said. "From the point of view of an employee the tax regime is so severe it is difficult to see where the government can squeeze more."

Mr. Davenport said he believes at some stage the government may have to acquire a mandate for the reforms, either through an election or through a referendum. President Jacques Chirac was elected on promises of no tax increases and cutting unemployment. But in a speech to the National Assemble and then to the nation on Dec. 5, Prime Minister Juppe refuted any notion that his government would fall or that he would resign.

Without reforms, the social security system could head for bankruptcy in the manner of Italy's and Sweden's, said Gwyn Hacche, European economist at investment firm James Capel & Co. Ltd. in London.

A spokeswoman for the Federation Francaise des Societes d'Assurances, an association of private insurers, said the reforms only affect private insurers on two technical points. The first is that insurers must cover the cost of the state's administrative expenses when paying for losses after automobile accidents. The charge will be 5,000 francs ($1,010) per case. The second will include the extra tax levy on the pay out for group life policies.

Analysts are skeptical that private pension funds will be introduced quickly.

"It all depends on the tax incentives," said Michael Huttner, an insurance analyst at Barclay de Zoete Wedd in London. The government has not given any indication about possible tax incentives and implementing pension funds would be difficult during a time of tax rises, he said.

"New pension funds are not going to replace what is there today. They will only be complementary," said SCOR's Mr. Blondeau.

Another obstacle to introducing private pensions is state subsidies for certain players in the market.

Mr. Huttner said that only 36% of life insurance policies are sold through traditional insurance companies, the remainder being sold by banks through their dense network. This is done at marginal cost, undercutting the insurers significantly.

The French savings system for low to medium earners also favors established state players, such as the Post Office, state-owned savings bank the Caisse d'Epargne, and the Caisse Nationale de Credit Agricole, a government-sponsored central institution for 94 regional mutual banks and which has the densest banking network in France. These institutions offer a 10-year savings plan known as Livert A, where every individual can save up to approximately 100,000 francs ($20,110), at a minimum guaranteed base rate of 4%, or 6% in real terms, with instant access.

The state supports the branch networks, especially of the Post Office, which extends throughout villages and small towns and is one which a private sector institution would not find economical to maintain.

"This means that other institutions face fierce competition for pension products," Mr. Huttner said.

If private pensions are to take hold in France then such schemes must be straightforward products and not just something available at the margins of a state-run system, he said. BI

LNAWP

Continued from previous page

Members will be asked to pay a one-time premium next year to close their accounts into Equitas. Once the reinsurer is operating, it would sit on such a huge pile of money in reserve that U.S. lawyers may not wish to commute claims, in which case liabilities will be greater than envisioned, according to Mr. Stockwell. Equitas also may be tax-inefficient to members, who could wind up paying income tax on their portion of the £2 billion ($3.07 billion) debt credit the market extends to members to settle litigation and help them pay the Equitas premium.

"The price of creating Equitas at this stage could well be too high," said Mr. Stockwell. "We question whether it is sensible to keep going along this road. We question whether Lloyd's instead should be put in runoff."

Not all members agree with the LNAWP, however.

"I'm pretty unimpressed" with its proposal, said Michael Deeny, the chairman of the Gooda Walker group, which is one of the five major action groups that do not belong to the working party. Effective Jan. 1, Mr. Deeny joins Lloyd's Council following recent elections. "It's (a) unrealistic, and (b) not what the names want."

Equitas offers benefits to members, mainly "finality," which the new proposal would not, said Mr. Deeny. "Members are willing to pay for finality." If Equitas does not work, then "there will be a crisis anyway," said Mr. Deeny. Then Lloyd's would have to go into runoff and the British Department of Trade and Industry would step in to protect policyholders. "The DTI would have the power to freeze all insolvent names' assets" to make sure all those losses were paid, he added.

Mr. Deeny believes Lloyd's reconstruction and renewal plan will succeed and Equitas will remain solvent. His only concern is that Equitas may be overreserved, in which case there is a mechanism to allow members to receive any surplus.

Mr. Deeny acknowledged that members would like to see more than the £2.8 billion to settle all litigation and make sure that nobody has to pay more than £50,000 ($77,150), in addition to his or her Lloyd's deposits, to close accounts into Equitas. But there is room for negotiation on these points.

For his part, Lloyd's Chief Executive Ron Sandler seemed to anticipate the runoff proposal. A week before it was published on Dec. 4, Mr. Sandler, in association with law firm Freshfields, wrote to all members agents arguing against a runoff.

In a runoff, he wrote, the £2 billion in debt credits under the Lloyd's plan would not be available to members. Also, Mr. Sandler said, if Lloyd's were to go into runoff:

- The interests of its policyholder creditors would be "paramount."
- The Council would not be able to cover members' shortfalls through the Central Fund.
- Lloyd's, the DTI and overseas regulators, particularly in the United States, could "exercise powers over members' assets."
- Members could not escape from their obligations to policyholders, "a fact that the overwhelming majority of names recognize."
- Costs to administer the run-off would escalate.
- There would be a "spiral of defaulting reinsurance recoveries," which would force members to pay more upfront. BI

Stadium

Continued from previous page

wealthy as Bombay or Calcutta cricket government bodies, we will consider individual cases and pay for the rehabilitation of any injured persons who have been disabled by the accident," Mr. Kelkar said.

The state of Maharashtra will pay out at least 1.6 million rupees ($45,904) in compensation—100,000 rupees to each of the nine deceased victims' families and 10,000 rupees to each injured person. The payouts will generally be taken from the state contingency fund, which the state uses to compensate victims or natural disasters or accidents. The VCA and the BCCI each will pay out a minimum of 450,000 rupees ($12,910). The VCA hopes to obtain reimbursement under its insurance, but the BCCI is making a goodwill contribution from its own funds.

What the VCA stood to gain by way of increased capacity after the stadium renovations, however, was 6 million rupees ($172,140), more than 13 times what it will disburse. The renovations, completed only a few months ago, doubled stadium capacity to 42,000.

Authorities say that though there has been no significant property loss at the Nagpur stadium, the organization is covered by a comprehensive insurance policy.

"The VCA has insured a sum of 5 million rupees ($143,450)" with Oriental Insurance Co. Ltd., Mr. Kelkar said. "The policy includes insurance against theft, fire, accident, money in transit, (cash stored onsite) and the stadium building itself." However, no claims can be filed until the investigation is completed.

"Apart from the government, the police department and a special technical committee appointed by the state are conducting independent inquiries," he said.

An official of the government-owned holding company General Insurance Corp., whose four auxiliary companies—New India Assurance Co. Ltd., National Insurance Co. (India), Oriental Insurance and United India Insurance Co. Ltd.—write insurance, stated that all cricket matches were insured against rain and natural calamity. "Our subsidiaries deal directly with clients insuring cargo, property and persons against fire, accidents and natural calamity. In the case of sports, where spectators are involved, we also provide third-party liability to protect their interests."

Details of the VCA's insurance coverage were not known, but a National Insurance Co. official said the association probably has property/casualty coverage.

BCCI President I.S. Bindra said at a press conference in Bombay last week that more stringent security measures are needed and that municipalities should be required to inspect their local stadiums before matches. He said the BCCI is leaving the investigation to government authorities.

Mr. Kelkar disagreed that stricter control is required. He insisted the VCA stadium was in excellent condition and that the construction was not at fault.

"The wall was all right. It simply could not withstand such an onslaught from so many people" stampeding to get a better view of the match, he said.

S.K. Sham, a senior sports writer for Reuters, concurred. "The VCA stadium is known to be a good cricket center. Facilities are well-maintained and organized. There has never been a problem before." BI

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Military

Continued from page 1

Employers with 401(k) plans must give returning veterans the opportunity to make retroactive contributions. Companies will have to match those retroactive deferrals to the same extent they matched other workers' contributions during the period of military service.

Employers, though, do not have to credit their own and employees' retroactive contributions with interest that would have been earned during the employee's period of military service.

Employees' salaries and wages—on which profit-sharing and 401(k) deferrals are based—are defined as what the employee would have earned during the prior 12 months before the military service began.

Returning employees have three times the length of their military service—but in no case more than five years—in which to make their retroactive contributions.

Prior to the 1994 law, few, if any, employers allowed retroactive contributions to defined contribution plans or matched those retroactive contributions after employees returned from active duty.

"Employers generally felt there was no obligation to make such contributions," according to Howard Golden, a principal with Kwasha Lipton L.L.C. in Fort Lee, N.J.

In addition, he said, it was questionable—in the absence of a federal law—whether such retroactive contributions would have been legal.

The cost to employers of providing retroactive matching 401(k) and other defined contribution plan contributions will likely be modest—as long as a call-up of employees from the military reserves remains small.

While 245,000 men and women were called up from the National Guard and the reserves during the Persian Gulf War, many employers said only a handful of their workers were activated.

For example, at The Principal Financial Group in Des Moines, Iowa, probably fewer than 10 employees out of approximately 15,000 employees were called up, said Dick Delk, director of benefit plans.

At Hartmarx Corp. in Chicago, just a few, "perhaps two or three," employees out of 5,000 workers were called up, said Michael Pikelny, corporate actuary.

Still, the 1994 law has left open some nagging technical questions that Congress has not addressed.

The law does not make changes to the Tax Code needed to accommodate certain of the law's requirements.

For example, employees now are allowed to defer a maximum of $9,240 a year to their 401(k) plans an amount that will rise to $9,500 next year.

An employee returning from active military duty might want to make a retroactive contribution for his or her time in military service as well as for the current year. Those combined contributions, though, could exceed the $9,240 limit and violate Tax Code rules.

But, if the employer doesn't allow the retroactive contributions, it would violate the 1994 veterans law.

"You are essentially between a rock and a hard place," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

Congress during the current session, though, is expected to pass legislation that would clarify that contributions made to comply with the veterans law would not violate the Tax Code.

'Prior to 1994, it was questionable—in the absence of a federal law—whether such retroactive contributions would have been legal,' says Howard Golden.

The 1994 law also sets new, modest health insurance continuation requirements. For leaves up to 31 days, the employee would be required to pay the same percentage of the premium as before the leave began.

If the leave exceeds 31 days, employers would have to offer COBRA coverage to employees who joined the military. COBRA allows employers to charge beneficiaries a premium equal to 102% of plan costs.

But it is unlikely that many employees called up for military service would opt for COBRA.

That is because their own health care needs would be provided—free of charge—by the military branch in which they served. In addition, their dependents could enroll in a federal health care program—known as CHAMPUS—that has modest cost-sharing requirements.

