

Business Insurance

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

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Aon captive management unit will get boost from IRMG buy

HAMILTON, Bermuda—Aon Corp. has bought the captive management operations of International Risk Management Group Ltd. from Swiss Reinsurance Co. and IRMG's management.

The property loss control consulting business of Hamilton, Bermuda-based IRMG, Global Risk Consultants, will be purchased by its management.

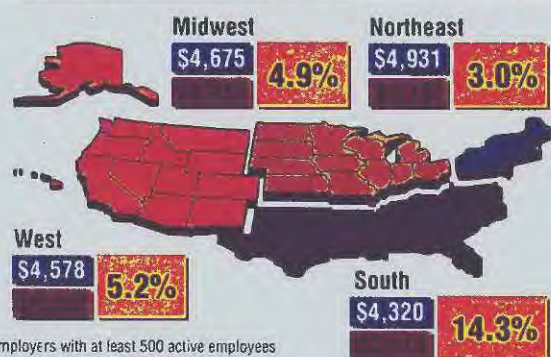
The purchase of IRMG's captive management operations will add a significant

See Updates on next page

Regional variations

Increases in per-employee health care costs by region*

■ 2000 avg. cost ■ 1999 avg. cost ■ % change



*For employers with at least 500 active employees
Source: William M. Mercer Inc.

GRAPHIC BY JOHN HALL

Health plan cost hikes accelerate

By JERRY GEISEL

Increases in group health care plan costs continued unabated in 2000, and even bigger increases are likely lurking just around the corner.

And, in a break from what has been seen in the last few years, more employers are resolved to pass along some of these costs to their employees.

With prescription drug costs still out of control and health maintenance organizations imposing stiff rate increases, employers' total health plan costs for active employees in 2000 climbed 8.1%, to an aver-

age of \$4,430 per employee, according to a survey of 3,300 employers to be released this week by benefit consultant William M. Mercer Inc. in New York.

Total health care plan costs for large employers—defined as those with at least 500 employees—increased 6.6% to an average of \$4,604 per employee, while costs for smaller employers climbed 9.5% to an average of \$4,165 per employee.

Health plan costs include employer and employee premium contributions for medical, dental, prescription drug, men-

See Costs on page 30

States allow Fremont to discount reserves

By ROBERTO CENICEROS

SACRAMENTO, Calif.—Motivated in part by concerns about the stability of the California workers compensation market, the California Insurance Department has agreed to an innovative rehabilitation plan to keep the struggling Fremont Compensation Insurance Group operating.

Fremont Compensation, a Glendale, Calif.-based unit of Fremont General Corp., will become the first workers comp insurer in the state permitted to discount its loss reserves.

California regulators discovered

earlier this year that the workers compensation insurer was statutorily insolvent, said Norris W. Clark, deputy commissioner of financial surveillance for the California Department of Insurance. Based on statutory accounting principles, Fremont Compensation's liabilities exceeded its assets by \$19 million at the end of June, according to the Department.

Fremont Compensation, one of California's largest workers comp insurers, comprises five insurance units writing mainly workers comp business. The insurer expected to write between \$900 mil-

lion and \$1 billion in gross premiums this year, the Department said.

Under a recent agreement with the Insurance Department, Fremont Compensation will continue operating its five insurance units. Under the arrangement, Fremont Compensation will reduce its business by more than half and will submit to 20 conditions, including broad oversight by a special deputy examiner.

Regulators stopped just short of seizing Glendale, Calif.-based Fremont Compensation, said Eric Simpson, senior vp of property/ See Fremont on page 29

Captives in Carolina

South Carolina adds 2, aims for more in 2000

By RODD ZOLKOS

COLUMBIA, S.C.—South Carolina has licensed its first two captive insurance companies, and state insurance officials are optimistic that they might have six captives licensed by year end.

The first two, both single-parent captives, include a redomestication from Vermont and a new formation. South Carolina regulators also have two risk retention group applications currently under review.

FT Reinsurance Co. Inc., the redomestication, was licensed in South Carolina on Nov. 22. FT,

which is owned by Memphis, Tenn.-based First Tennessee Bank/First Horizon Holding Co., writes mortgage reinsurance.

Carnegie Insurance Corp., owned by the Ohio College of Podiatric Medicine in Cleveland, received South Carolina captive license No. 2 on Nov. 29. The college will use the captive insurer to write educators legal liability coverage.

"I think both of them liked, No. 1, our regulatory environment and, second, the proximity," said Clayton Ingram, director of business development for the newly formed Alternative Risk Transfer

Division in the South Carolina Department of Insurance.

"We seemed like a good location for them and they came down here and met with us, and we understood their business and they understood our philosophy about the alternative risk market," Mr. Ingram said.

Mr. Ingram said South Carolina regulators are committed to not "micromanaging" captives locating there. Instead, the state's captive law, patterned after Vermont's, is based on "regulating them for solvency," he said. Among other things, South Caroli-

See Captives on page 27

Interest wanes in earnings cover

Policy takes downhill turn

By SALLY ROBERTS

STEAMBOAT SPRINGS, Colo.—After paying out millions of dollars in losses last season, a fledgling all-risk earnings protection policy for the ski resort industry was a hot item with ski resorts early this season, but a cold reception from underwriters has necessitated some changes to the policy.

Because of those modifications—coupled with the time it took to craft a new policy—interest has melted among ski resorts, which are enjoying an abundance of early-season snow this year.

The policy, known as a paid-skier day policy, was originally See Ski on page 28



PHOTOS: AP/WIDE WORLD

Poor conditions at Rocky Mountain ski resorts last year (left) led to hefty claims under special insurance policies, prompting insurers to revise terms. Early snow this year (right), may lessen demand.

SPOTLIGHT ON:
BENEFIT TRENDS

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UPDATES

Aon buys IRMG captive operations

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number of captives to Chicago-based Aon, which already has a substantial captive management operation, Aon Insurance Managers. IRMG has more than 240 captives under management and has offices in most of the major captive domiciles.

Terms of the transaction were not disclosed.

The captive management operations of the two companies will be merged to form Aon International Risk Management Group. Philip Stamp, who currently heads AIM, will be chairman and chief executive officer of the new company.

After the completion of the merger, Aon will have more than 750 captives under management, Mr. Stamp said in a statement.

Bill Ramonas, who is currently chief executive officer of IRMG, will remain chairman of GRC after the management buyout.

Bermuda-based IRMG, a long-established captive manager, is 70% owned by Swiss Re, with management owning the remaining 30%. Earlier this year, IRMG lost several senior staff, who left to join brokerage Jardine Lloyd Thompson Group P.L.C. (BI, April 17).

EPA orders GE cleanup

FAIRFIELD, Conn.—General Electric Co. will fight a proposed federal order to clean up polychlorinated biphenyls—better known as PCBs—from the upper Hudson River in New York.

In a statement last week, shortly before Environmental Protection Agency Administrator Carol Browner announced the plan, GE called that action “absurd” and “outrageous.” The company said it has already paid nearly \$200 million to clean up PCBs in a section of the river north of Albany. GE plants dumped the chemicals over a 30-year period ending in 1977.

GE argues that the EPA plan to dredge the most-contaminated portion of the river could “devastate the ecosystem” and is unnecessary because the remaining PCBs present “no health risk in normal recreational and commercial use of the river.” The EPA holds that a 10-year study found that, “without targeted dredging, concentrations of PCBs are not expected to reach acceptable health and safety levels.”

The EPA will hold public meetings and accept comments about its plan during a public comment period from Dec. 12 to Feb. 16, 2001, and the agency expects to issue a final plan next June. The EPA estimates that completing the new cleanup will cost \$460 million.

GE “does not believe dredging the upper Hudson River is environmentally responsible, and we will join forces with others who share this view to fight EPA’s dredging proposal during the regulatory process,” the company statement said.

Earlier this month, GE sued the EPA over the constitutionality of portions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980—which created the so-called Superfund to clean up toxic-waste sites. GE’s lawsuit maintains that CERCLA unconstitutionally allows the EPA to unilaterally order a party to clean up a site without any review of the situation by a neutral party. In addition, GE argues that, once the EPA has issued an order, parties covered by that order lose due process protections, because the law subjects them to fines and treble damages for refusing to comply, even if they intend to contest the order.

Reliance shares delisted

NEW YORK—The New York Stock Exchange suspended trading in Reliance Group Holdings Inc. stock and bonds last week, following the prolonged low trading price of the securities.

Prior to the announcement, Reliance stock traded at 3 cents per share. It had been trading at less than 25 cents per share for several months.

The NYSE’s “continued listing criteria” include maintaining a minimum share price of \$1 over a 30-day period.

A spokesman for New York-based Reliance said the company is “evaluating its options” in light of the delisting.

The delisting is the latest in a long list of woes that Reliance faces. The insurer, which is virtually in runoff, failed to make its bond and bank debt payments last month and has so far failed to negotiate a restructuring of its debt.

Asbestos woes fell Armstrong unit

LANCASTER, Pa.—Armstrong World Industries Inc. has become the second company in recent weeks to file for bankruptcy protection in the face of rising asbestos claims.

Lancaster, Pa.-based Armstrong World, a floor and ceiling product manufacturing unit of Armstrong Holdings Inc., announced the Chapter 11 filing last week, saying that asbestos settlements “threaten the long-term health” of its ongoing businesses.

“Our historical approach to resolving asbestos claims has not worked,” Armstrong Chairman and Chief Executive Officer Michael Lockhart said in a statement. Waiting for Congress to pass legislation limiting asbestos litigation would leave Armstrong World cash-strapped and would “reduce our ability to invest in our businesses,” Mr. Lockhart said.

Armstrong World last month failed to make a \$50 million commercial paper repayment and saw its corporate credit rating cut to D from B- by Standard & Poor’s Corp. In its third-quarter results filing with the Securities and Exchange Commission, the company warned of a possible bankruptcy and reported that it faces 173,000 asbestos claims and liabilities estimated at between \$758.8 million and \$1.36 billion by 2006. The company took a \$236 million charge in this year’s second quarter to recognize rising asbestos liabilities.

Armstrong World will continue operating during the reorganization, with the help of \$400 million in “debtor-in-possession” financing that its parent obtained from Chase Manhattan Corp.

The bankruptcy follows the October Chapter 11 filing of Owens Corning Inc., which cited the “growing demands on its cash flows resulting from its multibillion-dollar asbestos liability” (BI, Oct. 9). To date, Owens Corning

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Risk cost hits decade low; increases expected ahead

By MICHAEL BRADFORD

NEW YORK—Reports of a decade-low cost of risk are not expected to survive the turn of the century.

In 1999, risk managers’ cost of risk fell to \$5.20 per \$1,000 of revenue for U.S. non-bank companies, its lowest mark of the 1990s, as reported by the 2000 RIMS Benchmark Survey. The message from the survey, though, is to enjoy it while you can.

The survey, released last

week, revealed that slightly lower insurance premiums and significantly lower retained losses among the 719 U.S. organizations that responded were the key drivers that pushed down the cost of risk last year. At least one of those influences, though, appears to be vanishing and likely will not have the same mitigating effect on overall costs, according to the survey.

Among the costs tracked by the survey, only workers

See Risk on page 27

1999 cost of risk

Components of the cost of risk, per \$1,000 of revenue

Liability risk financing	\$1.88
Property risk financing	\$0.85
Workers comp risk financing	\$2.03
Administrative expenses	\$0.41
Total cost of risk *	\$5.20

*Because the survey used only complete responses for each category, sums for each category may not match totals. Source: 2000 RIMS Benchmark Survey

St. Paul transforms benefits

New cash balance approach to retiree medical plan unveiled

By JERRY GEISEL

ST. PAUL, Minn.—An innovative cash balance retiree medical plan being launched by The St. Paul Cos. Inc. could be a model for other employers looking to offer a benefit program to better meet the needs of an ever-more mobile workforce, while also limiting corporate financial exposure to volatile medical costs.

Under the new plan, employees will earn credits in their new cash balance accounts equal to 1.5% of pay, up to the Social Security wage base, which this

year is \$76,200. Account balances will earn quarterly interest credits, based on the 10-year U.S. Treasury note. Account balances become fully vested after an employee completes five years of service.

When employees leave—regardless of age—they can take the account balance as a taxable lump-sum, as an annuity or, to defer taxes, have the amount directly transferred to an individual retirement account or, if they take a job elsewhere, to their new employer’s pension plan. Alternatively, employees who leave can

keep their account balances, which, until withdrawn, will continue to be credited with interest by the company.

By contrast, under St. Paul’s traditional self-funded retiree medical plan—which the company is retaining for current retirees and employees who opt to remain in it—employees need to meet certain age and service requirements to receive retiree medical coverage. For example, an employee who retires at age 55 must complete 10 years of service to receive coverage, while a 62-year-old would have to complete one year of service. St. Paul pays, depending on em-

See St. Paul on page 28

CARFRA to proceed in 10 states

By MEG FLETCHER

BOSTON—The National Assn. of Insurance Commissioners will soon launch a pilot program to test the effectiveness of having a centralized independent agency review insurer rates and forms on behalf of multiple states.

Initially, the pilot project will be restricted to life/health products, with property/casualty products to be added sometime in the future. The goal is to speed up the approval of new insurance products.

Formal NAIC approval of the launch was among the accomplishments of last week’s winter

quarterly meeting of the NAIC, held in Boston. The gathering also produced new officers for the organization, gave voice to concerns about how the new federal ergonomics standard will affect state programs, and provided a

new analysis of the risks associated with workers comp carve-out pools, among other action.

Ten states are expected to participate in the pilot program—called the Coordinated Advertising, Rate and Form Review Authority, or CARFRA—which is scheduled to begin operations next April. Six states are already committed to the program: Maine, Michigan, New

York, Oregon, Pennsylvania and Texas (BI, Sept. 25).

The NAIC’s Speed to Market Working Group plans to develop national standards that CARFRA will use to assess proposed insurance products. CARFRA will be staffed with representatives from participating state insurance departments and overseen by a board including state commissioners. The entity’s decisions will be subject to appeal, and final authority will rest with individual state insurance commissioners, though they will be strongly encouraged to follow CARFRA’s recommendations.

In addition, work by the related Improvements to State-Based

See NAIC on page 26

INSIDE

• The days of hoping that the rise in health care costs was a blip to be ignored or simply complained about are over. If employers want some relief from health care inflation, change and action are needed, this week’s editorial says. **PAGE 8**

• Brazil’s minister of the treasury will open his nation’s reinsurance market to private companies early next year if a timetable is not soon established by the courts to sell off Brazil’s monopoly reinsurer. **PAGE 23**

• The Walt Disney Co. is discontinuing the licensing of its cartoon characters on cellular telephones amid safety concerns. **PAGE 23**

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BENEFIT TRENDS

Employers eye cost-shifting amid rate increases

By SALLY ROBERTS
and MICHAEL BRADFORD

After swallowing two years' worth of significant premium increases for health care coverage, employers are finding next year's double-digit rate hikes an especially bitter pill.

With a strong economy and fierce competition for workers, the last thing employers want to do is cut their benefit offerings or increase the amount that employees must pay for health care benefits. But, with premiums for health maintenance organizations

rising anywhere from 10% to 40% in 2001—and rates for other types of plans rising by similar amounts—employers are running out of options.

For their part, HMOs maintain that the continued rate hikes are needed to compensate for rising prescription drug costs, higher utilization rates and medical cost inflation. HMOs, which are under pressure to improve profit margins, also are trying to boost their financial performance after years of artificially holding down rates as a means to grow membership. Health plan administrative costs, such as those associated with hir-

ing and retaining labor and technology investments, also are contributing to the rate hikes.

Insurers and benefit consultants say that most health plans will impose double-digit increases in 2001. Rates for traditional indemnity plans will rise by 12% to 14%, while preferred provider organizations and point-of-service plan rates are expected to rise between 10% and 12%, they say.

After two years of paying significantly higher premiums, employers are beginning to take notice, consultants and insurers say.

Employers "like never before" are "extremely sensitized to dou-

ble-digit increases yet again," said Doug Robinson of Unifi Network in Seattle, a unit of PricewaterhouseCoopers. Managed care has largely failed to hold down costs, and employers are adamant about no longer picking up 90% of the rising tab, he said. "Employers are saying something is going to happen," which is a change in attitude from previous years—when employers complained about rate hikes but did little cost shifting, he said.

Randall Abbott, client strategies leader for Watson Wyatt Worldwide's health care practice in Philadelphia, agreed. "Employ-

ers are just now starting to react," he said. Before, "most employers didn't believe it was happening."

"Any employer that has not spent the time reflecting on its health care strategy going forward should plan on doing that in 2001," Mr. Abbott advised. "The marketplace has changed; contract arrangements have changed; discounts have changed; HMOs have changed. There are enough changes that going with the status quo is not a viable solution going forward," he said. "Any employer planning on maintaining the status quo is taking a dangerous path

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Boon for benefit consultants

Tech tools, demand for outsourcing foster big revenue growth

By MICHAEL PRINCE

The robust economy, the greater use of technology by employers, a continuing demand for outsourcing services and the greater importance placed on human resources have combined to turn 2000 into a banner year for benefit consultants.

"It's one of the few times where every area had such a great year," said Donald Ingram, chairman and chief executive officer of Aon Consulting Worldwide in Chicago. "We're hitting on all cylinders," he said.

Since those factors do not show any signs of abating, the future could be just as good.

"We don't yet see any dark clouds on the horizon," said Timothy Lynch, vice chairman of William M. Mercer Cos. L.L.C. in New York.

All top 10 consulting firms, as ranked by *Business Insurance*, saw another year of strong growth. While only three had growth rates in 2000 that exceeded their 1999 figures, double-digit growth was the norm for the large consultants. Only two firms failed to record growth over 10%—top-ranked Mercer and third-ranked Towers Perrin. The average growth rate among the top 10 was 15.8%.

Despite a growth rate of only 4.7%, the lowest among the top 10 firms, Mercer maintained its position as the world's largest benefit consultant, with worldwide revenues of \$1.38 billion. The low growth rate still translated into additional revenues of more than \$60 million. Growth would have been higher but a poor exchange rate involving the euro depressed the dollar value of the revenue from overseas operations, Mr. Lynch said.

See Consultants on next page

World's largest employee benefit consultants

Ranked by worldwide benefit consulting revenues; based on estimated 2000 figures.

	Gross revenues from benefit consulting ¹ (in millions)			Offices	
	2000	1999	% change	U.S.	Non-U.S.
William M. Mercer Cos. L.L.C.	\$1,384.0	\$1,322.0	4.7%	40	87
Hewitt Associates L.L.C. ²	1,154.0	962.3	19.9	26	53
Towers Perrin	925.3	865.4	6.9	36	38
PricewaterhouseCoopers					
Global HR Solutions ³	885.0	719.0	23.1	21	36
Aon Consulting Worldwide ⁴	766.7	582.0	31.7	80	67
Watson Wyatt Worldwide ³	720.0	647.1	11.3	32	53
Deloitte & Touche -					
Human Capital Advisory Services	472.3	334.7	41.1	28	50 ⁵
Buck Consultants Inc.	403.0	355.0	13.5	26	21
Ernst & Young L.L.P.-					
Human Resource Services	260.0	222.0	17.1	13	11
Arthur Andersen L.L.P.-					
Human Capital Services	204.0	185.0	10.3	44	76
Total	\$7,174.3	\$6,194.5	15.8%	346	492

¹ Excludes revenues from claims administration, compensation consulting, insurance commissions and other non-benefit consulting. ² Fiscal year ends Sept. 30. ³ Fiscal year ends June 30. ⁴ *BI* pro forma estimate, including the acquisition of ASA (Actuarial Science Associates) Inc. ⁵ Estimated. Source: *BI* Survey

HMOs still using gatekeeper model

By JOANNE WOJCIK

When United Healthcare Corp. decided in 1994 to give its members direct access to specialists, removing gatekeepers from the process, health care experts thought other health maintenance organizations would follow suit.

Although a handful did, most did not.

Many HMOs, such as Thousand Oaks, Calif.-based WellPoint Health Networks Inc., instead began steering members who wanted direct access to specialists to their preferred provider organization products. A few others, such as PacificCare Health Systems Inc. of Santa Ana, Calif., developed expedited referral programs, in which members with chronic health conditions could obtain regular referrals to specialists without needing to visit their primary care physicians each time.

But although most HMOs still require gatekeeper referrals, they are not strictly enforcing this requirement, partly in response to the backlash against managed care that has gripped the country, as well as to legislation that has opened the gates at least partially in some states.

And, eventually, all managed care organizations will likely give their members the choice between gatekeeper and non-gatekeeper HMOs, industry experts predict.

Minneapolis-based UnitedHealthcare became the first health maintenance organization in the nation to open the gates when, in 1994, it decided to allow its members to refer themselves directly to specialists without first obtaining referrals from their primary care physicians. Today, about 90% of company's enrollees are in such so-called "open access" plans.

Soon after UnitedHealthcare's announcement, several other HMOs—particularly Blue Cross & Blue Shield of Massachusetts, Blue Shield of California and Oxford Health Plans Inc.—said they, too, would give their members direct access.

But so far, few other HMOs have jumped onto the open-access bandwagon.

In fact, according to statistics compiled by the Washington-based Center for Studying Health System Change, 51% of Americans were enrolled in health plans with gatekeepers in 1999, up from 44% in 1997. Year 2000 figures have not yet been published.

For the most part, "HMOs are maintaining the gatekeeper approach," said Barry Barnett, a principal at PricewaterhouseCoopers in Teaneck, N.J.

See Gates on page 13

Top U.S. benefit consultants

Based on estimated 2000 U.S. benefit consulting revenues (in millions)

Hewitt Associates L.L.C. ¹	\$1,073.2
Towers Perrin	721.7
William M. Mercer Cos. L.L.C.	719.7
PricewaterhouseCoopers, Global HR Solutions ²	601.8
Aon Consulting Worldwide ³	490.7
Watson Wyatt Worldwide ²	439.2
Buck Consultants Inc.	322.4
Deloitte & Touche - Human Capital Advisory Services	255.0
Ernst & Young L.L.P. - Human Resource Services	156.0
The Segal Co.	118.6
Total	\$4,898.3

¹ Fiscal year ends Sept. 30 ² Fiscal year ends June 30 ³ Estimate

Consultants

Continued from previous page

Hewitt Associates L.L.C. remained in second place, with global revenues topping \$1 billion. The Lincolnshire, Ill.-based consultant rang up revenues of \$1.15 billion, a 19.9% increase over 1999. Not included in its results is the firm's acquisition of Bacon & Woodrow, a leading benefit consulting firm in the United Kingdom. Hewitt announced the acquisition in October.

Towers Perrin retained its position as the world's third-largest benefit consultant. New York-based Towers Perrin had estimated 2000 revenues of \$925.3 million, a 6.9% increase from 1999. As in 1999, Towers had the second-slowest growth rate among the top 10 firms.

Holding onto fourth place is PricewaterhouseCoopers Global HR Solu-

tions, which includes its Unifi Network unit. PwC's estimated revenue in 2000 was \$885 million, a 23.1% increase from a year ago. The firm plans to spin off the Unifi unit in 2001.

Aon Consulting Worldwide leaped over Watson Wyatt Worldwide to capture the fifth spot. Aon saw estimated revenues jump 31.7% to \$766.7 million. The increase was aided by the firm's acquisition of ASA Inc., a Somerset, N.J.-based consultant, which had annual consulting revenues of about \$120 million.

The other top 10 firms are:

• Watson Wyatt Worldwide, which, despite growth of 11.3%, fell to the sixth position, with revenues of \$720 million. As recently as 1996, Watson was ranked third by *Business Insurance*.

• Deloitte & Touche Human Capital Advisory Services moved up one spot, to seventh place. It had the highest

growth rate for the second consecutive year, with 2000 revenues leaping 41.1% to \$472.3 million, due largely to acquisitions made in several countries.

• Dropping to eighth position was Buck Consultants Inc. The New York-based firm's revenue grew 13.5%, pushing its total revenues to \$403 million.

• Once again, Ernst & Young L.L.P.-Human Resource Services was ninth, with revenues of \$260 million.

• Holding on to its 10th spot was Arthur Andersen L.L.P.-Human Capital Services, with revenues of \$204 million.

Business Insurance ranks benefit consultants on estimated 2000 gross revenues generated by worldwide employee benefit consulting. Actual 2000 revenue figures are used if a firm's fiscal year has ended. Benefit consulting is defined as providing advice on benefit issues on a fee-for-service basis.

Revenues from providing outsourcing for benefits administration and recordkeeping are included, as are revenues from majority-owned consulting affiliates. Revenues from claims administration, compensation consulting and non-benefits related work are not included.

As the baby-boom generation ages and fewer young people are around to replace them, a worker shortage has developed. This has forced employers to come up with ways to attract, retain and motivate employees, creating a demand for benefit consulting services.

"The single most important issue everyone is facing is recruitment and retention," said Howard Fluhr, president and CEO of The Segal Co. in New York, which this year ranked 10th in U.S.-based revenues, with \$118.6 million.

This struggle is so important that it will separate the winners from the losers, said John Haley, president and CEO of Watson Wyatt Worldwide in Washington.

With this greater focus on human capital, the role of people within an organization has grown more important. Rather than being thought of as a cost, employees are now regarded as an investment. CEOs now spend more time with benefit consultants and have come to rely on them as key strategic consultants.

"The value of human capital is a boardroom issue," said Michael Gullotta, chairman of Aon Consulting North America Employee Benefits and Compensation Consulting in Somerset, N.J.

Consultants enjoy this new role, saying it gives them a chance to have more input into their clients' overall strategies.

"It gives us the opportunity to be more helpful on the highest business level, as opposed to dealing with the mechanics of either benefits or HR, which is important. But we've always viewed ourselves as business partners and in a consulting role with our clients, and this means that it has increased the opportunity to do that," Mr. Fluhr said.

Of course, the firms themselves are not immune to the struggle for talent. A lack of qualified people continues to plague consultants, some of which have more work than workers.

"If we could find another 1,000 employees, we could keep them busy," Mercer's Mr. Lynch said.

In 2000, consulting firms struggled simply to hold on to their own workers, never mind adding to the ranks.

"We noticed that, very early in the year, we got a lot of pressure to recruit away from us from our clients. It was the dotcom-type clients that were really after our very good people, and, of course, that has abated to some degree," said Dan McCaw, executive vp at Mercer in New York.