While under no legal obligation to do so, some employers during the Persian Gulf subsidized health care coverage for the dependents of employees who were called up from the reserves.

For example, Kemper National Insurance Cos. extended health care coverage for 90 days for activated reservists and their dependents.

Kemper paid about 80% of the premium.

AT&T Corp. paid the full health care premium for dependents of reservists for the two months following the month in which an employee was called to active duty (*BI*, Sept. 10, 1990). BI

PBGC 50

Continued from page 2

butions in 1994, including AK Steel Corp., Goodyear Tire & Rubber Co., Inland Steel Industries Inc. and Loews Corp.

And several other companies that remained in the 1994 list should move off next year because of commitments they have made to bolster plan funding.

For example, French tire manufacturer Michelin Group and its Greenville, S.C.-based operating company, Michelin North America, say they will contribute $380 million later this month to underfunded pension plans sponsored by the Uniroyal Goodrich Tire Co., a Michelin subsidiary. At the end of 1994, the Uniroyal Goodrich plans had $313 million in unfunded guaranteed benefits and $361 million in unfunded vested benefits (*BI*, Nov. 20).

The 1994 list includes contributions that were made as late as Sept. 15, 1994.

There are several reasons why pension plan underfunding has declined so steeply. With many companies enjoying strong profits, it makes good tax sense for them to maximize contributions to their pensions plans, which are tax-deductible, and thus lower their tax bite.

Higher PBGC interest rate assumptions last year also significantly reduced reported liabilities. In compiling the 1994 list, the PBGC used a 7.15% interest rate assumption in valuing plan liabilities. In putting together the 1993 Top 50 list, the PBGC used a 5.65% rate, a reflection of the lower interest rates prevailing that year. Small changes in interest rate assumptions significantly affect the size of pension plan liabilities.

In addition, the stigma of being on the list has led some companies to improve plan funding, said James Lockhart, a private investment banker in New York, who conceived of the idea of publishing a Top 50 list when he was the PBGC executive director during the Bush administration.

While employers are beefing up plan funding, a "core" of underfunding still remains, the PBGC says. For example, 34 companies that were on both the 1993 and 1994 Top 50 lists have about the same amount of underfunding if interest rates are held constant.

About one-third of underfunding on the 1994 list comes from the steel industry, which has generous pension programs and a huge pool of retirees.

Steel companies on the 1994 list include Bethlehem Steel Corp., which had $1.44 billion in unfunded guaranteed benefits, down from $1.8 billion in 1993; LTV Corp., $1.38 billion, down from $1.99 billion; Armco Inc., $214 million, down from $257 million; National Steel Corp., $251 million, down from $371 million; and Laclede Steel Co., $65 million, down from $86 million.

Landing on the Top 50 list, the PBGC says, does not mean that participants' benefits are in jeopardy. The underfunding number simply represents the PBGC's potential exposure if an underfunded plan is terminated.

Still, several companies, like Pan American World Airways Inc. and Eastern Airlines Inc., that were on previous Top 50 lists later failed. That resulted in big losses to plan participants and to the PBGC.

Participants can lose when their companies go out of business and the PBGC takes over the companies underfunded plans. That is because the PBGC doesn't guarantee all promised benefits, such as those over a certain amount—currently about $30,000 a year per participant.

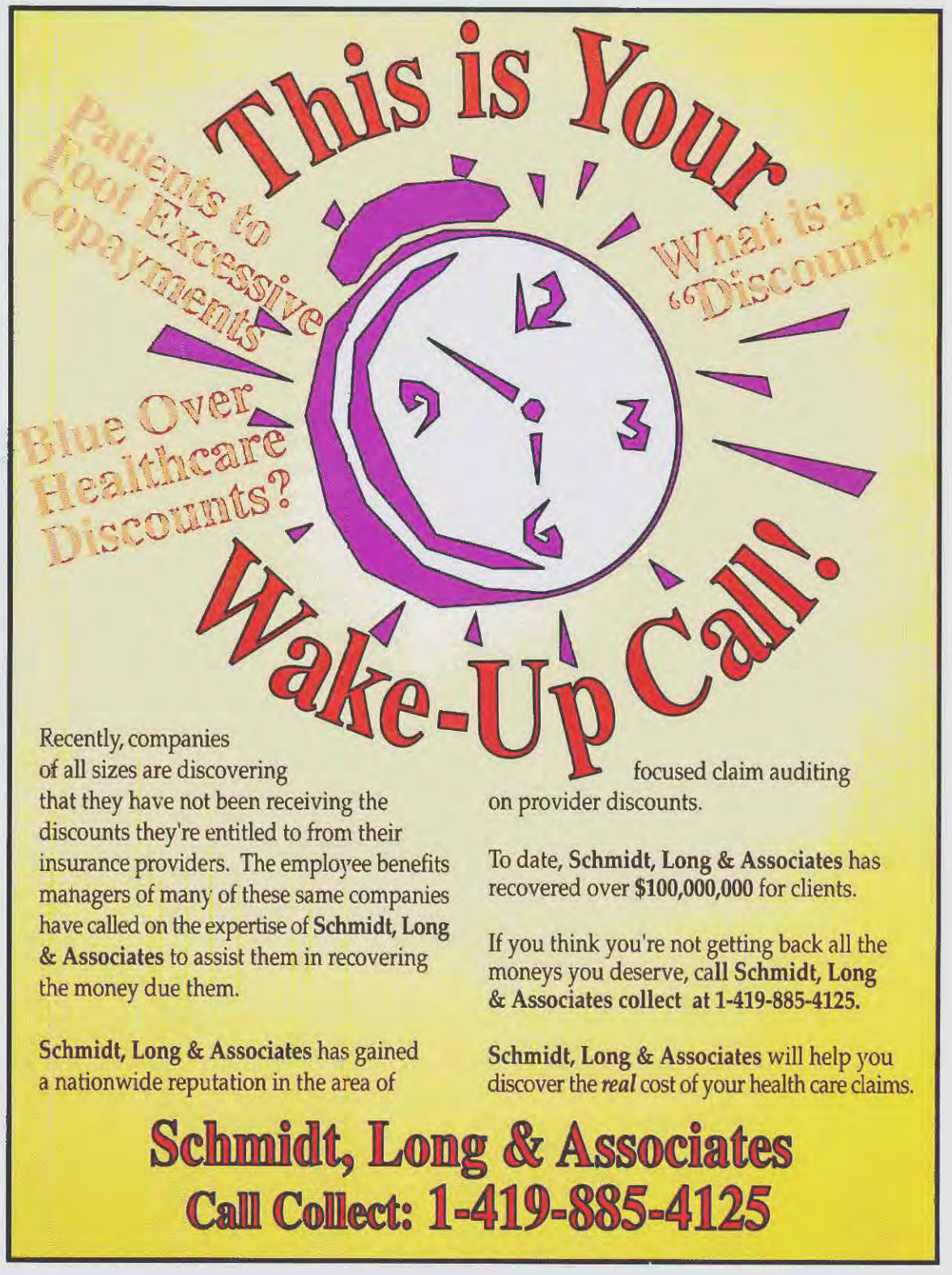
Airline pilots, who earned sizable pensions and worked for airlines that later collapsed, in particular have suffered from the PBGC's limit on guaranteed amounts.

And the collapse of companies on earlier Top 50 lists has produced huge losses to the PBGC. The 1991 collapse of Pan American World Airways Inc., for example, will cost the PBGC nearly $600 million by the time it finishes paying off guaranteed benefits to the plans' 37,000 participants.

The PBGC, though, hopes that pension funding reform legislation enacted last year will significantly reduce the likelihood of future big losses. The 1994 law, among other things, requires employers to accelerate contributions to underfunded plans.

That law—known as the Retirement Protection Act—also will make it easier for participants in underfunded plans to know about their plans' funding levels. By the end of the year, most large companies whose plans are less than 90% funded must provide participants with an easy-to-understand explanation of their plan's funding level and the limits of PBGC benefit guarantees.

The requirement goes into effect in 1996 for small companies. BI



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Liability for employment practices growing problem for public entities

Insurance an option, but experts say education needed, too

By DEBORAH SHALOWITZ COWANS

CHICAGO—Employment practices liability is fast becoming one of the most worrisome exposures for public officials and educators, experts agree.

Employment practices liability is "currently the fastest growing area of litigation in the country," stated Jeffrey A. Goldwater, a partner in the Chicago law firm of Bollinger, Ruberry & Garvey.

It is probably the most troublesome exposure for the risk managers at public entities, said Thomas E. Bell, director of risk management for the Middle Cities Risk Management Trust, an intergovernmental risk pool for schools in Okemos, Mich.

Employment practices liability is the "overriding theme" in many of the liability exposures common to public officials and educators, agreed James S. Carey, senior vp in Chicago with the Coregis Group Inc. unit of Talegen Holdings Inc.

Speaking last month at the annual Professional Liability Underwriting Society international conference, Mr. Carey noted that the employment-related liability exposures common to public officials and educators include wrongful termination, discrimination, unfair employment practices, civil rights violations, negligence and breach of contract.

Mr. Goldwater added that sexual harassment claims also are increasing and for educators tenure decisions can be the basis for claims.

Mr. Goldwater said three laws are contributing to the increase in employment practices claims: the Civil Rights Act of 1991, the Americans with Disabilities Act and the Age Discrimination in Employment Act.

Although these laws expanded the liability of employers to include compensatory and punitive damages for violations, claimants may not recover punitive damages from government entities, which courts have ruled includes boards of education and school superintendents, Mr. Goldwater said.

However, public officials and educators can buy liability coverage to help protect themselves from these exposures.

An insurance policy for public officials liability or educators legal liability covers the entity itself; all elected, appointed or employed officials; commissions, boards and other entities; employees and volunteers; and estates, trustees and legal representatives.

However, people that serve on city councils and boards of education "come with varying degrees of background," warned Mr. Bell. "Some don't have much idea of the legal consequences of their policies and procedures."

'The one thing seriously lacking in today's insurance industry,' says Thomas Bell, is 'education on the part of the industry to our public entities.'

Insurance companies would be well served to teach public officials more about liability, Mr. Bell advised:

"The one thing seriously lacking in today's insurance industry. . . .is a lack of education on the part of the industry to our public entities."

Mr. Carey advised risk managers of public entities and educational institutions to remember that "no two forms are alike." Examine all policies carefully, he recommended.

And, there are several specific things to look for in a public officials liability or educators legal liability policy, he said.

These include: a built-in minitail of at least 60 days which ensures that if either the insurer or the policyholder cancels the policy it remains in effect for at least 60 days following notification of cancellation; and a specified duty to defend, with defense costs outside of policy limits. BI

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Proposals must be submitted per requirements on file in the Contract Administration Office, One Gateway Center, Los Angeles, CA 90012.

All proposals must be submitted to the above address no later than 2:00 P.M. on January 5, 1996 unless this time is extended by addendum to the RFP.

A pre-proposal conference is scheduled for 10:00 A.M. on December 21, 1995. All proposers are urged to attend.

To obtain a copy of the RFP, fax a written request to Margaret Merhoff at (213) 922-1003. Include the company name, address, telephone number, fax number and contact person.

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Secretaries, Treasurers, controllers and other Financial Personnel 3,053

Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 16,931

Sub-total 30,243
Associations 355
Government, Unions and Educational Institutions 955

Commercial Consumers
Sub-total 31,553
Insurance Agents and Brokers 8,658
Insurance Companies 7,857
Accountants, Actuaries, Attorneys & Consultants 3,556
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,935
Others Allied to the Field 960

Total Qualified 54,519
Non-qualified 9
Single Copy Sales 0

TOTAL CIRCULATION 54,528

★ *Source Business/Occupational breakdown of qualified circulation, May 29, 1995 Issue, as submitted to BPA for June 1995 BPA Publisher's Statement*

Facility

Continued from page 1

claims stemming from the same event, and limited to $2 billion for any one policyholder.

Other features of the product liability program, according to Mr. Potash, are:

- Attachment excess of $750 million.
- Fully retroactive insurance coverage for unreported claims stemming from events prior to obtaining the coverage, with an open-ended discovery period for batch claims.
- Exclusions that eliminate "top-up cover" for current claims.
- A 5% coinsurance level.
- 85% of the premium eligible to be returned to the policyholder with interest on a profit-sharing basis at the end of the 10-year term.

In addition to Capital Risk, Mr. Potash said other participants in the program are: Zurich Insurance Group; Centre Reinsurance Cos.; Salomon Bros. Inc.; Ernst & Young L.L.P.; and Aon Corp.

The high limits will be attained through a combination of reinsurance and the capital markets, Mr. Potash said.

Salomon Bros. will sell securities, representing future receivable premiums, on the capital markets for $1.6 billion, he explained.

"That becomes the experience account, which will be invested by a special service insurance company managed by Centre Re," Mr. Potash said.

The special service insurer will be domiciled in Bermuda, but it has not yet been decided whether it will issue policies directly or as a reinsurer of a risk retention group or whether it would use either option, depending upon the tax situation.

The money in the experience account will be used to pay claims, and the balance will be distributed to policyholders, said Mr. Potash.

On top of this, Centre Re will provide $1.4 billion excess of the $1.6 billion in the experience account, while a reinsurance program will be placed by Aon with traditional reinsurance companies around the world, including Zurich Insurance, bringing the facility up to the $4 billion limit, Mr. Potash said.

"The trade-off is that there is a mutualization of risk. They have to agree to share risk in order to get all of the benefits," he said.

Most risk managers of large companies would be prepared to share risks with other companies for this level of exposure, said David J. Watkins, chief executive officer of Capital Risk Strategies (U.K.) Ltd. in London.

"At that level, it's very difficult for risk managers to say that they can reduce the exposure through management efforts," said Mr. Watkins.

Catastrophic product liability losses are often due to bad luck rather than bad risk management, agreed Alicia Junta, risk manager at pharmaceutical manufacturer Hoffman-La Roche Inc. in Nutley, N.J. Hoffman-La Roche is a subsidiary of pharmaceutical giant Roche Holdings A.G. of Zurich, Switzerland.

'It's the kind of risk that affects the bottom line, and anything that can take care of that is interesting,' says Alicia Junta, risk manager of Hoffman-La Roche.

And large pharmaceutical companies are eager to access additional limits of products liability coverage, she said.

"It's the kind of risk that affects the bottom line, and anything that can take care of that is interesting . . .If it becomes available we would have to analyze it and see if it makes sense for the price," Ms. Junta said.

General Electric Co. would also consider the coverage for its medical-equipment liability exposures, said Edmund Greene, deputy treasurer, insurance for the manufacturing concern, which is based in Fairfield, Conn.

"We believe in buying catastrophe insurance, but it would depend on the price," said Mr. Greene.

Product liability insurance capacity is very limited for pharmaceutical companies, said another risk manager who was familiar with the new facility for financing catastrophic exposures and did not want to be identified.

Most risk managers of large pharmaceutical firms are seeking alternatives to obtain catastrophe coverage, and the Capital Risk Strategies facilities might solve the capacity problem, the risk manager said. BI

Study finds big cost savings in managing work comp care

By DEBORAH SHALOWITZ COWANS

Employers are saving from 10% to 40% on workers compensation medical costs by using managed care networks, a new survey shows.

Furthermore, some employers that used managed workers comp networks saved between 15% and 25% on wage replacement or disability income replacement costs, the survey found.

It is possible that as workers comp networks operated by health maintenance organizations become even more widespread, the level of savings will increase, noted Pat Gallagher, senior consultant with Milliman & Robertson Inc. in Philadelphia and co-author of the survey. "Even the higher-end savings are fairly conservative," he said.

Although this is the second year that Milliman & Robertson has conducted a survey on workers comp networks operated by HMOs, it is the first time it tracked employers' savings from the networks. Milliman & Robertson calculated the savings by comparing workers comp costs from this past year, when claims were managed, to the previous year or two when they were not.

The prevalence of managed workers comp networks is growing, according to the survey of 135 HMOs with at least 20,000 group health members.

Seventy-four percent of the HMOs either operate or are planning to offer a managed workers comp network, up from 51% last year, the survey found.

In 1995, there were 72 managed workers comp networks operated by HMOs, up sharply from 17 the previous year.

"The trend is strongly in favor of" workers comp networks, Mr. Gallagher commented.

The vast majority of these networks—58 of the 72—are operated as preferred provider organizations.

Ten of the 72 networks are operated as HMOs, while three are point-of-service plans and one is an exclusive provider organization.

Most of the managed workers comp networks offer a variety of services, including utilization management, large-case management, treatment protocols, return-to-work protocols, loss prevention, third-party administration services and self-insurance group administration services.

Often HMOs begin providing managed workers comp services at the request of an employer that currently contracts with the organization for group medical benefits, Mr. Gallagher said.

Then the HMO decides to pursue the program further, said Mr. Gallagher.

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Copies of "HMO Managed Workers' Compensation Strategies and Products" are available at no charge from Lorraine Spenser at Donley Communications Corp., 445 Park Ave., New York, N.Y. 10022; 212-751-6126.

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Insurance cited as backstop for online liability issues

By JUDY GREENWALD

WASHINGTON—How should online service providers handle copyright liability issues raised by use of the Internet? There's always the insurance industry, suggests a government white paper.

The Working Group on Intellectual Property Rights in September issued a 150-page report, called "Intellectual Property and the National Information Infrastructure," to discuss the application of existing copyright law and to recommend changes to adapt that body of law to the needs of the global information society. The effort was part of the Information Infrastructure Task Force established by President Clinton in February 1993.

One of the issues the report looked at was online service providers' liability for copyright infringement. The report notes there generally is a view that online service providers should either be exempt from liability or held to a higher standard, such as imposing liability only when infringement was willful and repeated.

But, the report's authors disagree with that perspective.

"Other entities have some of the same costs of doing business, have instituted practices and taken appropriate precautions to minimize their risk of liability, such as indemnification agreements and insurance," says the working group's report.

It would be premature to reduce online service providers' liability, the report contends. In addition to being unfair to other media and setting a "dangerous precedent," this would "choke development of marketplace tools that could be used to lessen their risk of liability and the risk to copyright owners, including insuring against harm caused by their customers. . . .," it says.

"Service providers should have incentive to make their subscribers more aware of copyright law and to react promptly and appropriately to notice by copyright owner that infringing material is available on their systems," the report concludes on this issue.

Chad E. Milton, senior vp with Media/Professional Insurance in Kansas City, Mo., which underwrites errors and omissions coverage for online service providers, said he disagrees with the report. "It seems to me that public policy ought to be made on the strength of its own merits, and not whether the insurance industry can bear the cost of distributing income or distributing wealth," said Mr. Milton.

The report does not address the issue of whether "it is right to find providers liable" in these cases, said David Phillips, assistant general counsel for America Online Inc. in Vienna, Va.

Federal legislation now before the House and the Senate involving copyright issues and the Internet, which is based on the report, would offer no relief to online service providers on this issue. However, according to Mr. Weiss, an ongoing lobbying effort is under way to introduce legislation that would require online service providers to be given a reasonable notice of the copyright infringing activity.

"I think that the white paper doesn't fully take into account the changes in the online communications medium," said David R. Johnson, co-director of the Cyberspace Law Institute at Georgetown University Law School in Washington, who is now setting up, as a pilot program, an online voluntary arbitration procedure to deal with charges of copyright infringement. "In order for insurance to be able to adequately handle the risks, there needs to be greater certainty regarding what is and isn't an infringement and who is and isn't responsible for it," said Mr. Johnson.

However Helena Kobrin, an attorney who represents the Church of Scientology in a number of copyright infringement cases involving the Internet, suggested it may be a non-issue.

Once access providers start taking some action, people will stop distributing copyrighted materials to avoid getting the access providers into trouble, she said.

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Single, free copies of the report are available by writing "Intellectual Property and the NII," care of Terri A. Southwick, Attorney-Advisor, Office of Legislative and International Affairs, U.S. Patent and Trademark Office, Box 4, Washington, D.C. 20231.

Online

Continued from page 2

pect it to be influential because it is carefully reasoned and written by a well-respected judge located in the heart of Silicon Valley.

Other factors are also stirring interest in the case. Explosive growth in the Internet and related online services is raising the financial stakes in today's copyright and libel law disputes. And to date there have been few court rulings involving online services.

With this ruling on the books, companies that run online services will look more closely at how they view their risk management obligations and address exposures, said one lawyer.

The focus of the case is material copyrighted by Church of Scientology affiliate Religious Technology Center that had been posted online by a dissident former minister of the church, Dennis Erlich. The ruling did not specify what the material was, though published reports say Mr. Erlich posted confidential excerpts of materials written by church founder L. Ron Hubbard.

Mr. Erlich used a computer bulletin board service operated by Tom Klemesrud, who was also a defendant, and Internet access provider Netcom On-Line Communication Services Inc. of San Jose, Calif. The ruling is part of a broader case that also involves Mr. Erlich.