To fend off competitors, many con-

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What can we do to help you?

Consultants

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sultants have adopted new programs or expanded existing ones to keep employees content and productive. "We have to win our own war for talent to continue to be successful," said Reed Keller, managing partner at PricewaterhouseCoopers in Atlanta.

While some have turned to bonus programs or additional pension contributions, others have extended work/life benefits to make it easier for their often-overworked staffs to balance work with their personal lives.

"Our goal is to be the consultant of choice and the employer of choice," said Steve Kerstein, managing director, global retirement for Towers Perrin in Stamford, Conn.

As a way to retain talent, Watson Wyatt, which had an initial public of-

fering earlier this year, is offering employees stock options and stock bonuses.

"That's been a terrific morale builder," Mr. Haley said.

Anc. Buck is trying to assign people to more-interesting projects earlier in their careers to help motivate them.

"The richness of the projects and the ability to offer increased opportunities is what turns people on," said Rob Lynch, senior managing director in Buck's San Francisco office.

Another area in which consultants saw tremendous activity this year has been in outsourcing benefit functions for employers. This growth, already strong for several years, continued in 2000, as revenues grew faster than in other areas.

For example, Hewitt, the field's leader, saw its outsourcing revenues grow by 25% in 2000 in the United States, the United Kingdom and

Canada.

Most of this new outsourcing business is conducted over the Internet. The Web is replacing call centers and interactive voice response systems as the preferred method used by employees to conduct benefit transactions.

Giving more power to employees allows benefit departments to focus on strategic issues rather than merely on transactions, said Jim Foreman, managing director, global health and welfare for Towers Perrin in Stamford, Conn. Despite this trend he said, there is still a need for call centers and educated individuals to assist employees with questions.

Profits for outsourcing have not increased as fast as revenues, though.

At Aon, outsourcing profits were up over 1999, but "it was not as profitable as our other lines of business," Mr. Gulotta said.

Because outsourcing pricing re-

mains very competitive and acquisition costs for new clients remain high, it typically takes a few years before firms turn profits on new clients, said Buck's Mr. Lynch.

Even consultants without outsourcing operations are benefiting from growth in the field. Firms such as Mercer, Watson Wyatt and Segal have growing businesses helping employers evaluate outsourcing needs, develop strategies and seek out appropriate vendors. The consultants then negotiate on behalf of their clients and even perform audits to check on the vendors' performance.

Assisting with clients' mergers and acquisitions has also proved a booming area for consulting. Benefit consultants get involved before mergers occur as part of the due diligence performed by buyers and sellers. Afterward, the consultants work to combine the merged companies' health

and pension plans.

Mergers "have spurred a lot of activity, both in North America and around the world," said Mr. Foreman of Towers Perrin.

Growth in overseas operations has also been strong for many consulting firms. Much of this stems from countries shifting away from state-sponsored pension and health systems and into private plans, said Ainar Aijala, global managing director of Deloitte & Touche in New York.

"In the next five to 10 years, this trend will be huge," he said.

The recent hikes in health care costs have also given consultants new and different business.

"With health care shooting back up, we've definitely seen a major increase with employers looking at their strategy," Mr. Ingram of Aon said.

One alternative being discussed is shifting to defined contribution health care plans. Interest in this approach increased in 2000, consultants say. Many of these employers see it as a way "to chuck the whole thing over the wall and let someone else deal with it," Buck's Mr. Lynch said.

Others, though, prefer to maintain their roles as managers of health plans, in the belief that they can secure better deals for their employees. Mr. Foreman of Towers Perrin estimates that, of the employers investigating the idea, 85% are simply curious, while 15% are serious about switching.

But not all consultants believe that moving to defined contribution plans makes sense.

"The idea that each individual will be on his or her own seems, to me, a theoretical model that died a long time ago," said Mr. Fluhr of Segal. "If the most important asset a company has are the people, trying to make life better for them, such as providing concierge service or letting them work at home but, by the way, you have to become an expert on health care and make the choice yourself seems, to me, contradictory."

Employers also want to use the Internet to control health care costs.

"We believe the whole e-health area is perhaps one of the last opportunities to affect cost-savings with managed care," said Buck's Mr. Lynch. He estimates that using e-health could bring savings of 8% to 10% through reduced administrative and other costs.

In this area, Hewitt this year launched Sageo, an e-commerce venture that allows employees and retirees to choose and enroll over the Internet in health plans a company has chosen. The Internet is a great way for health plans and employers to provide information to employees about the plans and health issues in general, said Hewitt CEO Dale Gifford.

But Mr. Fluhr of Segal sees the influence of the Internet differently. "Insurance is not a commodity," he said. "And buying it online may be for very small employers, but for any reasonable-size company, I just don't see that happening. I think that's one of those short-term fantasies about what the Internet can do."

Also this year, employers continued to convert traditional defined benefit pension plans to cash-balance plans. While enthusiasm for the plans has been tempered by the controversy surrounding them, "it has not caused people to slam on the brakes," said Mr. Kerstein of Towers Perrin.

Employers making the conversion are spending more time communicating positive aspects of the plans to their employees and are grandfathering more people into the old plan, said Mr. Haley.

Conversions have also been slowed by uncertainty about whether new federal rules will affect the plans, Mr. Gulotta said. But once those rules are set, he said, "I think there will be much more interest in moving to cash balance."

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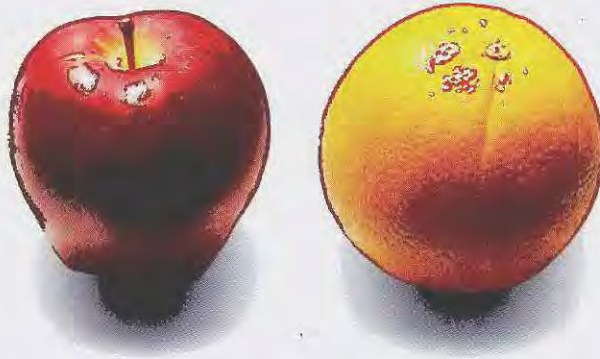
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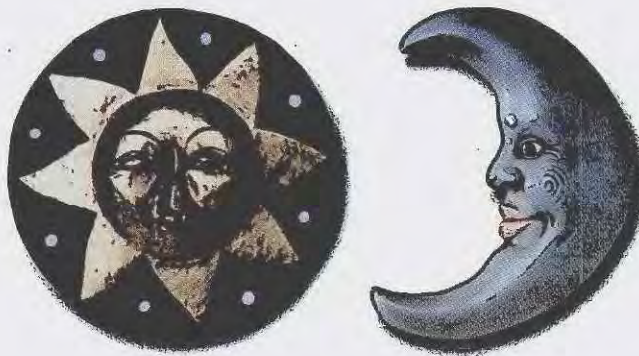
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OPINIONS

Managing health care costs

GROUP HEALTH CARE plan costs are soaring again, with no letup in sight.

As we report in this issue, a comprehensive survey by William M. Mercer Inc. shows that group health care costs climbed 8.1% this year, up from increases of 7.3% last year and 6.2% in 1998. Next year, according to the survey, employers expect double-digit increases, with costs rising by an average of 11%.

Given that the general rate of inflation is running at 3% to 4%, the rise in medical costs truly is accelerating at an alarming rate. It is becoming clear that the soaring cost of medical care is outstripping the ability of any one segment of the payer community to contain it.

But it would be wrong for employers to hope this trend will reverse itself, or to throw up their hands and say nothing can be done to bring those increases under control. There are still several options available to companies to minimize the impact of medical inflation on group health plans.

One approach, albeit a painful one, is to shift some of those increased costs onto employees, rather than shoulder the burden alone. Indeed, the Mercer survey found that 58% of large employers will raise employee premium contributions next year, up sharply from only 20% a year ago.

For the last three years, amid a booming economy and a tight labor market, employers have been very reluctant to pass even a small portion of cost increases onto employees, for fear of antagonizing needed workers and driving them to other companies. Employees who are insulated from the high cost of medical services, however, are unlikely to be wise consumers or to demand top quality for their dollar. Furthermore, by not asking employees to share in the cost of care, employers are inviting overutilization of services.

Changing benefit plan design is one way to achieve some cost sharing without adversely affecting the quality of care.

For example, benefit plans that call for an absurdly low \$5 copayment for office visits—as many employer plans still do—may create the perception that health care is inexpensive, resulting in overutilization of non-essential services.

In addition, employers that haven't already done so need to redesign prescription drug plan plans to give employees more financial incentives to use generic equivalents and formulary medicines, instead of costly brand-name drugs. Many of these brand-name medicines, despite their high prices and pervasive advertising, aren't necessarily more effective.

In addition, employers using preferred provider organization and point-of-service plans need to widen the out-of-pocket cost differential between obtaining services inside and outside the network. This will give employees a stronger incentive to go to network providers, who are pro-



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viding discounts, while preserving their choice to seek higher-cost care.

In terms of administration, health care claims processing is still largely in the Stone Age rather than the Information Age. Surely much more can be done using the proliferation of Internet tools and resources to reduce the overhead associated with administering health care claims. Greater connectivity among providers, insurers and employers would go a long way toward reducing the high expense and time associated with coordinating claims payments.

In addition to spreading the cost and creating greater efficiency, giving employees better information for their health care purchasing is critical. The surface has barely been scratched by employers and insurers in obtaining and analyzing medical and hospital records to find the best providers, in terms of outcomes and other quality indicators. Employees, who are the ultimate consumers of medical services, often don't have the slightest idea as to which physicians and hospitals have the greatest success rate for a given procedure.

Certainly, if there were a better analysis of the information that is out there, the best providers could be identified, and employees could be encouraged to use those providers. If that resulted in fewer complications and return visits for employees and their dependents, the best medical care would also be the most cost-effective.

The days of hoping that the rise in health care costs was a blip to be ignored or simply complained about are over. If employers want some relief from health care inflation, change and action are needed.

LETTERS

A beef with cattle inspections for BSE

To the editor: I was somewhat amused by the photo caption on your front-page article on "mad cow disease" in the Dec. 4 issue of *BI*.

The causative agent of bovine spongiform encephalopathy, or BSE, is believed to be an aberrant protein, called a "prion" by Dr. Stanley Prusiner, a bio-

chemist at the University of California, San Francisco, and the leading authority on transmissible spongiform encephalopathy TSE diseases, of which BSE is merely one variation. The prions are believed to have entered the human food chain by including sheep byproducts in cattle feed in Great Britain and other European countries. These sheep, it is theorized, had been infected with scrapie, a much more common form of TSE. As a result of this contamination, cattle stocks in Great Britain and on the Continent are believed to have acquired BSE, with the infection then being passed on to humans who ate the tainted beef. To date, 80 people have died in the United Kingdom and two in France. With a latency period of 25 years, though,

this is believed to be just the tip of the iceberg.

What is so ironic about the photo is that a visual inspection could not discern the presence of prions. That is, Dr. Prusiner's theory is highly controversial, to say the least, in that it posits a pathogenic agent lacking nucleic acid of any sort. I rather doubt that these "inspectors" had any idea as to what they were looking for, as no one knows with any certainty what actually causes "mad cow disease."

Thank you for your attention to this matter.

Charles Morgan
Vp/Risk Management
Summit Insurance Advisors
Cranford, N.J.

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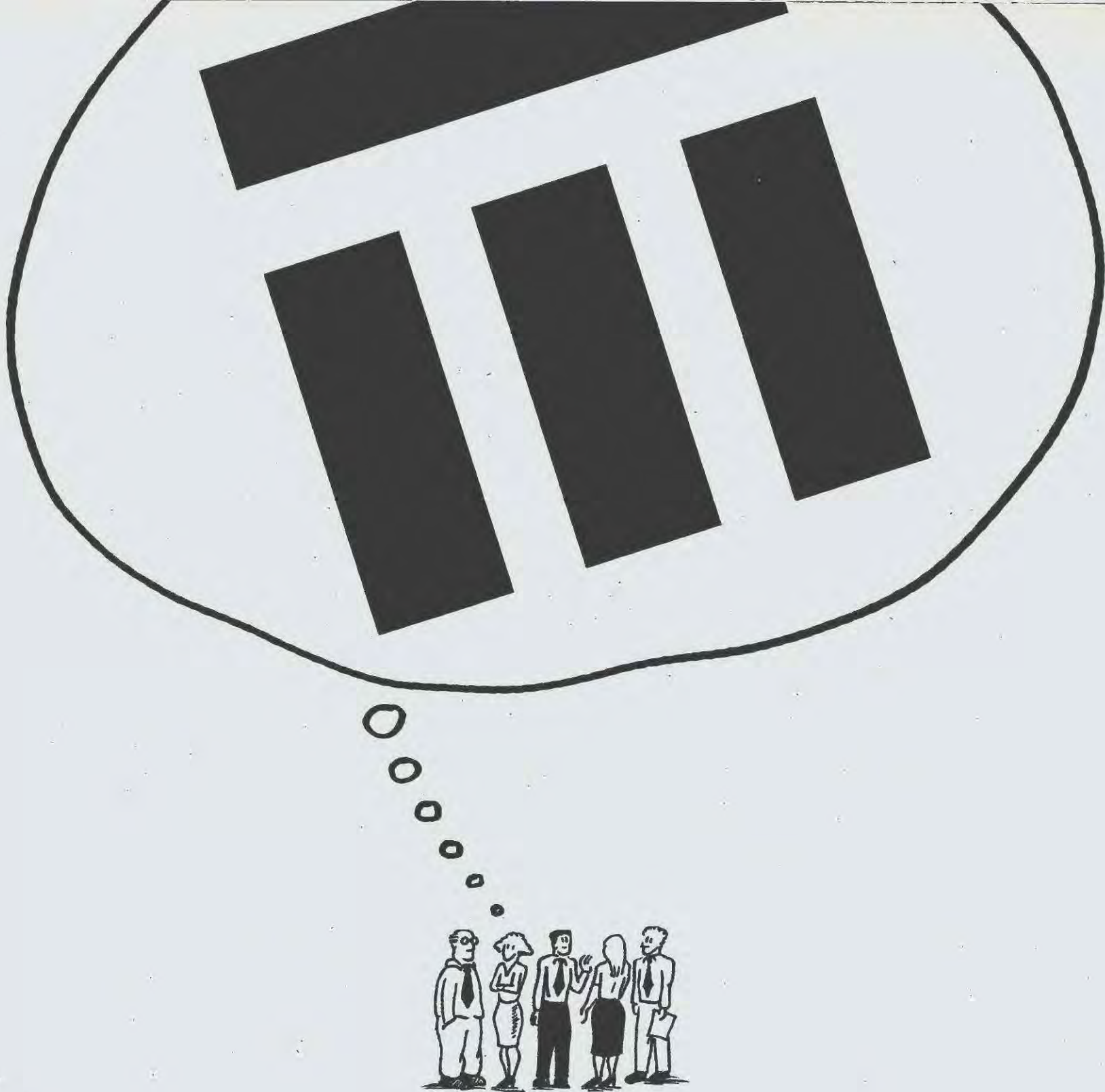
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Increases

Continued from page 3 for 2002.

Although employers are beginning to make some basic changes in their plan designs, such as raising co-payments for doctor's office visits and implementing multitiered drug co-payments, companies are hesitant to increase contribution levels significantly or to cut benefits, due to the tight labor market.

"It's a full-employment economy, and a health benefit is a cornerstone benefit" that employers use to attract and retain employees, said David Olson, senior vp at Health Net Inc. in Los Angeles.

Health Net, which mainly operates HMOs, is raising its rates by about 10% for 2001, said Mr. Olson, who acknowledged that employers are unhappy with the rate increases. "But, for right now, they're going along," he said. That is partly because they want to hang on to good employees, he said.

That strategy may be changing, though.

Lincolnshire, Ill.-based Hewitt Associates L.L.C., which projects average health care plan increases of 10% to 13% for 2001, estimates that at least 25% of the premium increases for 2001 will be passed on directly to employees. That means workers will pay about \$125 more for health coverage next year, based on Hewitt's projection that the average health plan will cost \$4,707 per employee.

"With today's tight labor market...companies are doing everything they can not to pass along the increases to employees," wrote Jack Bruner, national health care practice leader for Hewitt, in a report detailing health care cost trends for 2001. "But, with the continued rate hikes, they simply cannot afford to cover all the costs."

Iris Owen, senior director of risk management at Pizza Inn Inc. in Dallas, said she is not ready to cut benefits. But a 39% increase from United-Healthcare this renewal period has the pizza chain looking for a new HMO.

"I'm talking to two other carriers that are viable choices," but options are limited, Ms. Owen said, because "only a few top players" offer plans worth considering.

She would like to stay with United-Healthcare because of the flexibility of its plan and its commitment to leave health care decisions to doctors. "That's what makes them such an attractive plan, but the choice that we have to make is, is it worth the dollars or should we go to a plan with another carrier?" Ms. Owen said.

The only way to lower United-Healthcare's proposed increase would be to reduce benefits, a choice Ms. Owen said she does not want to make.

Dennis Slabaugh, corporate risk manager at Naples Community Hospital in Naples, Fla., also is grappling with increasing health care costs and the desire not to cut benefits.

"Our costs are up significantly this year," Mr. Slabaugh said. A task force has been assembled to try to come up with a way to reduce costs so that benefits don't have to be cut, he said. "We're trying to do what is almost the impossible; we're struggling with that right now," he said.

Naples Community Hospital, which self-insures a variety of indemnity plans for approximately 3,200 employees, is experiencing rate increases of more than 10%, Mr. Slabaugh said.

While employers look for ways to mitigate the effects of rising health care costs, many are puzzled about what is driving the rate increases.

"That's what we would all like to know," Ms. Owen said. "They say that doctors' fees are up, things that we've been reading about forever." But, she said, she has no real evidence as to the cause of rising rates other than the

reasons given in news accounts. Ms. Owen noted that prescription drug prices are highly touted as a reason for rate increases, but, as with other so-called cost-drivers, hard evidence to bear that out is difficult to come by.

Consultants and insurers point to a variety of factors behind the rate hikes.

"If I had to point to one driving factor driving health care costs, it would be prescription drug costs," said Kenneth Sperling, health care practice leader for Hewitt in Norwalk, Conn. Although costs have been rising for a while, it has really accelerated over the last couple of years, he said.

Mr. Sperling said that higher utilization, a host of new drugs and the influx of direct-to-consumer advertising is driving prescription drug prices to about 20% of an employer's total health care expenditure.

Overall, consultants project that

prescription drug prices will rise between 18% and 23% in 2001.

Health Net's Mr. Olson pointed to higher prescription drug costs and higher physician reimbursement rates as being responsible for a significant portion of the HMO's 2001 rate hikes.

Anthem Blue Cross & Blue Shield, which operates eight Blues plans throughout the country, is imposing rate hikes of between 12% and 20% depending on geography, said Jim Barone, vp-sales and marketing in Denver. Mr. Barone attributes the rate hikes to higher utilization rates, medical cost inflation, and prescription drug costs.

"There has been a trend to blame prescription drugs and inpatient and outpatient utilization as the sole reason why there are significant rate increases," Mr. Barone said. He also believes that various competing HMOs also are playing catch-up after arti-

cially keeping prices down as a means to grow membership during the height of the managed care movement.

Indeed, benefit consultants say that this catch-up in pricing contributes to rising health care costs.

There has been a shift in the managed care market, from strategically dictating lower pricing for growth to raising prices for better margins, Mr. Sperling said.

Because of the significant growth in managed care in the mid-1990s, health plans essentially subsidized their rates to attract members, but "the saturation point has been hit," he said. "New growth is incremental."

Watson Wyatt's Mr. Abbott sees higher administration fees as another factor behind rising health care costs.

"All major health plans are coming in with higher administration fees and retention expenses," he said. While increases in the fees generally are in the

1.5% to 2.5% range, this year "we see a number of major health plans with increases greater than 5%," he said. These fees cover the costs associated with hiring and retaining employees and technology investments, he said.

Mr. Robinson of Unifi also said one reason that health care rates have continued to rise is because employees have never been treated as the consumer. Therefore they remain largely unaware of the true costs of care and how wise spending can hold down those costs, he said. "The employer purchases the health care; we don't."

While that disconnect is a major factor in the continuing cost spiral, Mr. Robinson said another factor is a population that, on average, is aging and requires more care. It is a phenomenon, he said, that "we can't ignore."

As employers continue to grapple
See Increases on page 13



Increases

Continued from previous page
with double-digit rate hikes, they are making a variety of changes to plan designs to help curb costs.

Because of skyrocketing prescription drug costs, for example, many employers have turned or are turning to multitiered copayment programs that encourage the use of generics and less-expensive brand-name drugs, consultants say. These programs typically offer patients a choice among three drug types: a generic drug, the preferred brand in the plan's formulary, and any non-preferred brand the patient's doctor prescribes. If the third option is chosen, it is covered by the plan, but at a much higher copayment.

Three-tiered prescription drug programs, introduced a few years ago, have now become "almost mandatory

for the smaller market and are being adopted fairly broadly by larger employers," Hewitt's Mr. Sperling said.

The three-tiered programs accomplish two things, Mr. Sperling said. First, more prescriptions are filled with drugs from the formulary, which results in better rebates from manufacturers and lower costs for plan sponsors. Second, the programs the costs of more-expensive drugs onto employees.

Watson Wyatt's Mr. Abbott noted that he is seeing some "early adopters" of the three-tiered programs now levying a flat 50% copayment on the price of non-formulary drugs. So instead of having to pay a 25% copay for a non-formulary drug, an employee pays as much as 50% of the cost of the more-expensive drug.

In addition to changing drug plan design, employers also are making design changes to managed care plans by

increasing copayments for physician office visits.

"At the end of the day, a lot more employers are saying that they have to go to a three-tiered program or shift cost increases back to employees in the form of higher office physician copayments and up-front deductibles," said Anthem's Mr. Barone.

Other employers are letting their feet do the talking when faced with double-digit premium increases.

"Employers are shopping around a lot more," Mr. Sperling said. They are terminating plans when prices rise dramatically and negotiations with insurers fail to be successful, he said.

For years, employers faced only single-digit premium increases and had little motivation to change plans. Now, though, Mr. Sperling said, "the degree of rate increases today is providing the stimulus for employers to shop around and move plans." **BI**

Gatekeeper

Continued from page 3

Although "it's got great market appeal...managed care organizations (in general) have adopted a wait-and-see approach to seeing how the United Healthcare model works" before they decide to open the gates themselves, said Barry Rosenfeld, a consultant at Apex Management Group in Princeton, N.J.

In particular, many HMOs are concerned that allowing members to refer themselves to specialists will lead to higher health care costs, Mr. Rosenfeld explained.

But that fear is proving to be unfounded, industry observers agree.

"It's hard to tell," Mr. Barnett said, as to whether gatekeeper models have lower costs. "The school of thought is that fat's been cut from the health

care system, so we're not getting utilization savings from gatekeepers. So, eliminating them is not costing much."

In many cases, any additional costs anticipated by the health plans have been offset by savings in the cost of administering the referral process, said Apex's Mr. Rosenfeld.

Depending on the health plan, "the administration of the referral systems varies from highly automated and almost transparent to a very cumbersome and paper-oriented process," he said.

"The discounts that were given for gatekeeper models were theoretical," said Kenneth Sperling, health care practice leader at Hewitt Associates L.L.C. in Norwalk, Conn.

"You save money if the PCP is really performing the gatekeeper function and screening out the heartburns from the heart attacks," he said. "But 90% of people who want referrals get one. So all it did was add costs to the system."

Indeed, Blue Shield of California found that the 1% additional premium it would charge members who wanted direct access to specialists adequately covered any added costs, according to Ken Wood, chief operating officer of the San Francisco-based HMO.

But Mr. Wood acknowledged that may be partly because members who decide to self-refer must pay a \$30 per office-visit copayment, compared with the \$10 or \$15 copayment usually charged for visits to primary care physicians and specialists.

Despite the hesitation by many HMOs to eliminate gatekeepers, "there's definitely a trend toward a less-restrictive form of managed care," said Mr. Sperling of Hewitt.

While most HMOs still require members to choose gatekeeper primary care physicians at enrollment, the gatekeeper function is not really being enforced, said Helen Darling, senior consultant of group benefits and health care at Watson Wyatt Worldwide in Stamford, Conn.

"For the most part, the HMO plans, with or without a gatekeeper, operate roughly the same," she said. "They don't really 'manage,' in spite of all the managed care backlash."

While HMOs may still require members to obtain referrals from primary care physicians in order to see specialists, that requirement is simply a formality, she said.

Statistics show that anywhere from 98% to 100% of referral requests by HMO members are granted, Ms. Darling said.

Still, "it's a psychological deterrent," and the wish to eliminate that deterrent will eventually prompt all managed care plans to follow United Healthcare's lead, Ms. Darling predicted.

And if HMOs don't change their ways, the enrollment will shift toward less-restrictive health plans, she said.

"Closed-model HMOs are losing market share," she said. "We've seen more people choose an open-access model at enrollment—21% last year, up from 17% in 1998—and PPO enrollment has surged."

"We have seen substantial growth in our PPO product," acknowledged Alan Rosenberg, vp-marketing at Blue Cross & Blue Shield of Massachusetts in Boston.

And the growth has occurred despite the plan's announcement last summer that it was launching Access Blue, a new option in which HMO enrollees could seek care directly from specialists.

BCBSMA's PPO enrollment surged to 415,363 in October 2000 from 248,652 in October 1999, Mr. Rosenberg said. Over that period, the plan's HMO enrollment fell to 817,599 in October 2000 from 870,652.

See **Gatekeeper** on next page

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Gatekeeper

Continued from previous page

And while it was hoped that Access Blue would attract about 15,000 enrollees during its first year, it attracted just "a couple of hundred," he said.

This outcome is ironic, he said, given that Access Blue's premiums, though 3% higher than those for its traditional gatekeeper HMO, are considerably lower than those for the PPO. PPO premiums are about 10% higher than those for BCBSMA's traditional HMO.

"It's market dynamics," he said, suggesting that the current booming economy may be driving more people to select plans with greater choice, despite their higher cost.

And Access Blue got off to a rough start because of some difficulties in

negotiating compensation with providers, "so we did not actively market it," he explained.

On the other side of the country, however, Blue Shield of California has had monumental success with its open-access product, which now has 1 million members, compared with just 300,000 when it was launched in 1997, according to Mr. Wood.