Judge Whyte ruled in his Nov. 21 decision that neither Netcom nor Mr. Klemesrud were either directly or vicariously liable for copyright infringement. Defendants can be held vicariously liable when they can control wrongdoers' acts and benefit directly from wrongdoing.

In ruling on the direct infringement issue in Netcom's case, Judge Whyte said that "it does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet."

However, the judge said Netcom might be held liable for "contributory infringement"—the intentional aiding in the unlawful making, selling or using of copyrighted material.

The plaintiffs in the case allege that Netcom continued to transmit the material even after it was warned that it was copyrighted. If this is proved, the judge said, "its failure to simply cancel Erlich's infringing message. . .constitutes substantial participation in Erlich's public distribution of the message."

However, in what observers describe as the key passage in the decision, Judge Whyte said: "When a (bulletin board system) operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show there is a likely infringement, the operator's lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system."

Fair use involves the reasonable use of copyrighted material for purposes such as newspaper articles, book reviews or teaching material.

The judge also predicted that because the defendants' participation in the infringement was not substantial, "plaintiffs will not likely prevail on their claims."

In his ruling, Judge Whyte refused Netcom's motion for summary judgment, but also refused to issue a preliminary injunction against Netcom and Mr. Klemesrud sought by the Religious Technology Center.

The decision was a mixed victory for online service providers.

"The online service providers want to be entirely free of liability no matter who complains about it, and, in that sense, they didn't win on everything they wanted," said Margaret Jane Radin, a law professor at Stanford University in Palo Alto, Calif.

"I think you can look at it as a half-empty glass, half-full glass from a service provider's perspective," agreed David Phillips, assistant general counsel for Vienna, Va.-based America Online Inc., one of the nation's biggest online services.

He added that he was disappointed the judge failed to find Netcom merely a passive conduit for the information it transmits. Traditionally, mere passive conduits of information, such as telephone companies, are not liable for the content of material they transmit.

Other media law experts said that the finding that service providers could be contributorily liable could have a chilling affect on the information that is put on computer networks like the Internet.

As a practical matter, if system operators and access providers are going to be responsible once someone demands they remove material, they simply will accede rather than risk the consequences, said James F. Brelsford of Steinhart & Falconer in San Francisco.

"This is one of the dangerous implications and consequences of holding people who are not directly involved responsible for the infringement," he said.

The case "shows the need for some statutory modifications that provide more leeway given the nature of the Internet, and given the nature of how communication is expanding," he said.

Under the middle-ground standard adopted by the judge, online service providers are going to have an administrative problem responding "to complaints they may get from putative copyright owners," commented Barry D. Weiss, an attorney with Gordon & Glickson in Chicago.

Separately, a federal district court judge in Arlington, Va., granted summary judgment Nov. 28 in favor of the Washington Post and two reporters in a suit by the Religious Technology Center over copyrighted material quoted in the paper. This decision was part of a broader case involving material on the Internet.

In that decision, Judge Leonie M. Brinkema said, "There is no evidence in this record that the Post copied the. . .documents for any purposes other than news gathering, news reporting and responding to litigation."

Helena K. Kobrin, a North Hollywood, Calif., attorney who represents the Religious Technology Center, said the Virginia decision probably will be appealed.

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Religious Technology Center vs. Netcom On-Line Communication Services Inc., U.S. District Court for the Northern District of California; No. C-95-20091.

Religious Technology Center vs. Lerma et al., U.S. District Court for the Eastern District of Virginia; No. 95-1107-A.

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Costs

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posures, including any associated financial guarantees, fees and taxes.

• Risk management/insurance department budgets.

• Costs for outside services including fees to agents and brokers, consulting and actuarial fees, costs related to risk management information services and captive management expenses.

The second straight decline for U.S. companies is significant because it shows the 1993 decline wasn't merely a blip in what previously were steadily rising risk costs, said Richard H. Moscicki, a principal with Tillinghast in Dallas.

"You could say last year that costs turned around for the first time in so many years because they were led by (falling) workers comp costs," Mr. Moscicki explained.

"Again, workers comp costs are dropping, but liability costs seemed to have turned a corner. Whether they will stay down, we don't yet know."

The 18% drop in workers comp costs brought them to an average of $2.82 per $1,000 of revenue in 1994. Those costs have decreased 26% in the last two years of the survey.

Both workers comp premiums and the retained loss component of workers comp costs decreased in 1994, the survey found. Workers comp costs also decreased when measured as a percentage of payroll and when measured per employee.

The continuing decreases in workers comp costs shows companies are increasing the use of safety and managed care programs while relying less on traditional insurance, according to Alicia Junta, chairman of RIMS' Research Committee and director of risk management services for Hoffmann-La Roche of Nutley, N.J.

"Risk managers are more than just insurance buyers," said Ms. Junta. "We've become much more sophisticated."

As the study shows, "insurance is not always the best option" for financing risk, she pointed out. Risk managers are concentrating on more than simply finding the best price on insurance, instead looking for "the best retention levels, where the emphasis should be on loss control" and other facets of managing risk, Ms. Junta said.

"With property premiums going up, we are retaining more risk through higher deductibles, reserves, not taking full limits," she said.

"That's important to note. That's something new," she said.

Ms. Junta also pointed out that the impact of workers comp legislative reforms throughout the country has helped drive down the costs.

Workers comp risk financing still remains the largest component of the cost of risk, but it accounted for only 40.2% of overall costs in 1994, compared with 42.9% the year before.

The survey also indicates that a heightened awareness of loss control and continued soft insurance prices helped bring liability risk financing costs down by 22% in 1994.

Other factors contributing to the decline included companies' effective control of litigation, an increasingly conservative court system, changes in attitudes toward litigation, and tort reform, according to the survey's authors.

Liability risk financing costs represented 36.7% of the total cost of risk, down from 39.4% the previous year.

Property risk financing costs grabbed a bigger share of the cost-of-risk pie in 1994, rising to 18.4% of the total, or $1.31 cents per $1,000 of revenues, up from 13% the year before.

In fact, the costs of retained property losses reached record high territory. Those costs nearly tripled, reaching 58 cents per $1,000 of revenue, the highest figure since the survey began and a reflection of five years of heavy losses from natural catastrophes.

Ms. Junta pointed out that as property premiums have risen in recent years, buyers have been retaining a greater share of those risks to reduce their insurance premiums.

"For example, earthquake coverage in California or windstorm coverage in Florida has become either prohibitively expensive or unavailable except at very high limits, which forces the buyer to retain more of the exposure," she said.

As property retentions have increased, property premiums as a component of risk financing costs have declined, the study shows.

Liability risk retentions have increased as well, despite the soft commercial liability insurance market, the survey found. In fact, since 1991, the median liability retention has doubled to $500,000 in 1994 from $250,000.

Mr. Moscicki said the increased retentions show that companies are "learning to leverage their own financial resources to reduce their financing costs over the long run."

As companies hang on to more risk, he added, top management has increased its attention to loss prevention and claims management.

Respondents reporting liability retentions of between $500,000 and $1 million jumped 18.2% in 1994. The number of companies with liability retentions between $1 million and $2.5 million was 13.3% of 1994 respondents, up from 5% in 1991.

At the same time, companies are becoming more comfortable with lower limits of directors and officers liability coverage, according to the survey. The percentage of companies that purchased D&O limits above $100 million fell to 2.1% of respondents from 6.2% three years ago. The same trend was not seen, however, for excess general liability limits.

Falling workers comp costs show companies are increasing safety and managed care programs and relying less on traditional insurance, says Alicia Junta.

The survey showed that the average number of agents and brokers used by respondents decreased slightly, while a shift continues away from commissions to fees paid to intermediaries.

In fact, total costs for outside services, which includes payments to agents and brokers, decreased by one-third to 14 cents per $1,000 of revenue in 1994.

Despite the general decline in other key components of the cost of risk, the average risk management budget rose 29% to 22 cents per $1,000 of revenue last year from 17 cents in 1993. The increase reverses two years of declining budget amounts.

Most respondents said they don't expect risk management staff to decrease in the next two years after reporting that the average department had 5.44 employees in 1994. That is almost unchanged from 1993 levels.

Large companies are spending a much smaller percentage of their revenues on risk than smaller companies, the study shows.

Companies with revenues of more than $5 billion spent an average of $5.30 per $1,000 of revenue, down from $5.50 in 1993. Those with revenue of less than $100 million spent $28.30 per $1,000, a decrease from $29.20 in 1993.

Meanwhile, the rise in cost of risk for Canadian companies and the decrease for U.S. companies narrows the gap between employers in the two countries, according to the survey authors.

Every component of risk costs for Canadian-based companies increased in 1994, the survey found, reversing a decrease in total cost of risk for those companies in 1993.

Canadian companies spent an average of $1.51 per $1,000 Canadian of revenue ($1.08 per $713) on property risk financing costs last year, an increase of 6% from the level spent in 1993. Liability risk financing shot up 21% to $1.55 per $1,000 Canadian ($1.10 per $713).

Liability costs have become the largest component of the Canadian companies' costs, reversing the trend of previous years when property costs were the largest piece.

The survey's authors cautioned that the data for Canadian companies comes from a smaller number of respondents and changes at individual companies can have a greater impact than such changes would have in the larger survey of U.S. companies.

In addition, the Canadian data does not include workers comp costs because those programs are government-run and costs are not easily available.

RIMS and Tillinghast plan to have 1995 cost of risk figures ready for release at the annual RIMS conference in Toronto in April.

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Copies of the 1995 Cost of Risk Survey are available for $250 each from Tillinghast-Towers Perrin, Financial Centre, 695 E. Main St., Stamford, Conn. 06901-2138; 203-326-5400; fax: 203-326-5498.

Disaster

Continued from page 2

a review of the political structure, budget and outreach to non-insurer interests.

H.R. 1856 would create a new non-profit Natural Disaster Insurance Corp. to oversee the operations of a catastrophic reinsurance pool and to provide primary catastrophe coverage to homeowners (*BI*, Aug. 14; June 19). The excess reinsurance would respond to catastrophic losses caused by earthquakes, hurricanes, volcanoes and tsunamis. The reinsurance would come into play only after the property/casualty insurance industry had suffered aggregate losses of more than 15% of consolidated industry surplus from the four named perils during the previous 12 months. Individual companies that sustained an aggregate loss of at least 20% of its surplus from the same perils during the same period could also draw from the fund. Based on the industry's year-end 1994 surplus of $190.6 billion, catastrophe losses would have to hit about $28.6 billion to trigger coverage.