BCBSMA plans to relaunch Access Blue in the next six to nine months, according to Mr. Rosenberg, who said he believes that, ultimately, what people want is a number of plans from which to choose.

"Consumers are not monolithic," he said. "Choice has been the hallmark of the market in Massachusetts. There have been very satisfied people in HMOs. Our goal has been to provide that range of choice and price points and let the consumer make the choice." **BI**

Integration furthers several aims

Approach aids administration, promotes satisfaction, proponents say

By ROBERTO CENICEROS

When Prudential Insurance Co. of America created a new unit to integrate the management of disability benefits for its 35,000 employees, the company was motivated in part by a legal mandate requiring employers to document absences related to the Family Medical Leave Act.

"FMLA is not the easiest plan to administer," said Peter Rienzi, vp-integrated disability management for Prudential in Parsippa-

ny, N.J. "We wanted to increase our ability to be in compliance."

Prudential is not alone in including FMLA reporting within an integrated benefits program—nor is it alone in finding several reasons for developing an integrated disability program that includes absence management.

The tight labor market, however, is the biggest force driving many large employers to integrate their short- and long-term disability and workers compensation benefit programs, according to employers, consultants and benefits integration experts. Because skilled workers are scarce, em-

ployers want employees to be satisfied with their disability programs. In addition, employers have embraced the programs as a way to return workers to productivity as soon as possible.

There is also an integration boom among middle-market employers seeking to rein in rising medical costs, said Bill Rafferty, vp employee benefit practice for Willis of New Jersey Inc. in Morris Plains. Willis has found success in aiding the integration efforts of companies with 1,000 or fewer employees.

But increasingly, large employers that are integrating disability benefits—and managing absences as part of that process—are including FMLA management within their integration programs, said Veronica Hellwig, senior health and productivity consultant for Watson Wyatt Worldwide in Boston. This approach, she said, has arisen because the documentation of FMLA absences—as required by the U.S. Department of Labor—has turned out to be a complex undertaking. Various states also have similar mandates, adding to the complexity.

Employers, Ms. Hellwig said, have found that they can simplify the process by including FMLA reporting with absence management responsibilities.

"One of the biggest pushes toward integrated disability management is the regulation associated with tracking FMLA episodes," she said.

Nevertheless, the most powerful motivation for employers is the desire to keep scarce employees on the job, she said.

"As workplace pressures increase, it is really critical that organizations remain as productive as possible," Prudential's Mr. Rienzi said. "So to the extent there is opportunity to get more people at work and productive, that clearly is in the best interest of the company."

Pam Porter, manager of integrated benefits at LSI Logic Corp., said the company this year expanded its established return-to-work program because of the tight labor market. As part of that effort, Ms. Porter trained managers to understand they are no longer limited to bringing employees back to modified duties only within their own departments. Employees can now be assigned to other departments, if appropriate, until they are able to return to their regular responsibilities.

The Milpitas, Calif.-based semiconductor manufacturer decided to address the return-to-work portion of its integrated program, "with a focus on getting valuable people who are trained back into the workplace and not running the risk of losing them because they go off on a disability and just drift out there," Ms. Porter said.

Employers also are motivated by the benefit cost savings that can result from integrating disability benefits, said William P. Molmen, general counsel for the Integrated Benefits Institute in San Francisco.

In proposing such programs, however, benefit managers often lack the pre-integration benefit-cost data needed to show the specific savings that should result, he said.

See Integration on page 18

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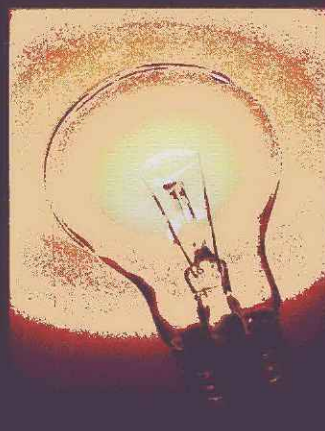
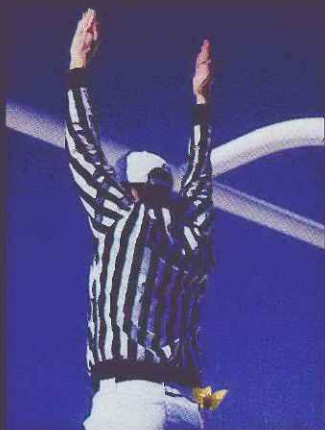
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Dec 11	Benefit Trends <i>Directory: Benefit Consultants</i>		Nov 29
Dec 18/25	Year-in-Review/Charting Change	IT Niche Underwriting	Dec 6
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Integration

Continued from page 14

As a result, when benefit managers go before upper management to present a case for integration, they often cite employee satisfaction with benefit programs as the impetus, Mr. Molmen said.

Although it can be difficult to determine the specific cost savings achieved, employers that implement integrated programs are surpassing their goals for integration, the IBI found in a recent analysis of data from 800 employers. Those goals include promoting early return to work, reducing lost days regardless of injury cause, and promoting productivity.

In that respect, the Virginia Retirement System, which administers benefits for about 400,000 members working for a variety of public agencies throughout the state, is a typical suc-

cess story. VRS is not an IBI member.

The Richmond-based organization launched a coordinated benefits program in January 1999 with the goal of improving employee financial security and benefit satisfaction, said Donna Blatecky, assistant director for benefits programs and services for the State of Virginia. The integrated program combines the administration of short- and long-term disability and sick leave as well as the coordination of return-to-work efforts with another state agency that administers workers compensation benefits.

There were no expectations that the program would produce benefit cost savings, Ms. Blatecky said. Past data did not exist to determine what state agency costs were before the implementation of the program. The Virginia Retirement System is just now beginning to evaluate whether the program is producing cost savings.

But regardless of whether savings

have been achieved, there are two measures of success, Ms. Blatecky said. One is the degree to which employees have embraced the program, she said.

Enrollment was optional for those working for the company when the program started, and so far, 41,000 employees—out of 86,000 who are eligible—participate in the integration program. In addition, more have asked for another open enrollment so they can join, Ms. Blatecky said.

The second mark of success stems from employer involvement. Before, absences were not managed. Now, employers, a third-party administrator and medical providers coordinate to help employees obtain the best medical treatment and return to work as soon as possible.

Employers also help coordinate modified duty for injured employees, and they have done so to an extent greater than was anticipated, Ms.

Blatecky said.

"We suspect there are cost savings, because we are seeing far greater acceptance of modified duty," she said. "We are seeing a lot more of that in areas where we never expected that type of change in behavior." Ms. Blatecky said she also believes that absence management has produced savings on the workers compensation side.

Prudential has measured the results of its program—and that program appears to have paid off, Mr. Rienzi said.

The company's Parsippany-based Prudential Integrated Disability Management Unit, launched in January 1999, oversees absences and benefits related to short- and long-term disability, workers compensation and FMLA.

One of the unit's goals is to ease employee navigation through the disability benefit system. One way it does that is by providing employees with a toll-free telephone number so they can

easily obtain information on benefits related to any of the areas the unit oversees. Centralizing information makes the company's benefits system more effective for the employee, giving them a single place they can turn to for help, Mr. Rienzi said.

In 1999, for absences exceeding five days, the company saw a 3% reduction in absence durations over 1998, Mr. Rienzi said. In 2000, the figure dropped 5% from the previous year, Mr. Rienzi said. This year, from January through October, the company saved 7,000 absence days over last year.

Some of the loss reduction, however, may be due to other factors, such as the sale of certain units and a change in health plan design, Mr. Rienzi said. Prudential, in addition, charges workers comp loss experience to its management units so company managers understand they have a role to play in reducing absences. **BI**

Annual BI directory of employee benefit consultants

The Administrative Management Group Inc. (AMG)

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

Benefit consulting since: 1982
Benefit consulting: 90% of revenues.

Retirement/saving plan consulting: 65% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

Welfare plan consulting: 10% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 15% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 10% of revenues: claims administration.

Clients: 600 total; 100% corporations. Minimum size client: 50 employees.

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

Gross revenues: \$13 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$11 million from worldwide benefit consulting in 1999, all from U.S. locations, \$15 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$13 million from total worldwide revenues in 1999, all from U.S. locations.

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

Contact: Mark Tucker, director-new business; mtucker@amgusa.com.

Aon Consulting Worldwide

123 N. Wacker Drive,
Chicago, Ill. 60606;
800-438-6487; fax: 312-701-4855
www.aon.com

Benefit consulting since: 1934.

Parent: Aon Corp.

Benefit consulting: 95% of revenues.

Retirement/saving plan consulting: 49% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

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

Benefit communication consulting: 6% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 5% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Locations: 80 U.S.; 67 non-U.S.

Staff: 5,900 benefit consulting employees, 4,500 are professionals.

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

Gross revenues: \$766.7 million* estimated from worldwide benefit consulting in 2000, 64% from U.S. locations; \$582 million* from worldwide benefit consulting in 1999, 57% from U.S. locations, \$840 million estimated from total worldwide revenues in 2000, 66% from U.S. locations; \$656 million from total worldwide revenues in 1999, 62% from U.S. locations.

Officers: Donald C. Ingram, chairman/CEO;

Michael J. Gulotta, chairman-Aon Consulting North America Employee Benefits and Compensation Consulting; Ron Amy, chairman-Aon Consulting Ltd., United Kingdom.

Contact: Tom Ference, senior vp.

*BI estimate and is pro forma including ASA (Actuarial Science Associates Inc.).

Arthur Andersen L.L.P.- Human Capital Services

225 Peachtree St. N.E., Suite 1800,
Atlanta, Ga. 30303;
404-589-4177; fax: 404-954-7884
www.arthurandersen.com/humancapital

Benefit consulting since: 1975.

Parent: Arthur Andersen L.L.P.

Benefit consulting: 60% of revenues.

Retirement/saving plan consulting: 40% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting.

Welfare plan consulting: 15% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 5% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 40% of revenues: compensation consulting, general management consulting, claims administration.

Locations: 44 U.S.; 76 non-U.S.

Staff: 765 benefit consulting employees, 640 are professionals.

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

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

Gross revenues: \$204 million estimated from worldwide benefit consulting in 2000, 47% from U.S. locations; \$185 million from worldwide benefit consulting in 1999, 65% from U.S. locations, \$339 million estimated from total worldwide revenues in 2000, 40% from U.S. locations; \$266 million from total worldwide revenues in 1999, 45% from U.S. locations.

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

Contact: Bruce M. Meyer.

BeneCom Associates L.L.C.

152 Simsbury Road,
Building Nine, P.O. Box 1423,
Avon, Conn. 06001-1423;
860-674-2626; fax: 860-674-2627
www.benecomassociates.com

Benefit consulting since: 1992.

Benefit consulting: 100% of revenues

Benefit communication consulting: 100% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Atlanta; Chicago; Dallas.

Staff: 8 benefit consulting employees, 4 are professionals.

Clients: 120 total; 45% corporations, 2% government agencies/entities, 53% insurers, HMOs, TPAs, consultants.

Compensation: by the project.

Gross revenues: \$2.5 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$2.4 million from worldwide benefit consulting in 1999, all from U.S. locations.

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

Contact: William E. Griffin.

Benefit Controls Cos.

910 E. Washington St.,
Greenville, S.C. 29601;
864-242-9441; fax: 864-232-6655
www.benefitcontrols.com

Benefit consulting since: 1981.

Benefit consulting: 70% of revenues

Retirement/saving plan consulting: 2% of revenues: plan design consulting, pension plan record keeping, plan/trust legal document drafting.

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

Benefit communication consulting: 2% of revenues: communication consulting.

Other services: 30% of revenues: brokering.

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

Staff: 36 benefit consulting employees, 21 are professionals.

Clients: 390 total; 93% corporations, 2% multiemployer plans, 2% individuals, 3% government agencies/entities.

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

Gross revenues: \$4 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$3.6 million from worldwide benefit consulting in 1999, all from U.S. locations, \$5.6 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$5.1 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: William A. Gantt Jr., CEO; Michael A. Hawkins, president; T. Matthew Gantt, vp-marketing.

Contact: T. Matthew Gantt; mattg@benefitcontrols.com.

Benefit Dynamics Inc.

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

Benefit consulting since: 1973.

Benefit consulting: 99% of revenues.

Retirement/saving plan consulting: 46% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 35% of revenues: plan design consulting, insurer/broker selection consulting.

Benefit communication consulting: 18% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Other services: 1% of revenues: compensation consulting, brokering.

Staff: 17 benefit consulting employees, 7 are professionals.

Clients: 2,800 total; 86% corporations, 2% multiemployer plans, 7% multiemployer welfare arrangements, 5% individuals.

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

Gross revenues: \$2 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$1.9 million from worldwide benefit consulting in 1999, all from U.S. locations, \$2 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$2 million from total worldwide revenues in 1999, all from U.S. locations.

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

Contact: Mark Moran; benefit@benefitdynamics.com.

Benefit Solutions Inc.

Vanderbilt Drive,
Sands Point, N.Y. 10050;
516-944-0023; fax: 516-944-0024
Benefit consulting since: 1960.

Benefit consulting: 100% of revenues

Retirement/saving plan consulting: 20% of revenues: plan design consulting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 80% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers.

Staff: 9 benefit consulting employees, 6 are professionals.

Clients: 100 total; 95% corporations, 5% individuals.

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

Gross revenues: \$950,000 estimated from worldwide benefit consulting in 2000, 95% from U.S. locations; \$968,600 from worldwide benefit consulting in 1999, 92% from U.S. locations.

Officers: Louise Klimuszko, president; James W. Barber, vp.

Contact: James W. Barber.

Benefits Planning & Insurance Agency Inc.

101 Larkspur Center, Suite 120,
Larkspur, Calif. 94939;
415-461-8383; fax: 415-925-2077
www.bpihq.com

Benefit consulting since: 1978.

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 4% of revenues: plan design consulting, actuarial work for defined benefit plan, investment managers selection consulting, asset/investment consulting.

Welfare plan consulting: 95% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 1% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Staff: 24 benefit consulting employees, 7 are professionals.

Clients: 100% corporations.

Compensation: by the project; commissions.

Gross revenues: \$6.5 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$5 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: Robert Christdore, Victor Deksnys, Michael Michalski, Michael Stallone, principals.

Contact: info@bpihq.com.

Benefits + PPA

5435 Corporate Drive, Suite 150,
Troy, Mich. 48068;
248-641-7525; fax: 248-641-7530
www.benefitsppa.com

Benefit consulting: 78% of revenues.

Retirement/saving plan consulting: 54% of revenues: plan design consulting, pension plan record keeping, plan/trust legal document drafting, asset/investment consulting.

Benefit communication consulting: 24% of revenues: communication consulting, benefit statement preparation.

Other services: 22% of revenues: brokering.

Locations: Los Angeles; San Francisco.

Staff: 35 benefit consulting employees, 15 are professionals.

Clients: 340 total; 90% corporations, 9% individuals, 1% government agencies/entities, Minimum size client: 25 employees.

Compensation: by the project; commissions.

Gross revenues: \$4.2 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$3.6 million from worldwide benefit consulting in 1999, all from U.S. locations, \$5.3 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$4.6 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Mark Wayne, president/CEO.

Contact: Wendy Yearwood, marketing coordi-

nator; 248-641-7525, ext. 1127.

George Beram & Co. Inc.

233 Needham St.,
Newton, Mass. 02464-1515;
617-965-1200; fax: 617-244-5569
www.gbco.com

Benefit consulting since: 1975.

Parent: Diversified Independent Advisors Inc.

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 87.5% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 7.5% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 5% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Locations: Los Angeles.

Staff: 14 benefit consulting employees, 14 are professionals.

Clients: 200 total; 95% corporations, 5% multiemployer plans.

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

Gross revenues: \$5 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$4.8 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: George Beram, president; Phillip G. Bruno, executive vp; Ruth Beram, vp.

Blomquist & Co.

1 Oakbrook Terrace, Suite 812,
Oakbrook Terrace, Ill. 60181;
630-620-0200; fax: 630-620-0324

Benefit consulting since: 1960.

Benefit consulting: 100% of revenues.

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

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

Benefit communication consulting: 10% of revenues: booklet preparation.

Staff: 9 benefit consulting employees, 6 are professionals.

Clients: 50 total; 100% multiemployer plans.

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

Gross revenues: \$1.9 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$1.8 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: Jack A. Diem, president; Paul E. Hawkins, executive vp; Kurt S. Starbuck, vp.

Contact: Jack A. Diem.

T.E. Brennan Co.

2025 N. Summit Ave., Suite 200,
Milwaukee, Wis. 53202-1362;
414-271-2232; fax: 414-271-0104
www.tebrennan.com

Benefit consulting since: 1985.

Benefit consulting: 41% of revenues

Retirement/saving plan consulting: 5% of revenues: plan design consulting.

Welfare plan consulting: 25% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 11% of revenues: communication consulting, booklet preparation.

Continued on next page

Continued from previous page

Other services: 59% of revenues: compensation consulting, general management consulting.
Staff: 6 benefit consulting employees, 4 are professionals.

Clients: 95 total; 47% corporations, 33% government agencies/entities, 20% non-profits.

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

Gross revenues: \$900,000 estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$870,200 from worldwide benefit consulting in 1999, all from U.S. locations, \$2.1 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$2 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Arvid R. Tillmar, chairman/CEO; Allan J. Klotzke, vice chairman/COO.

Contact: Arvid R. Tillmar.

Brokerage Concepts Inc.

1021 W. Eighth Ave.,
 King of Prussia, Pa. 19406;
 610-491-5040; fax: 610-491-4990
www.bcitpa.com

Benefit consulting since: 1977.

Parent: BCI Holdings.

Benefit consulting: 42% of revenues.

Welfare plan consulting: 32% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 10% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 58% of revenues: brokering, claims administration.

Locations: Madison, Conn.; Dover, Del.; Baltimore; Waltham, Mass.; Bensalem, Philadelphia, Warminster, Pa.

Clients: 4,981 total; 82% corporations, 5% multiemployer plans, 2% multiemployer welfare arrangements, 5% individuals, 6% government agencies/entities.

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

Gross revenues: \$26.9 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$23.5 million from worldwide benefit consulting in 1999, all from U.S. locations, \$64 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$56 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Arnold M. Katz, president; Aaron Singer, director-finance; Mike Shine, director-operations.

Contact: Arnold M. Katz.

Buck Consultants Inc.

1 Pennsylvania Plaza,
 New York, N.Y. 10119-4978;
 212-330-1000; fax: 212-695-4184
www.buckconsultants.com

Benefit consulting since: 1916.

Parent: Mellon Financial Corp.

Benefit consulting: 97% of revenues.

Retirement/saving plan consulting: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

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

Benefit communication consulting: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 3% of revenues: compensation consulting, general management consulting.

Locations: 26 U.S.; 21 non-U.S.

Staff: 2,864 benefit consulting employees, 2,434 are professionals.

Clients: 5,000* total; 80% corporations, 20%

non-profit organizations, governmentals and multi-employer plans.

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

Gross revenues: \$403 million estimated from worldwide benefit consulting in 2000, 80% from U.S. locations; \$355 million from worldwide benefit consulting in 1999, 80% from U.S. locations, \$416 million estimated from total worldwide revenues in 2000, 80% from U.S. locations; \$365 million from total worldwide revenues in 1999, 80% from U.S. locations.

Officers: Joseph A. LoCicero, chairman/CEO; Bill Williams, CFO; Karl Lohwater, secretary.

Contact: Jaqueline Rivera; 212-330-1152; jrivera@buckconsultants.com.

*Estimated.

CBIZ Benefits & Insurance Services Inc.

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

Benefit consulting: 3% of revenues.

Retirement/saving plan consulting: 2.3% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

Welfare plan consulting: 0.5% of revenues: plan design consulting, health care cost containment, call centers.

Benefit communication consulting: 0.2% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 97% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Locations: 33 U.S.

Staff: 500 benefit consulting employees, 200 are professionals.

Clients: 15,000 total.

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

Gross revenues: \$5.9 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$5 million from worldwide benefit consulting in 1999, all from U.S. locations, \$180.7 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$157.8 million from total worldwide revenues in 1999, all from U.S. locations.

Continued on next page

Directory terms explained

The annual directory of employee benefit consultants is compiled from companies' responses to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, companies must generate at least \$500,000 of their gross revenues from benefit consulting. Companies that did not report estimated 2000 gross revenues from benefit consulting were not included in the directory.

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

Listings begin with the **year benefit consulting began** and **parent company**, if any.

The services section lists the percentage of gross revenues a company derives from benefit consulting. This figure is broken down into the percentage of gross revenues generated from **retirement/savings plan consulting**, **welfare plan consulting** and **employee benefit communications consulting**. Specific services provided in each area are listed. In addition, the percentage of gross revenues generated from non-benefit consulting services is detailed under **other services**, along with the specific services provided.

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

The total number of **clients** in 1999 is provided along with a breakout by type of client, including corporations, multiemployer plans (pension or welfare plans jointly run by employers in the same industry and a labor union) and multiple employer welfare arrangements, or MEWAs (welfare plans covering a group of unrelated employers, usually small companies or individuals).

Methods of billing for services are provided under **compensation**. **Gross revenues** are next, with estimated 2000 benefit consulting revenues, 1999 benefit consulting revenues, 2000 estimated worldwide gross revenues and 1999 worldwide gross revenues, and the percentages generated from U.S. offices also provided.

Names and titles of principal **officers** and the name of a **contact** person complete the listings.

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

If your company would like to be included in next year's directory of employee benefit consultants, please contact the *Business Insurance* directory department at 312-649-5279 or 312-649-5313.

Client: KNOUSE FOODS COOPERATIVE, INC.
 Makers of lucky leaf, Musselman's, Apple Time, et al



"I guess today's lesson really got them juiced."

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PMA Senior Risk Control Consultant
 JOE ARMSTRONG

PMA's Joe Armstrong doesn't just talk risk control to his clients at Knouse Foods. He teaches it. With a passion. Every year, Joe runs a series of training sessions at all seven Knouse Foods processing plants. With prevention being his number one priority, Joe educates the management team on the subtle causes of job related accidents, how best to prevent them and how PMA can help get injured employees back to work safer—and sooner. By championing Knouse's cause, Joe has helped to improve their corporate safety record. And their bottom line. Is he looking for extra credit? Not a bit. It's just that kind of relationship.



It's that kind of relationship.™

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

Continued from previous page

Officers: Steve Gerard, CEO; Jerry Grisko, president/COO; Rob O'Byrne, senior vp-benefits and insurance.

Contact: Lisa Russ; 2600 Grand Blvd., Suite 600; Kansas City, Mo. 64108; 816-472-4100; lruss@cbiz.com.

Clark Bardes Consulting/Compensation Resource Group

633 W. Fifth St.,
Los Angeles, Calif. 90071;
213-438-6300; fax: 213-438-6600
www.crgworld.com

Benefit consulting since: 1965.

Parent: Clark Bardes Inc.

Benefit consulting: 50% of revenues.

Retirement/saving plan consulting: 30% of revenues: plan design consulting, asset/investment consulting.

Benefit communication consulting: 20% of revenues: benefit statement preparation, booklet preparation.

Other services: 50% of revenues: compensation consulting, brokering, general management consulting.

Locations: Phoenix; San Francisco; Fairfield, Conn.; Orlando, Fla.; Atlanta; Chicago; New Orleans; Minneapolis; Jackson, Miss.; New York; Cleveland; Dallas; Milwaukee.

Staff: 340 benefit consulting employees, 60 are professionals.

Clients: 600 total; 100% corporations.

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

Gross revenues: \$80 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$62.5 million from worldwide benefit consulting in 1999, all from U.S. locations; \$160 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$125 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: William L. MacDonald, president/CEO; Robin Urban, executive vp/COO.

Contact: Dawn Wilson; dwilson@clarkbardesconsulting.com.

Frank Crystal Benefits

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

Benefit consulting since: 1982.

Parent: Frank Crystal & Co. Inc.

Benefit consulting: 90% of revenues

Retirement/saving plan consulting: 2% of revenues.

Welfare plan consulting: 85% of revenues.

Benefit communication consulting: 3% of revenues.

Other services: 10% of revenues: brokering.

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

Staff: 40 benefit consulting employees, 31 are professionals.

Clients: 95% corporations, 5% individuals. Minimum size client: 10 employees.

Compensation: by the project; commissions; on retainer.

Gross revenues: \$8 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$6.5 million from worldwide benefit consulting in 1999, all from U.S. locations; \$9 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$7.3 million from total worldwide revenues in 1999, all from U.S. locations.

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

Contact: Vincent J. Gandolfo Jr.; gandolfv@fcrysal.com.

Deloitte & Touche - Human Capital Advisory Services

10 Westport Road,
Wilton, Conn. 06897-0820;
888-361-9960; fax: 213-688-5330
www.us.deloitte.com

Benefit consulting since: 1978.

Parent: Deloitte & Touche L.L.P.

Benefit consulting: 44% of revenues

Retirement/saving plan consulting: 29% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, call centers.

Welfare plan consulting: 10% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 5% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 56% of revenues: compensation consulting, general management consulting.

Locations: 28 U.S.; 50+ non-U.S.

Staff: 3,113 benefit consulting employees, 2,831 are professionals.

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

Gross revenues: \$472.3 million estimated from worldwide benefit consulting in 2000, 54% from U.S. locations; \$334.7 million from worldwide benefit consulting in 1999, 64% from U.S.

locations; \$1,125. million estimated from total worldwide revenues in 2000, 56% from U.S. locations; \$827.8 million from total worldwide revenues in 1999, 60% from U.S. locations.

Officers: Ainar Aijala, global managing director; Susan Achenbach, associate national director; Richard Berens, employee benefit service line group leader.

Contact: Michele Ruskin; 1111 Broadway, Suite 2100, Oakland, Calif. 94607; 888-361-9960; humancapital@deloitte.com.

*Estimated.

eBenX Inc.

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

Benefit consulting since: 1993.

Benefit consulting: 24% of revenues.

Welfare plan consulting: 21% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 3% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Other services: 76% of revenues: claims administration.

Locations: Orlando, Fla.; Atlanta; St. Louis.

Staff: 40 benefit consulting employees, 35 are professionals.

Clients: 20 total; 100% corporations, Minimum size client: 5,000 employees.

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

Gross revenues: \$5.6* million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$3.2 million from worldwide benefit consulting in 1999, all from U.S. locations; \$25.4* million estimated from total worldwide revenues in 2000, all from U.S. locations; \$17.5 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Mark Tierney, chairman; John Davis, president/CEO; Mike Bingham, senior vp.