If losses exceeded the pool's funds, which would be provided by premiums paid into it by insurers, the NDIC could borrow money from the U.S. Treasury.

One of the most controversial points of the measure, which is identical to one introduced simultaneously in the Senate, is that it would give an appointed board of actuaries the power to set homeowners' insurance rates without having to win approval from state or federal regulators.

Rep. Mike Parker, R-Miss., told the water resources subcommittee that he is "deeply disturbed" about the bill's partial pre-emption of the McCarran-Ferguson Act.

"I recognize the problem we have nationally in being able to establish sound actuarial rates considering the political nature of most of these state regulatory authorities. But I reject the notion that the problem can be resolved by removing the authority from the states and placing it in the hands of a national board. This is clearly a step toward national regulation of the insurance industry," said Rep. Parker.

The same concern emerged during the NAIC meeting in San Antonio last week, where the group adopted a resolution supporting the general concept of federal disaster insurance legislation. But the organization's members rejected the idea of endorsing any particular bill, including H.R. 1856.

There must be 'reasonable coordination of state and federal regulatory responsibilities in any federal disaster insurance program,' according to the NAIC.

State regulators' oppose that bill, in part, because it contains "broad federal pre-emption of state insurance regulation," contained in that bill, said newly elected NAIC President Brian Atchinson of Maine.

There must be "reasonable coordination of state and federal regulatory responsibilities in any federal disaster insurance program, without unnecessarily compromising or pre-empting state regulatory authority or consumer protection," according to the NAIC.

Both Rep. Parker and representatives of the Clinton administration raised other doubts about the bill as well during their testimony before the House subcommittee.

"I believe this bill is irreparably flawed. Basically, the bill seeks to provide a public sector solution for a private sector problem. In establishing a Natural Disaster Insurance Corp. to which primary insurers can cede their potential liability, the bill risks transferring those private sector liabilities to the federal government," said Rep. Parker.

The Clinton administration weighed in with its concerns over the plan. While endorsing some federal response to the "current crisis in natural disaster insurance coverage," Deputy Assistant Treasury Secretary Mozelle W. Thompson ticked off a litany of administration concerns with the bill. The concerns include the possibility that the NDIC's ability to borrow from the government would unduly expand the federal government's liabilities, that the NDIC would unfairly crowd out private reinsurers and that the corporation "would effectively be a monopoly and a creature of the insurance industry."

The measure's chief sponsor, Rep. William Emerson, R-Mo., offered several proposals to quell opponents' concerns over the bill during last week's hearing. The most significant of these was to eliminate the independent board of actuaries altogether and replace it with an "independent board of review" appointed by the secretary of the Treasury. The board would consist of four actuaries, four representatives of state insurance regulators and "three independent experts representing a mix of scientific disciplines including seismology, meteorology, engineering and risk modeling."

The board of review would have the power to oversee NDIC operations, veto rates used by the NDIC and hear complaints from state regulators and others over NDIC actions. The proposed changes, however, have not been incorporated in the bill yet.

Several additional factors cloud the measure's future. Rep. Emerson recently began cancer treatment and the bill's chief Democratic backer, former Rep. Norman Mineta, D-Calif., resigned in October to take a job with a defense contractor. No Democratic lawmaker has emerged to fill his role.

Proponents of the measure are also concerned about dissension among insurers about the need for the bill. Nationwide Insurance Group of Columbus, Ohio, withdrew from the Natural Disaster Coalition earlier this year, charging that the group was relying too heavily on the federal government. Fairfield, Ohio-based Cincinnati Financial Corp. has also been actively opposing the measure on Capitol Hill.

"Unfortunately, the industry is probably reverting back to its traditional behavior, which is disunity. The fact of the matter is you have small elements of opposition, but which is both vocal and whose voices are being heard by at least some up on Capitol Hill," said Peter Lefkin, vp-federal affairs in Fireman's Fund Insurance Co.'s Washington office.

"It's probably incumbent for the rest of us who have taken a lower profile on this legislation than last year to let our voices be heard as well," he said.

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Senior Editor Meg Fletcher contributed to this report.

RSI

Continued from page 2

1978. In California alone, workers compensation claims for carpal tunnel syndrome surged 132% to 7,140 in 1993 from 3,080 in 1992.

The first standard would have required all California employers to implement ergonomic loss-prevention measures.

But after an unprecedented amount of testimony at public hearings and a comment period that ran nearly two years, the Cal-OSHA board decided instead to develop a scaled-down "performance-oriented" standard.

Its new standard also applies only to workplaces where at least two employees in a given year are diagnosed with similar repetitive strain injuries.

In such cases, employers would have to provide special training to affected workers. They also would have to assess the worksites to determine the cause of the problem and to "consider" corrective measures, such as redesigning workstations, rotating job duties, changing the pace of work and adding work breaks.

No industries would actually be exempt, but the board estimates that only 14,000 workplaces, less than 2% of the state total, would pass the two-injury threshold.

Hearings on the proposed regulation are scheduled for Jan. 18 in Los Angeles, and Jan. 23 in Sacramento. Written comments will be received until Jan. 23.

Cal-OSHA scaled back its proposal after determining that there was "virtually no agreement among the affected groups or knowledgeable experts on a means to effectively regulate the prevention of cumulative disorders," it says in the introduction to the proposed rules in the Dec. 1 California Regulatory Notice Register.

Cal-OSHA's standard recognizes 'there is not enough science in the field of ergonomics,' says Diana Rich.

Another contributing factor, the board suggested, was the federal Occupational Safety and Health Administration's failure to set national standards. Under pressure from big business groups and others, the federal agency modified its initial proposed standard to, for instance, apply to far fewer workers (*BI*, March 27). That effort failed to mollify critics, though, and the agency ultimately put its ergonomics effort on indefinite hold (*BI*, Oct. 9).

"I think this is (Cal-OSHA's) way of recognizing that there is not enough science in the field of ergonomics," observed Diana Rich, workers compensation manager for newspaper publisher Freedom Communications Inc. in Irvine, Calif.

Other corporate workers compensation officials, though, want more guidance from state regulators and expressed disappointment with the proposal.

"It's a stealth crisis for employers," said John Roberts, workers compensation manager for the University of California Board of Regents in Oakland.

For example, upper-extremity musculoskeletal injury claims have become the second most frequent type of claim for the university system after back and neck injuries.

"This issue we're talking about is our second-highest cost," he said. "Medical charges for upper extremity claims are now two-thirds of back claims, and that's significant because back claims represent between 40% and 60% of our total workers compensation claims activity."

With RSI claims costs rising, Mr. Roberts was among those who had looked to Cal-OSHA for some guidance in developing effective loss-prevention techniques.

"There's no benchmark," he said. "That's what employers were looking to Cal-OSHA for."

Without such a standard, "employers will end up paying more in the long run," in increased workers compensation claims and premiums, Mr. Roberts predicts.

Similarly, R.J. Banks, an ergonomist with the state's largest workers comp insurer, State Compensation Insurance Fund of San Francisco, said, "I expected more. It's almost generic."

She added that she was also disappointed that the proposed standard applies only to "repetitive" injuries, meaning it will not offer any guidance on other factors, such as force and poster, that can contribute to cumulative trauma injuries such as back strain.

Organized labor also was highly critical of the new regulation.

"It's the sit-back-and-wait-until-you-have-a-problem standard, rather than a proactive go-out-and-prevent-injuries standard, which is what safety and health standards are supposed to be all about," said Keith R. Mestrich, an occupational safety and health specialist for the AFL-CIO in Washington.

There also are no specific penalties for non-compliance, giving the proposed standard little or no teeth.

The proposal has "the weakest possible language you could put in a standard," he said.

While employers generally are breathing a sigh of relief, at least some think another means should be used to achieve the same end.

Ms. Rich, for example, who rarely advocates governmental regulation, suggested that "everybody's energy would have been better spent in strengthening S.B. 198 to create awareness of ergonomics issues."

That bill, which became part of the California Code of Regulations, requires every employer in the state to have a written illness and injury prevention program. Some earlier critics of Cal-OSHA's efforts had suggested that the language of S.B. 198 was sufficiently vague to cover ergonomics exposures.

"It may be that we're going about it the wrong way," said Mr. Roberts.

"I've often said that when it comes to controversial issues like ergonomics standards, we can't expect the government to help. The governmental regulatory system is inadequate," he said, suggesting that ultimately "it's up to the wisdom of the employer to recognize the long-term savings realized by ergonomics loss prevention."

Indeed, "this just shows you how hard it is to legislate common sense," concurred Ms. Rich.

Ultimately, all the controversy over the proposed standard may be moot if legislation introduced late in the last session of the California General Assembly resurfaces, as is expected, next year.

A.B. 50 would repeal the portion of the state labor code that requires the Cal-OSHA board adopt an ergonomics standard "designed to minimize the instances of injury from repetitive motion."

The repeal bill passed the Assembly Labor and Employment Committee and the Assembly Appropriations Committee, which sent it to the Assembly floor. While the bill didn't come to a vote before the legislative session adjourned in September, a vote will occur when the Legislature reconvenes in January. If enacted, A.B. 50 would be effective on Jan. 1, 1997, the deadline for adopting an ergonomics standard. BI

No verdict in yet on Washington rule

OLYMPIA, Wash.—Washington is the only state so far to adopt workplace ergonomics regulations.

Last September, the state's Department of Labor and Industries published guidelines developed by the Voluntary Ergonomics Guideline Advisory Committee, which included labor, business, health care providers, ergonomics professionals and the department.

The guidelines provide employers with the basic information needed to establish a workplace ergonomics program, including tips on worksite analysis, hazard prevention and control, medical management, training and education.

Written in general terms to apply to all industries, the guidelines are designed to reduce musculoskeletal disorders, such as sprains, strains, nerve compression and joint inflammation, explained Kevin Simonton, an ergonomist for the Department of Labor and Industries.

It is too early to say whether the guidelines have succeeded, said Mr. Simonton. Data is scarce and the state is working on a way to track the incidence of musculoskeletal disorders.

The Washington State Fund, the state's competitive workers compensation fund, estimates that claims attributable to RSI cost employers in the state more than $100 million in 1993. This represents more than half of the fund's compensable claims for that year.

But, comprehensive statewide data is not yet available, according to Mr. Simonton.

The Bureau of Labor Statistics, which tracks workplace injuries nationwide, doesn't specifically break out data for RSI, he said.

"So you may get some back claims that are the result of a trip or fall, not from cumulative strain such as RSI," Mr. Simonton explained. "What we're hoping to do is to develop data to better define these types of injuries."