Contact: Martin Freshwater; martin.freshwater@ebenx.com.

*BI estimates.

The Epler Co.

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

Benefit consulting since: 1971.

Benefit consulting: 80% of revenues.

Retirement/saving plan consulting: 60% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 15% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 5% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Other services: 20% of revenues: compensation consulting, brokering.

Staff: 14 benefit consulting employees, 10 are professionals.

Clients: 43 total; 60% corporations, 40% government agencies/entities. Minimum size client: 10 employees.

Compensation: by the project; by the hour.

Gross revenues: \$1.4 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$1.35 million from worldwide benefit consulting in 1999, all from U.S. locations; \$1.6 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$1.5 million from total worldwide revenues in 1999, all from U.S. locations.

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

Contact: epler@cts.com.

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

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

Benefit consulting since: 1987.

Benefit consulting: 85% of revenues.

Retirement/saving plan consulting: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

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

Benefit communication consulting: communication consulting, benefit statement preparation.

Other services: 15% of revenues: compensation consulting, general management consulting.

Locations: 13 U.S.; 11 non-U.S.

Staff: 1,015 benefit consulting employees, 1,015 are professionals.

Clients: 90% corporations, 10% individuals.

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

Gross revenues: \$260 million estimated from worldwide benefit consulting in 2000, 60% from U.S. locations; \$222 million from worldwide benefit consulting in 1999, 59% from U.S. locations; \$295 million estimated from total worldwide revenues in 2000, 60% from U.S. locations; \$265 million from total worldwide revenues in 1999, 59% from U.S. locations.

Officers: David J. Kautter, national director-human resource services; James N. Bosserman, national director-human resource services operations; David E. Jones, national director, global employment solutions; Sylvia J. Pozarnsky, national director, personal financial counseling; Claude E. Fusco Jr., global leader-global employment solutions.

FST Associates Inc.

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

Benefit consulting since: 1992.

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 10% of revenues: plan design consulting, administration record keeping, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 85% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 5% of revenues: communication consulting.

Locations: Milwaukee.

Staff: 18 benefit consulting employees, 15 are professionals.

Clients: 40 total; 90% corporations, 5% government agencies/entities, 5% non-profit/non-governmental.

Compensation: commissions; on retainer; by the hour.

Gross revenues: \$2.8 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$1.6 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: Peter F. Anderson, president; William E. Racine, Scott C. Bastian, principals.

Contact: Peter F. Anderson, panderson@fsta.com.

Findley Davies Inc.

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

Benefit consulting since: 1969.

Benefit consulting: 85% of revenues.

Retirement/saving plan consulting: 62% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 15% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 8% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 15% of revenues: compensation consulting, general management consulting.

Locations: Charlotte, N.C.; Cleveland.

Staff: 77 benefit consulting employees, 57 are professionals.

Clients: 700 total; 95% corporations, 5% government agencies/entities.

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

Gross revenues: \$10.4 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$8.8 million from worldwide benefit consulting in 1999, all from U.S. locations; \$12.1 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$10 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Robert J. Rogers, Marc E. Stockwell, Brian C. Hubbell, Gary P. Thieman, Scott E. Hamner, Joseph Spencer, Henry L. Federal, shareholders.

Contact: Gary P. Thieman; 419-327-4125; gthieman@findleydavies.com.

Gallagher Byerly Inc.

7600 E. Orchard Road, Suite 250-S,
Greenwood Village, Colo. 80111;
303-220-7575; fax: 303-220-7010
www.ajg.com

Benefit consulting since: 1959.

Parent: Arthur J. Gallagher & Co.

Benefit consulting: 64% of revenues.

Welfare plan consulting: 54% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers.

Benefit communication consulting: 10% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 36% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Staff: 60 benefit consulting employees, 23 are

professionals.

Clients: 350 total; 80% corporations, 5% multiemployer plans, 2% multiemployer welfare arrangements, 13% government agencies/entities.

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

Gross revenues: \$4.2 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$4.8 million from worldwide benefit consulting in 1999, all from U.S. locations; \$6.7 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$7.4 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: J. Patrick Gallagher Jr., chairman; James W. Durkin Jr., president-Gallagher Benefit Services; Jane M. Gruhl, area president.

Contact: Jane M. Gruhl.

HCC Employee Benefits Inc.

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

Benefit consulting since: 1979.

Parent: HCC Insurance Holdings Inc.

Benefit consulting: 10% of revenues.

Retirement/saving plan consulting: 7% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 2.8% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 0.2% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 90% of revenues: compensation consulting, brokering.

Staff: 38 benefit consulting employees, 22 are professionals.

Clients: 100 total; 98% corporations, 2% government agencies/entities.

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

Gross revenues: \$2.4 million estimated from worldwide benefit consulting in 2000, all from U.S. locations; \$2.6 million from worldwide benefit consulting in 1999, 0% from U.S. locations; \$14.5 million estimated from total worldwide revenues in 2000, all from U.S. locations; \$16 million from total worldwide revenues in 1999, 0% from U.S. locations.

Officers: Larry Kachler, CEO; Rob Scharen, executive vp; Phil Peters, principal.

Contact: Phil Peters; ppeters@hccceb.com.

HR Consulting Group Inc.

1201 E. Dover Drive,
Provo, Utah 84604;
801-765-4417; fax: 801-765-4418
www.hrconsultinggroup.com

Benefit consulting since: 1983.

Benefit consulting: 80% of revenues.

Retirement/saving plan consulting: 16% of revenues: plan design consulting, administration record keeping, plan/trust legal document drafting, plan administration consulting, call centers.

Welfare plan consulting: 48% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 16% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 20% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Locations: Birmingham, Ala.; Los Angeles; Ponce Inlet, Fla.; Salt Lake City.

Staff: 37 benefit consulting employees, 1 are professionals.

Clients: 600 total; 80% corporations, 20% government agencies/entities. Minimum size client: 10 employees.

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

Gross revenues: \$6 million estimated from worldwide benefit consulting in 2000, 99% from U.S. locations; \$4.2 million from worldwide benefit consulting in 1999, 99% from U.S. locations; \$11.8 million estimated from total worldwide revenues in 2000, 95% from U.S. locations; \$5.8 million from total worldwide revenues in 1999, 95% from U.S. locations.

Officers: Richard D. Pelton, CEO; Rod J. Thurston, president; E. Richard Packham, senior vp.

Contact: Rob J. Thurston; hrconsulting-group@msn.com.

Health Insurance Specialists Inc.

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

Benefit consulting since: 1982.

Benefit consulting: 90% of revenues.

Retirement/saving plan consulting: 11.2% of revenues.

Welfare plan consulting: 67.5% of revenues.

Benefit communication consulting: 11.3% of

revenues.

Other services: 20% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Locations: Washington; Arlington, Va.

Staff: 10 benefit consulting employees, 5 are professionals.

Clients: 335 total; 85% corporations, 10% multiemployer plans, 5% individuals.

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

Gross revenues: \$61.7 million estimated from worldwide benefit consulting in 2000, 98% from U.S. locations; \$50 million from worldwide benefit consulting in 1999, 94% from U.S. locations; \$66.7 million estimated from total worldwide revenues in 2000, 97% from U.S. locations; \$56.7 million from total worldwide revenues in 1999, 93% from U.S. locations.

Officers: Jon Belinkie, president; Lauren Burgess, CFO; Eileen Drucker, vp.

Contact: Jon Belinkie; jbelinkie@his-inc.com.

Hewitt Associates L.L.C.

100 Half Day Road,
Lincolnshire, Ill. 60069;
847-295-5000; fax: 847-295-7634
www.hewitt.com

Benefit consulting since: 1940.

Benefit consulting: 9

Continued from previous page

Locations: Austin, Texas.
Staff: 32 benefit consulting employees, 12 are professionals.
Clients: 80% corporations, 20% government agencies/entities.
Compensation: by the project; on retainer; by the hour.
Gross revenues: \$2 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$1.9 million from worldwide benefit consulting in 1999, all from U.S. locations, \$5 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$4.4 million from total worldwide revenues in 1999, all from U.S. locations.
Officers: Rodney D. Sager, president; Todd Healy, vp; Randall R. Martell, vp/secretary/treasurer.
Contact: Randall R. Martell; rmartell@ipsww.com.

K

Kaye Benefits Consulting

122 E. 42nd St.,
 New York, N.Y. 10168;
 212-338-2267; fax: 212-338-2214
 www.kinsurancencenter.com
Parent: Kaye Group Inc.
Benefit consulting: 100% of revenues.
Retirement/saving plan consulting: 15% of revenues: actuarial work for defined benefit plan, investment managers selection consulting, asset/investment consulting.
Welfare plan consulting: 70% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.
Benefit communication consulting: 15% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.
Locations: Arcadia, Calif.; Westport, Conn.; Woodbury, N.Y.; Providence, R.I.
Staff: 32 benefit consulting employees, 15 are professionals.
Clients: 320 total; 90% corporations, 5% multiemployer welfare arrangements, 5% government agencies/entities. Minimum size client: 10 employees.
Compensation: by the project; commissions; on retainer; by the hour.
Gross revenues: \$7.5 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$5.6 million from worldwide benefit consulting in 1999, all from U.S. locations.
Officers: Bruce Guthart, chairman; Robert N. Munao, executive director; Michael Sabonos, executive vp.
Contact: Robert Munao; rmunao@kayegroup.com.

The Kooper Group Inc.

770 Lexington Ave.,
 New York, N.Y. 10021;
 212-755-0800; fax: 212-750-5345
Benefit consulting: 85% of revenues.
Welfare plan consulting: 80% of revenues.
Benefit communication consulting: 5% of revenues.
Other services: 15% of revenues: brokering.
Staff: 48 benefit consulting employees, 32 are professionals.
Clients: 825 total; 100% corporations.
Compensation: by the project; commissions; on retainer; by the hour.
Gross revenues: \$9.78 million* estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$8.93 million* from worldwide benefit consulting in 1999, all from U.S. locations, \$11.5 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$10.5 million from total worldwide revenues in 1999, all from U.S. locations.
Contact: Michael Kooper, president.
 *BI estimates.

L

Lockton Benefit Group

444 W. 47th St., Suite 600,
 Kansas City, Mo. 64112;
 816-960-9001; fax: 816-960-9579
 www.lockton.com
Benefit consulting since: 1987.
Parent: Lockton Cos. Inc.
Benefit consulting: 95% of revenues.
Retirement/saving plan consulting: 2% of revenues: plan design consulting, plan administration consulting.
Welfare plan consulting: 87% of revenues: plan design consulting.
Benefit communication consulting: 6% of revenues: communication consulting.
Other services: 5% of revenues: brokering.
Locations: Los Angeles; Denver; Chicago; St. Louis; Dallas.
Staff: 135 benefit consulting employees, 109 are professionals.
Clients: 88% corporations, 6% multiemployer plans, 2% multiemployer welfare arrangements, 4% government agencies/entities.
Compensation: by the project; commissions; on retainer.
Gross revenues: \$35 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$30.2 million from worldwide benefit consulting in 1999, all from U.S. locations, \$35 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$30.2 million from total world-

wide revenues in 1999, all from U.S. locations.
Officers: Donald C. Bain Jr., president; Sam Roda, president-Lockton Benefit Co.; Roger Lambourn, president, Lockton Dunning.

M

MMC&P Spectrum Benefit Options

1 Gateway Center, Suite 1100,
 Pittsburgh, Pa. 15222;
 412-394-9330; fax: 412-394-9324
 www.hrbs.com
Benefit consulting since: 1979.
Benefit consulting: 100% of revenues.
Retirement/saving plan consulting: 10% of revenues: plan design consulting, plan administration consulting, call centers.
Welfare plan consulting: 85% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.
Benefit communication consulting: 5% of revenues: communication consulting, booklet preparation.
Staff: 12 benefit consulting employees, 10 are professionals.
Clients: 50 total; 70% corporations, 5% multiemployer plans, 20% multiemployer welfare ar-

rangements, 5% government agencies/entities. Minimum size client: 50 employees.
Compensation: by the project; commissions; on retainer; by the hour.

Gross revenues: \$1.1 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$903,000 from worldwide benefit consulting in 1999, all from U.S. locations.
Officers: Jere L. Cowden, president/CEO; Merle W. McGee, vp-client services; William L. Blake, vp-health benefits and underwriting.
Contact: Jere L. Cowden; jlcowden@hrbs.com.