Washington state's "Fitting the Job to the Worker: An ergonomics program guideline" is available either from the state Division of Labor and Industries in Olympia or through ErgoWeb, a site on the World Wide Web (http://ergoweb.mech.utah.edu/).

—By Joanne Wojcik

Updates

P/C profits soar to $14.7 billion

NEW YORK—Led by a sharp drop in catastrophe losses in the first nine months of 1995, net income for U.S. property/casualty insurers soared nearly threefold to $14.7 billion from $4.8 billion last year.

Cat losses in the period fell to $5.7 billion from $16.2 billion, the Insurance Services Office Inc. and National Assn. of Independent Insurers said. The ISO and NAII figures are consolidated estimates based on reports from insurers that account for 96% of U.S. P/C business.

By contrast, net income for the nation's 20 largest commercial P/C insurers rose 7.6% to $5.39 billion, according to a survey by *Business Insurance* (*BI*, Nov. 20). The *BI* figures, though, do not include State Farm Group, Farmers Group Inc. and other primarily personal lines insurers hit hard by catastrophe losses a year ago.

The ISO/NAII nine-month figures also show the industry's underwriting loss narrowed to $12.2 billion in 1995 from $20.2 billion. Net investment income rose to $26.9 billion from $24.47 billion, while net premiums written rose 3.3% to $196.2 billion from $189.9 billion.

Industrywide, policyholder surplus increased $30.2 billion, or 16%, to $220.8 billion from the start of the year.

Venture in benefit outsourcing

WASHINGTON—Watson Wyatt Worldwide is joining forces with State Street Boston Corp. to provide integrated benefit plan management, mainly to big corporations.

The yet-to-be-named 50/50 joint venture is the first time a big financial services company and a big benefit consulting firm have teamed to target the rapidly growing benefit plan outsourcing market. Separately, both types of companies are active in the market.

Plans call for the new entity to generate between $500 million and $1 billion in revenues within five years, said A.W. "Pete" Smith, president and CEO of Watson Wyatt. For fiscal 1995, Watson Wyatt had revenues of about $25 million related to benefit plan outsourcing. This year, he estimated outsourcing revenues will be $50 million. Watson Wyatt clients include some of the largest U.S. corporations that have committed to outsourcing all benefit plan administration, including AT&T Corp., Federal Express Corp. and Westinghouse Electric Corp.

The new company will operate primarily out of Jacksonville, Fla.

Auditors relieved by ruling

LONDON—Accounting firms may give less to a Lloyd's of London settlement offer after a judge last week ruled auditors and brokerages are not automatically liable when syndicates lose money.

In parallel suits over 1989 and 1990 losses on two syndicates managed by Gooda Walker Ltd., High Court Justice Gatehouse said the losses on syndicates 164 and 290 were due to negligent underwriting.

Defendants are Willis Corroon Group P.L.C. and C.E. Heath P.L.C., which placed time-and-distance policies for the syndicates, and syndicate auditor Littlejohn Frazer. The court also said auditors owe no duty of care to future members who consult their reports.

The ruling does not fully dismiss the action group suit. The court has yet to rule on two other issues for which the group is seeking damages of about £8 million ($12.3 million): allegedly fraudulent inter-syndicate reinsurance schemes, and the reinsurance to close syndicate 290's 1988 account. No date has been set for those stages of the trial.

The group sued the brokerages and auditor, seeking more than £220 million ($336.6 million) to cover the shortfall in their claims against Lloyd's agents. By the end of last year, Gooda Walker names had paid out £295 million ($461.7 million) in losses. Their recoveries are about £75 million ($117.4 million), most of which has come from the insurers of managing and members agents (*BI*, Oct. 10, 1994).

Briefly noted

House and Senate conferees last week postponed meeting to work out differences between **product liability reform bills**. . . .**Robert J. Cooney** has been named president and chief operating officer of X.L. Insurance Co. Ltd. in Hamilton, Bermuda, succeeding **Brian M. O'Hara**, who remains chairman and CEO. Also, **K. Bruce Connell** is being named executive vp and chief underwriting officer of X.L. Reinsurance Co. Ltd. . . .**Timothy J. Lynch** has been named chairman and CEO and **Vikesh Mahendroo** president of William M. Mercer Inc. in New York, effective Jan. 1. The two, who will stay executive vps of parent William M. Mercer Cos. Inc., assume the new duties from **Peter Coster**, who remains president of William M. Mercer Cos. Inc. and Mercer Consulting Group Inc. . . .Employers buying workers comp cover through the **Illinois assigned risk plan** will save $30 million in premiums next year due to an average 13.6% drop in overall rates starting Jan. 1. . . .**Capital Re Corp.** has filed a registration statement with the SEC for a sale of 3 million common shares. Proceeds will be used for general corporate purposes. . . .**Merrill Lynch & Co.** might appeal a federal bankruptcy judge's reinstatement of a civil suit in which Orange County seeks $3 billion in damages related to massive losses suffered by a county-run investment pool (*BI*, Jan. 16). . . .Elected to one-year terms at the **National Assn. of Insurance Commissioners** were President Brian Atchinson of Maine; Vp Josephine W. Musser of Wisconsin; and Secretary/Treasurer Glenn Pomeroy of North Dakota. Also, Alabama became the 47th jurisdiction to win insurance department accreditation. . . .London-based marine and aviation reinsurance broker **The Benfield Group Ltd.** has bought non-marine reinsurance broker Ellinger Heath Western & Co. Ltd., which specializes in North American business, for an undisclosed sum. . . .A Texas judge has sentenced Houston businessman Daniel De La Garza to five years in prison for **"organized criminal activity"** in transactions with Bankers Protective Life Insurance Co. of Austin (*BI*, Oct. 23; March 6). . . .The Labor Department this week is expected to propose rules reducing employers' time to transfer employees' **401(k) plan deferrals** to specified investment options. The current time frame is 90 days.

EMLICO

Continued from page 1

EMLICO was insolvent, a Gen Re official said.

General Re also charges that EMLICO misled Massachusetts regulators about the insurer's financial condition.

David F. St. Laurent, EMLICO's president, declined to comment for the record on this allegation and other aspects of the liquidation.

A Bermuda court has postponed action on the petition until April to give court-appointed liquidators with Coopers & Lybrand time to "investigate the affairs of EMLICO," according to a notice of the winding up.

Meanwhile, GE, which is the sole policyholder/owner of the mutual insurer, doesn't expect any material losses as a result of the liquidation, said Edmund B. Greene, deputy treasurer-insurance for Fairfield, Conn.-based GE.

Mr. Greene noted that GE recognizes its environmental liabilities annually without regard to potential insurance recoveries. Those liabilities amounted to $80 million in 1993 and $98 million last year, and are projected at $80 million to $110 million this year and next, according to GE's 1994 annual report.

Founded in 1927, EMLICO until recently was the parent of Electric Insurance Co., another Massachusetts-domiciled insurer that writes both GE risks and unrelated personal lines business.

While GE's general liability risks have accounted for a large part of EMLICO's business, the insurer has also written GE-related workers comp and automobile risks, unrelated business assumed through state assigned risk pools and reinsurance of Electric Insurance. It was licensed in all states.

At year-end 1994, EMLICO reported gross written premiums of $269.5 million, virtually all of which the insurer retained on a net basis.

Assets totaled $1.1 billion, and policyholders surplus amounted to $254.6 million at the end of last year, its 1994 financial statement shows.

While EMLICO reported a slender profit last year, it was running into trouble: It had to boost reserves for asbestos and environmental claims by $79 million, pushing three financial ratios outside the norms set by regulators.

In June, EMLICO filed a plan with Massachusetts regulators to reorganize operations. Under the plan, the insurer would transfer all of its business except for a block of GE liability risks to Electric Insurance. Along with the transferred business—consisting of more than $400 million in assets and liabilities—Electric Insurance would receive a capital infusion of at least $75 million from EMLICO.

EMLICO would then spin off Electric Insurance into a newly formed Delaware trust. Wilmington Trust Co. would have legal control of Electric Insurance as trustee, though EMLICO would remain the beneficial owner and the same employees and management would continue to operate the insurer, documents filed with the Massachusetts department show.

The GE liability business—including comprehensive general liability policies covering the period from 1952 to 1996 and excess liability policies for many of those years—would be the only business left in EMLICO, which would then redomesticate to Bermuda.

Explaining the plan at a June 20 regulatory hearing, Mr. St. Laurent described it as an attempt to "wall off" old liabilities from profitable ongoing business.

He noted similar efforts by other insurers, including CIGNA Corp., and observed that "as a mutual company. . .there's very little opportunity to get an infusion of new capital."

Asked by an Insurance Department official why EMLICO sought a move to Bermuda, Mr. St. Laurent alluded to the possibility that something could "go wrong" with its environmental loss development, a transcript of the hearing shows. GE, he said, would be "better off dealing with a jurisdiction" that could "handle in a businesslike, effective, efficient way. . .any potential adverse developments," the transcript shows.

Eight days later, at EMLICO's urging for a quick decision, the Massachusetts department approved the reorganization plan.

In its June 28 order, the Insurance Department found, among other things, that Massachusetts policyholders would not be prejudiced if EMLICO were declared insolvent after moving to Bermuda.

Department officials also found "no intent on the part of the (Bermuda) Registrar of Companies to liquidate (EMLICO) immediately upon 'arrival' in Bermuda" and found "nothing in the record to indicate that either EMLICO or GE intend to pursue such a course of action."

That situation changed quickly: On Oct. 20, EMLICO filed the winding-up petition in Bermuda Supreme Court. The court then appointed three Coopers & Lybrand officials—David Lines, Peter Mitchell and Christopher Hughes—as joint provisional liquidators.

Court files in the liquidation proceeding are sealed and the joint liquidators could not be reached for comment.

However, sources familiar with EMLICO said that the insurer filed for liquidation after deciding to recognize the estimated $750 million reserve deficiency. With surplus of between $230 million and $250 million, the company would be insolvent by $500 million or more.

The impact of the insolvency on state guaranty funds remains to be seen, though EMLICO and the Massachusetts department agreed before the redomestication that the risk to the Massachusetts fund was small.

In its June 28 order, the department found that "in view of the capitalization of EMLICO, the availability of GE's assets. . .and the fact that the vast majority of EMLICO's Massachusetts policyholders are GE affiliates, guaranty fund participation seems a remote possibility in the unlikely event that EMLICO were declared insolvent under Bermuda law."

Several of EMLICO's reinsurers, however, now charge that the insurer's collapse has exposed them to significant risks.

Three units of General Re sued the Massachusetts department in a state court last Monday seeking to reverse the entire EMLICO reorganization. Lloyd's underwriters and Allstate separately filed similar actions.

General Re, which argues that it was never notified of the restructuring plan or the June 20 hearing, charges that EMLICO's use of Bermuda liquidation law could leave reinsurers with less protection than they would have in the United States.

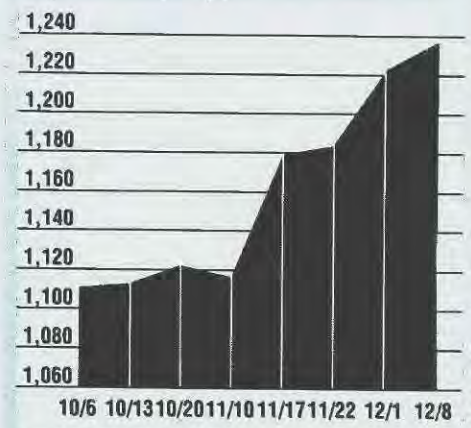
Massachusetts law, for example, does not allow estimation of contingent claims except in limited circumstances, the General Re complaint says. Bermuda law, by contrast, may allow such claims "which in turn may expose General Re. . .to speculative losses which would not be allowed under Massachusetts law."

Massachusetts regulators were "misled into believing that, after the reorganization, EMLICO would remain solvent," the suit charges.

"The reorganization transformed an apparently viable Massachusetts domestic insurance company into an insolvent alien insurance company," the suit says. "Having redomesticated to Bermuda, EMLICO and GE, its principal creditor, may be able to take unfair advantage of its reinsurers."

The Massachusetts department has not answered the complaints, and a spokeswoman declined to comment on the allegations. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of Dec. 8

Call spread	Price bid/ask	Call spread	Price bid/ask
Northeast September 1996		**Texas June 1996**	
40/60	1.4/1.8	10/20	1/1.8
80/100	.8/1.5	5/15	2/4.2
20/40	2/3.5		
Southeast Sept. 1996		**Eastern Sept. 1996**	
40/60	4/4.6	50/70	4/—

Total volume: 0 Total open interest: 942

For information on PCS cat options, call 312-435-3674.

Source: Chicago Board of Trade

British Issues

Dec. 7 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Comml Union	638	12.8	33.0	5.2	646—637
Genl Accident	670	9.8	36.3	5.4	676—670
Gdn Royal Exch	275	N/M	10.3	3.7	283—275
Independent	335	9.3	11.9	3.6	341—335
Royal	381	7.2	15.0	3.9	398—381
Sun Alliance	387	13.0	19.7	5.1	397—387
Brokers					
Bradstock	66	7.4	7.1	10.7	66—66
Fenchurch	136	9.5	10.0	7.4	136—135
CE Heath	147	9.2	20.0	N/M	147—146
JIB Group	105	9.2	9.4	9.0	105—105
Lloyd Thmpson	140	8.6	11.3	8.1	140—139
Lowndes Lmbrt	133	7.4	10.3	7.7	133—132
Nelson Hurst	144	11.2	8.3	5.8	147—144
Sedgwick Grp	120	10.9	8.1	6.8	121—120
Steel Bri Jones	39	4.6	11.3	N/M	40—39
Willis Corroon	137	N/M	8.3	6.1	139—133

Source: Philip Olsen, London

BI Industry Stock Report DEC. 4, 1995, THROUGH DEC. 8, 1995

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	28.625	2.69	-14.55	34.50	23.50	17	0.72	2.52	16	14.00	2.04
Alexander & Alexander	NYS	20.875	-2.91	12.84	26.44	18.50	279	0.1	0.48	-17	19.17	1.09
E.W. Blanch Holdings Inc.	NYS	21.625	1.76	4.85	21.88	16.50	59	0.4	1.85	17	1.40	15.45
Gallagher Arthur J. & Co.	NYS	35.5	7.58	10.94	38.00	29.63	42	1	2.82	14	6.48	5.48
Hilb, Rogal & Hamilton	NYS	14.125	0.89	16.49	14.38	10.50	94	0.6	4.25	17	1.21	11.67
Kaye Group Inc.	NDQ	7.25	-4.92	-25.64	10.75	7.13	16	0.1	1.38	8	NA	NA
Marsh & McLennan	NYS	88.625	2.16	11.83	89.75	74.13	621	3.2	3.61	17	19.95	4.44
Poe & Brown	NDQ	24.25	-3.48	11.49	25.25	19.75	129	0.48	1.98	15	5.15	4.71
— BROKERS	AVERAGE		1.2	7.7					2.5	11		
INSURERS/REINSURERS												
ACE Ltd.	NYS	38.5	7.32	64.71	40.00	20.88	1076	0.00	0.00	0	22.45	1.71
Acceptance Insurance Cos.	NYS	15	1.69	0.00	17.50	13.13	173	0.3	2.00	31	10.76	1.39
AEGON N.V.	NYS	41	-0.30	61.42	42.63	24.75	225	1.08	2.63	15	17.28	2.37
Aetna Life & Casualty	NYS	71.625	-1.55	51.99	76.75	44.50	2957	2.76	3.85	34	48.85	1.47
AFLAC Inc.	NYS	41.75	1.21	30.47	44.75	31.88	1141	0.52	1.25	12	17.58	2.37
Allied Group Inc.	NDQ	35.75	0.70	44.44	36.75	22.00	349	0.68	1.90	8	21.81	1.64
Alimerica Prop. & Casualty	NYS	25.75	1.98	52.59	26.50	14.88	137	0.16	0.62	11	19.87	1.30
Allstate Corp.	NYS	39.375	-4.26	65.79	42.13	22.63	4866	0.78	1.98	11	18.75	2.10
American Financial Group	NYS	29	-0.85	38.10	32.13	22.88	274	1	3.45	28	24.94	1.16
American General	NYS	33	-2.94	16.81	39.13	26.63	3686	1.24	3.76	12	17.03	1.94
American Heritage Life Ins.	NYS	21.75	9.43	14.47	21.75	16.25	48	0.72	3.31	11	12.51	1.74
American Indemnity/Fin'l	NDQ	9.5	0.00	-6.17	13.25	9.00	2	0.3	3.16	13	15.92	0.60
American International	NYS	91	0.28	-7.14	93.63	62.88	3943	0.34	0.37	18	34.66	2.63
American Re Corp.	NYS	40.125	-3.02	24.42	43.13	27.00	993	0.32	0.80	13	16.77	2.39
Aon Corp.	NYS	50.375	4.95	57.42	50.75	30.63	671	1.36	2.70	15	18.30	2.75
Argonaut Group	NDQ	33	0.76	16.81	34.50	27.75	30	1.32	4.00	14	29.91	1.10
AVEMCO Corp.	NYS	16.875	-0.74	9.76	18.25	13.38	7	0.48	2.84	18	6.28	2.69
Baldwin & Lyons Inc.	NDQ	15.75	0.00	6.78	17.63	14.25	10	0.32	2.03	8	13.90	1.13
Berkley W.R. Corp.	NDQ	47	4.44	25.33	48.00	33.00	372	0.48	1.02	18	34.46	1.36
Berkshire Hathaway Inc.	NYS	32750	3.31	60.54	32900.00	19550.00	1	0.00	0.00	69	10089.11	3.25
Capital RE Corporation	NYS	30.25	-1.63	10.50	31.38	20.50	14	0.16	0.79	10	25.82	1.36
Capsure Holdings Corp.	NYS	14.5	2.65	-0.85	14.88	12.13	77	0.00	0.00	13	14.61	0.99
Chubb Corp.	NYS	99	0.25	27.95	100.63	57.00	981	1.96	1.98	13	48.92	2.02
CIGNA Corp.	NYS	110.875	1.26	74.26	115.00	61.13	1617	3.04	2.74	72	80.46	1.38
CNA Financial Corp.	NYS	115	0.88	77.26	123.25	62.25	159	0.00	0.00	11	71.13	1.62
EMC Insurance Group Inc.	NDQ	12.75	3.03	34.21	15.25	9.50	6	0.56	4.39	8	11.13	1.15
EXEL Ltd.	NYS	63.375	2.01	60.44	65.50	36.88	317	0.00	0.00	0	31.47	2.01
Fremont General Corp.	NYS	35.625	3.64	52.41	35.63	18.88	461	0.8	2.25	10	19.04	1.87
Frontier Insurance Group	NYS	31.125	-5.68	42.29	33.75	16.75	203	0.48	1.54	13	14.65	2.12
Gainsco Inc.	ASE	10.5	5.66	27.27	11.00	7.75	272	0.05	0.48	15	3.98	2.64
General RE Corp.	NYS	156	3.23	26.32	158.25	117.75	1449	1.96	1.26	16	59.35	2.63
Guaranty National Corp.	NYS	15.375	4.24	-16.33	19.00	13.75	46	0.5	3.25	16	11.60	1.33
Harleysville Group	NDQ	32	9.87	31.96	32.00	22.00	180	0.76	2.38	11	20.72	1.54
Hartford Steam Boiler	NYS	46.25	0.27	15.99	49.38	35.88	187	2.28	4.93	16	14.68	3.15
HCC Insurance Holdings	NYS	32.75	-1.50	55.95	37.38	18.50	120	0.00	0.00	17	11.76	2.78
ITT (Hartford Group)	NYS	126	2.96	42.17	128.50	78.25	3556	1.98	1.57	11	45.46	2.77
Lincoln National	NYS	49.25	5.91	40.71	50.13	34.63	1678	1.84	3.74	10	28.90	1.70
Markel Corp.	NDQ	73	0.00	75.90	75.50	40.25	43	0.00	0.00	14	25.71	2.84
Mid Ocean Ltd.	NDQ	38	2.70	39.45	38.75	22.25	1092	0.00	0.00	0	22.18	1.71
Mutual Risk Mgmt. Ltd.	NYS	42.375	4.95	61.43	42.50	24.63	123	0.4	0.94	20	9.72	4.36
NAC Re Corp.	NYS	32.875	0.38	-1.87	39.00	25.00	233	0.2	0.61	11	18.23	1.80
National Re Corp.	NYS	33.75	1.12	28.57	35.38	22.88	80	0.2	0.59	17	17.05	1.98
Navigators Group	NDQ	19.5	0.00	34.48	19.75	12.75	3	0.00	0.00	19	10.21	1.91
Nobel Insurance Ltd.	NDQ	11.5	1.66	39.39	12.25	8.13	27	0.2	1.74	5	6.84	1.68
Ohio Casualty Corp.	NDQ	37.75	0.00	33.63	38.75	27.00	188	1.52	4.03	20	23.64	1.60
Old Republic Int'l	NYS	34.375	1.48	61.76	35.25	18.88	1076	0.52	1.51	11	25.79	1.33
Orion Capital Corp.	NYS	43.375	1.17	23.05	45.25	31.25	138	0.92	2.12	9	26.00	1.67
Partner Re Ltd.	NDQ	26.375	-2.31	27.11	28.38	18.50	1746	0.00	0.00	0	20.37	1.29
Penn-America Group Inc.	NDQ	14.25	7.55	93.22	14.50	6.50	280	0.12	0.84	12	6.40	2.23
Philadelphia Cons. Holding	NDQ	17	-1.45	38.78	21.88	12.00	33	0.24	1.41	14	9.05	1.88
PXRE Corp.	NDQ	24.25	-2.51	-14.16	29.75	21.00	281	0.72	2.97	5	21.27	1.14
Provident Life	NYS	29	2.65	33.33	29.25	20.50	91	0.72	2.48	13	22.34	1.30
Prudential Reinsurance	NYS	21.25	0.00	NA	21.63	18.50	986	0.12	0.56	13	NA	NA
Reliance Group Holdings	NYS	8.375	-5.63	61.45	9.25	4.88	1422	0.32	3.82	12	3.42	2.45
Reliastar Financial Corp.	NYS	43.625	1.45	50.43	44.00	27.00	177	1	2.29	11	24.53	1.78
RenaissanceRe Holdings Ltd.	NDQ	30	8.11	NA	30.00	20.72	175	0.00	0.00	0	NA	NA
Risk Capital Holdings	NDQ	20.25	0.62	NA	22.50	19.88	55	0.00	0.00	0	NA	NA
RLI Corp.	NYS	24.25	1.04	47.87	24.75	16.00	19	0.52	2.14	33	20.51	1.18
St. Paul Companies	NYS	55.375	-3.28	23.74	59.38	41.38	1261	1.6	2.89	10	32.46	1.71
SAFECO Corp.	NDQ	37.25	4.84	43.27	37.63	24.63	1942	1.06	2.85	12	44.95	0.83
SCOR U.S. Corp.	NYS	15.25	-0.81	82.09	15.75	7.50	3	0.2	1.31	17	13.60	1.12
Seibels Bruce Group	NDQ	1.3125	0.00	-47.50	3.13	0.44	209	0.44	33.52	-1	0.04	32.81
Selective Ins. Group	NDQ	38.25	2.00	51.49	38.38	23.75	194	1.12	2.93	11	23.23	1.65
Sphere Drake Holdings	NYS	14.375	-4.96	3.60	19.13	10.75	31	0.00	0.00	0	13.86	1.04
TIG Holdings	NYS	27.25	1.40	45.33	27.75	17.00	1236	0.2	0.73	16	16.62	1.64
Titan Holdings, Inc.	NYS	14.625	5.41	50.00	15.75	9.00	187	0.3	2.05	11	9.04	1.62
Tokio Marine & Fire	NDQ	59.75	2.14	-1.65	62.00	49.88	29	0.4	0.67	52	57.72	1.04
Torchmark Corp.	NYS	44	3.23	27.54	44.75	33.63	659	1.16	2.64	12	17.37	2.53
Transatlantic Holdings	NYS	71.125	2.89	27.29	72.50	51.00	116	0.4	0.56	13	33.30	2.14
Transnational Re Corp.	NDQ	25	-4.76	6.38	27.25	18.75	119	0.00	0.00	7	18.84	1.33
Travelers Corp.	NYS	61	2.74	88.42	63.00	30.38	5559	0.8	1.31	13	24.77	2.46
Trenwick Group Inc.	NDQ	52	0.73	22.71	53.00	36.50	321	1.12	2.15	12	29.23	1.78
United Fire & Casualty	NDQ	36	-0.69	30.12	37.00	26.75	2	0.8	2.22	9	28.96	1.24
Unitrin	NDQ	47.875	2.41	11.34	50.50	41.50	173	2	4.18	13	37.51	1.28
UNUM Corp.	NYS	55.5	2.30	47.02	56.38	37.63	881	1.06	1.91	15	26.45	2.10
US Facilities Corp.	NDQ	22.25	0.00	122.50	23.38	9.38	198	0.2	0.90	10	11.66	1.91
USF&G Corp.	NYS	17.75	2.16	31.48	19.50	12.63	1956	0.2	1.13	10	10.86	1.63
USLIFE Corp.	NYS	31.75	8.55	36.56	31.75	21.88	312	0.93	2.93	11	38.45	0.83
Washington National	NYS	25.25	0.50	32.89	26.00	17.75	136	1.08	4.28	10	25.13	1.00
Zenith National Ins.	NYS	21.375	-3.93	-6.04	24.63	19.38	45	1	4.68	29	16.35	1.31
Zurich Reinsurance Centr.	NYS	29.25	-0.85	1.30	30.88	25.00	39	0.00	0.00	104	21.64	1.35
— INSURERS/REINSURERS	AVERAGE			1.1	32.6				2.4	16.7		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	28.625	2.23	11.17	30.00	19.50	2112	0.00	0.00	151	28.15	1.02
Humana Inc.	NYS	26.75	-1.83	18.23	28.00	17.00	4322	0.00	0.00	21	6.56	4.08
Pacificare Health Sys.	NDQ	85.5	1.79	31.29	88.00	44.50	480	0.00	0.00	24	15.02	5.69
Safeguard Health Enter.	NDQ	11.25	-3.23	21.62	13.25	8.25	7	0.00	0.00	28	6.15	1.83
Sierra Health Services	NYS	32.375	-0.38	2.37	33.63	22.13	298	0.00	0.00	17	9.22	3.51
United Healthcare Corp.	NYS	61.625	1.44	36.57	62.88	34.13	4711	0.03	0.05	30	16.17	3.81
U.S. Healthcare	NDQ	44	-3.56	6.67	47.50	26.50	5941	1.1	2.50	18	5.66	7.77
Wellpoint Health Networks	NYS	32.125	3.63	10.30	37.00	27.00	508	0.00	0.00	15	14.26	2.25
— HMOs	AVERAGE			0.0	17.3				0.3	34		
— ALL COMPANIES	AVERAGE			0.8	19.2				2.5	21		

Top advancing issues: Harleysville Group, American Heritage Life Ins., USLIFE Corp. Leading decliners: Frontier Insurance Group, Reliance Group Holdings, Sphere Drake Holdings. Most active issue: U.S. Healthcare. The BI Index rose 1.2%; the Dow Jones 30 Industrials rose 1.4%; the S&P 500 increased 1.7% and the NYSE Composite gained 1.4%.

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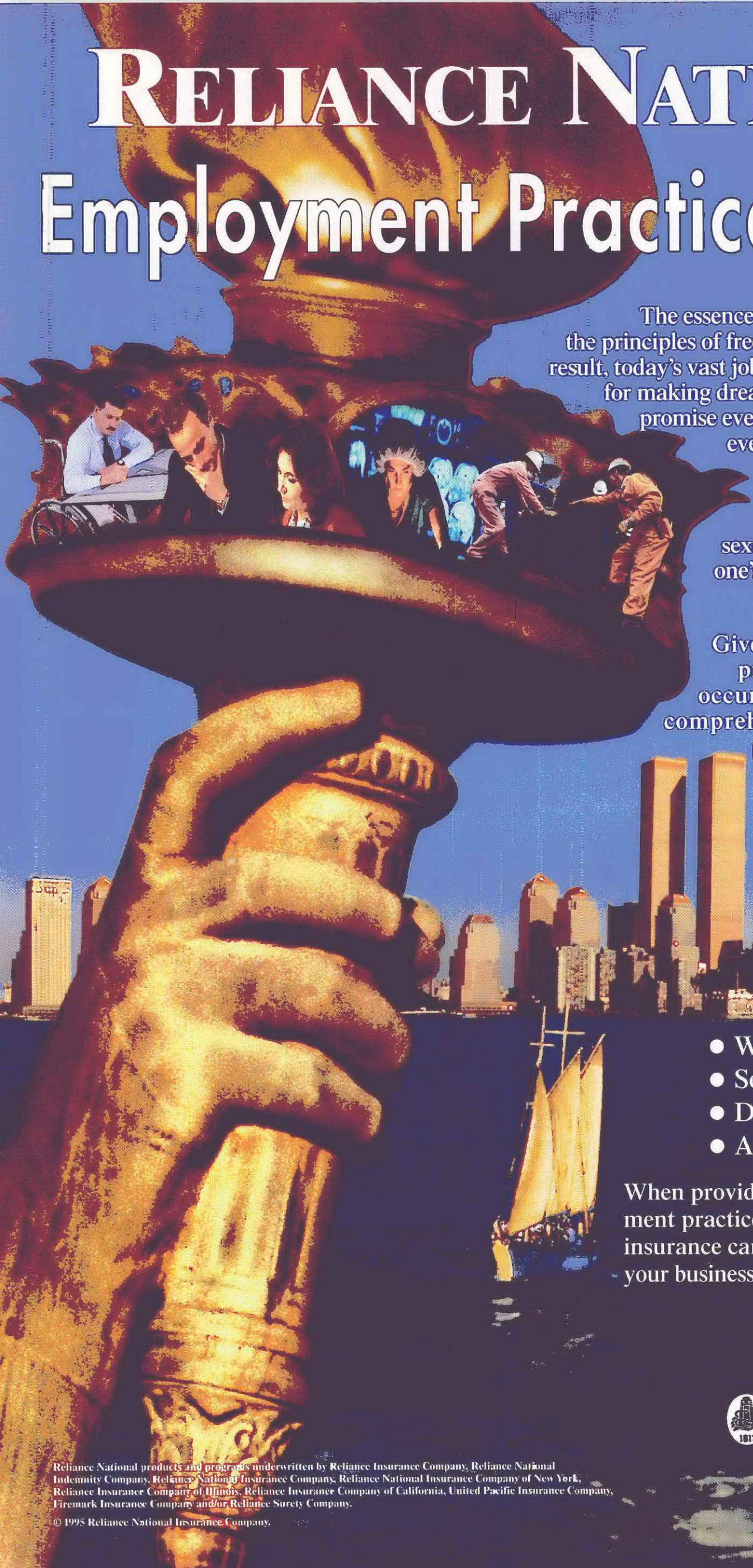

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