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

1166 Ave. of the Americas,
 New York, N.Y. 10036;
 212-345-7000; fax: 212-345-4944
 www.wmmercercos.com
Benefit consulting since: 1975.
Parent: Marsh & McLennan Cos. Inc.
Benefit consulting: 65% of revenues.
Retirement/saving plan consulting: 46% of revenues: plan design consulting, actuarial work for defined benefit plan*, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.
Welfare plan consulting: 15% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health

care cost containment, call centers.
Benefit communication consulting: 4% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 35% of revenues: compensation consulting, general management consulting, claims administration.
Locations: 40 U.S.; 87 non-U.S.
Staff: 11,163 benefit consulting employees, 5,916 are professionals.
Clients: 87% corporations, 1% multiemployer plans, 1% multiemployer welfare arrangements, 9% government agencies/entities, 2% non-profits, hospitals.
Compensation: by the project; on retainer; by the hour.
Gross revenues: \$1.38 billion estimated from worldwide benefit consulting in 2000, 52% from U.S. locations; \$1.32 billion from worldwide benefit consulting in 1999, 50% from U.S. locations, \$2.12 billion estimated from total worldwide revenues in 2000, 55% from U.S. locations; \$1.95 billion from total worldwide revenues in 1999, 53% from U.S. locations.
Officers: Peter Felton, chairman; Timothy Lynch, vice chairman; Peter Coster, president.
Contact: Virginia Decker, principal; 212-345-7248; virginia.decker@us.wmmercercos.com.
 *Defined contribution plan consulting is not available in the United States.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800,
 Seattle, Wash. 98101;
 206-624-7940; fax: 206-340-1380
 www.milliman.com
Benefit consulting since: 1947.
Benefit consulting: 36% of revenues.
Retirement/saving plan consulting: 30% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.
Welfare plan consulting: 4% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.
Benefit communication consulting: 2% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 64% of revenues: compensation consulting, general management consulting,

Directory terms are defined on page 19

Continued on next page

www.peace-of-mind-for-your-collector-clients.com

www.expeditious-and-knowledgeable-claims-handling.com

www.how-to-protect-and-preserve-a-collection.com

www.coverage-tailored-to-meet-your-client's-needs.com

www.all-brokers-welcome.com

www.axa-art.com

(or click here)



**Nordstern
ART**

collectors preserve culture. we insure it.

The AXA Nordstern Art Insurance Corporation is solely responsible for its own obligations.

Continued from previous page

claims administration.

Locations: 38 U.S.; Melbourne, Australia; Hamilton, Bermuda; London; Hong Kong; Tokyo.

Staff: 850 benefit consulting employees, 400 are professionals.

Clients: 6,000 total; 80% corporations, 5% multiemployer plans, 10% multiemployer welfare arrangements, 5% government agencies/entities.

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

Gross revenues: \$90. million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$66.6 million from worldwide benefit consulting in 1999, all from U.S. locations, \$276. million estimated from total worldwide revenues in 2000, all from U.S. locations, \$230.8 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Bradley Smith, chairman; Robert L. Collett, president/CEO; Patrick Grannan, COO.

Contact: Lloyd Robinson, director-marketing; lloyd.robinson@milliman.com.

N

The NIA Group L.L.C.

66 Route 17,
Paramus, N.J. 07652;
201-845-6600; fax: 201-845-4761
www.niagroup.com

Benefit consulting since: 1984.

Benefit consulting: 35% of revenues.

Retirement/saving plan consulting: 14% of revenues: plan design consulting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

Welfare plan consulting: 14% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 7% of revenues: communication consulting, booklet preparation, audiovisual program preparation.

Other services: 65% of revenues: brokering, general management consulting, claims administration.

Locations: Hartford and Stratford, Conn.; Miami Lakes and West Palm Beach, Fla.; Cape May, Cranford, Freehold, Marlton, Randolph, Somerset, Turnersville and Wildwood, N.J.; Monticello, New York and White Plains, New York.

Staff: 121 benefit consulting employees, 88 are professionals.

Clients: 1,922 total; 95% corporations, 2% multiemployer welfare arrangements, 3% government agencies/entities.

Compensation: by the project; commissions; on retainer.

Gross revenues: \$4.1 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$3.2 million from worldwide benefit consulting in 1999, all from U.S. locations, \$13.7 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$11.3 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Steven Grossberg, president; Roger Gross, COO; Robert Feldman, executive vp.

Contact: Denise Angleman, vp; dangleman@niagroup.com.

NIIS/APEX Group Holdings Inc.

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

Benefit consulting since: 1993.

Benefit consulting: 7% of revenues.

Welfare plan consulting: 6% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 1% of revenues: communication consulting.

Other services: 93% of revenues: brokering, general management consulting, claims administration.

Locations: Glendale, Ariz.; Little Rock, Ark.; Los Angeles; Tampa, Fla.; Salem, Mass.

Staff: 17 benefit consulting employees, 17 are professionals.

Clients: 25 total; 95% corporations, 5% government agencies/entities. Minimum size client: 50 employees.

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

Gross revenues: \$1 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$700,000 from worldwide benefit consulting in 1999, all from U.S. locations, \$15 million estimated from total worldwide revenues in 2000, 90% from U.S. locations; \$13.5 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: David Ives, CEO; Donato J. Gasparro, president-Consulting Group; David Wilson, president-Venture Group.

Contact: Donna I. Petrilli; dpetrilli@apexmgmt.com.

P

Palmer & Cay Consulting Group

9020 Stoney Point Parkway, Suite 200,
Richmond, Va. 23235;
804-267-3100; fax: 804-330-1386
www.palmercay.com

Benefit consulting since: 1971.

Parent: Palmer & Cay Inc.

Benefit consulting: 95% of revenues.

Retirement/saving plan consulting: 30% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting.

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

Benefit communication consulting: 5% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Other services: 10% of revenues: compensation consulting, brokering, general management consulting.

Locations: Washington; Jacksonville, Palm Beach and Tallahassee, Fla.; Atlanta and Savannah, Ga.; Lexington, Ky.; New Orleans; Baltimore; Ridgefield, Miss.; Kansas City and St. Louis, Mo.; Charlotte, N.C.; Pittsburgh; Charleston and Columbia, S.C.; Knoxville, Tenn.; Norfolk and Reston, Va.

Staff: 230 benefit consulting employees, 190 are professionals.

Clients: 89% corporations, 1% multiemployer plans, 5% government agencies/entities, 5% non-profits.

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

Gross revenues: \$38 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$29.5 million from worldwide benefit consulting in 1999, all from U.S. locations, \$40 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$31 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Raymond M. Slabaugh III, David P. Morgan, managing directors.

Contact: Raymond M. Slabaugh III; 804-267-3211.

Pharmacy Outcomes Specialists

41 E. Main St., Suite 200,
Lake Zurich, Ill. 60047;
847-540-9590; fax: 847-540-9592
www.pharmout.com

Benefit consulting since: 1996.

Benefit consulting: 100% of revenues.

Welfare plan consulting: 100% of revenues: plan design consulting, evaluation of service providers, health care cost containment.

Clients: 25* total; 30% corporations, 10% multiemployer welfare arrangements, 10% government agencies/entities, 50% insurance companies.

Compensation: by the project; on retainer.

Gross revenues: \$1 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$800 thousand from worldwide benefit consulting in 1999.

Officers: Kevin A. Johnson, Susan A. Peard, principals.

Contact: Susan A. Peard; possusan@aol.com.

*Estimated.

Post & Kurtz Inc.

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

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 10% of revenues.

Welfare plan consulting: 87% of revenues.

Benefit communication consulting: 3% of revenues.

Staff: 8 benefit consulting employees, 6 are professionals.

Clients: 110 total; 40% corporations, 5% individuals, 55% professional partnerships.

Compensation: by the project; commissions; on retainer.

Gross revenues: \$1.2 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$1 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: W.J. Kuhn, president/CEO; P.T. Agnew, president/treasurer; P.R. Kuhn, vp.

Contact: W.J. Kuhn.

PricewaterhouseCoopers, Global HR Solutions

1301 Ave. of the Americas,
New York, N.Y. 10019;
212-596-8000; fax: 212-259-5324
www.pwcglobal.com

Benefit consulting since: 1944.

Benefit consulting: 59% of revenues.

Retirement/saving plan consulting: 41% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

Welfare plan consulting: 5% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 13% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 41% of revenues: compensation consulting, general management consulting.

Locations: 21 U.S.; 36 non-U.S.

Staff: 5,530 benefit consulting employees,

4,630 are professionals.

Clients: 2,000 total; 90% corporations, 5% multiemployer plans, 5% government agencies/entities.

Compensation: by the project; by the hour.

Gross revenues: \$885 million estimated from worldwide benefit consulting in 2000, 68% from U.S. locations; \$719 million from worldwide benefit consulting in 1999, 70% from U.S. locations, \$1.5 billion estimated from total worldwide revenues in 2000, 61% from U.S. locations; \$1.25 billion from total worldwide revenues in 1999, 61% from U.S. locations.

Officers: Reed Keller, global business leader; Iris Goldfein, Americas theater leader; Owain Franks, European theater leader; Bob Zukis, Asia/Pacific theater leader; Frank Rail, industries leader; Bob Byrne, human resources outsourcing sector leader.

Contact: Karen Wozniak Smith, marketing director; 716-308-6801.

R

Risk & Performance Management L.L.C.

3 Forest Park Drive,
Farmington, Conn. 06032;
860-409-6880; fax: 860-676-9689
www.rpmhealth.com

Benefit consulting since: 1998.

Benefit consulting: 100% of revenues.

Welfare plan consulting: 100% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Locations: Townsend, Tenn.

Clients: 71% corporations, 29% government agencies/entities. Minimum size client: 2,500 employees.

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

Gross revenues: \$1 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$1 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: Alex Hutchinson, managing principal; Carole Myers, principal.

Contact: Alex Hutchinson, 860-409-6881; info@rpmhealth.com.

S

Schloss & Co.

1400 Old Country Road,
Westbury, N.Y. 11590;
516-333-2800; fax: 516-333-2889
www.schlossco.com

Benefit consulting since: 1972.

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 100% of revenues: actuarial work for defined benefit plan, pension plan record keeping, plan/trust legal document drafting.

Staff: 62 benefit consulting employees, 46 are professionals.

Clients: 2,200 total; 99% corporations, 1% multiemployer plans.

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

Gross revenues: \$6 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$5.3 million from worldwide benefit consulting in 1999, all from U.S. locations.

Officers: Eugene Schloss, president; David Dorfman, Elaine Enis, vps.

Contact: Elaine Enis; eenis@schlossco.com.

The Segal Co.

1 Park Ave.,
New York, N.Y. 10016-5895;
212-251-5000; fax: 212-251-5490
www.segalco.com

Benefit consulting since: 1939.

Benefit consulting: 100% of revenues.

Retirement/saving plan consulting: 48% of revenues: plan design consulting, actuarial work for defined benefit plan, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting.

Welfare plan consulting: 42% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 6% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Phoenix; Los Angeles; San Francisco; Denver; Hartford, Conn.; Washington; Atlanta; Chicago; New Orleans; Boston; Minneapolis; Cleveland; Philadelphia; Houston; Seattle; Toronto.

Staff: 679 benefit consulting employees, 606 are professionals.

Clients: 30% corporations, 55% multiemployer plans, 15% government agencies/entities.

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

Gross revenues: \$121 million estimated from worldwide benefit consulting in 2000, 98% from U.S. locations; \$113 million from worldwide benefit consulting in 1999, 98% from U.S. locations.

Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Daniel G. Fries, COO.

Contact: Mary L. Feldman, senior vp-public affairs; 212-251-5029.

SilverStone Group Inc.

11516 Miracle Hills Drive,
Omaha, Neb. 68154;
402-964-5400; fax: 402-964-5454
www.silverstonegroup.com

Benefit consulting since: 1959.

Parent: SilverStone Holding Inc.

Benefit consulting: 18% of revenues.

Retirement/saving plan consulting: 17% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

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

Other services: 82% of revenues: compensation consulting, brokering, general management consulting, claims administration.

Locations: Council Bluffs, Iowa; Lincoln, Neb.

Staff: 42 benefit consulting employees, 25 are professionals.

Clients: 350 total; 98% corporations, 2% government agencies/entities.

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

Gross revenues: \$3 million estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$3.1 million from worldwide benefit consulting in 1999, all from U.S. locations, \$17 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$16 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: John P. Nelson, chairman; Lew Trowbridge, president/CEO; Tony Sorrentino, COO/principal.

Contact: Pam Stene; pstene@ssgi.com.

Summit Global Partners Inc.

500 N. Akard, Suite 2500,
Dallas, Texas 75201;
214-740-2750; fax: 214-740-2752
www.sgp.net

Benefit consulting since: 1995.

Benefit consulting: 7.4% of revenues.

Retirement/saving plan consulting: 1.1% of revenues: plan design consulting, plan administration consulting, investment managers selection consulting.

Welfare plan consulting: 5.9% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communication consulting: 0.4% of revenues: communication consulting, benefit statement preparation, booklet preparation.

Other services: 92.6% of revenues: brokering, claims administration.

Locations: Boca Raton, Coral Gables, Fla.; Detroit; Essex Fells, N.J.; Albuquerque, N.M.; Memphis, Tenn.; Austin, Houston, San Angelo, Texas.

Staff: 41 benefit consulting employees.

Clients: 615 total; 89% corporations, 3% individuals, 2% government agencies/entities, 5% partnerships.

Compensation: by the project; commissions; on retainer.

Gross revenues: \$4.6 million estimated from worldwide benefit consulting in 2000, 97% from U.S. locations; \$3.7 million from worldwide benefit consulting in 1999, 98% from U.S. locations, \$61.5 million estimated from total worldwide revenues in 2000, 97% from U.S. locations; \$54.2 million from total worldwide revenues in 1999, 98% from U.S. locations.

Officers: Gary R. Griffith, chairman/CEO; David L. Bowlin, president; C. Jeff Pan, executive vp/COO.

T

Thesco Benefits L.L.C.

320 W. 57th St.,
New York, N.Y. 10019;
212-603-0260; fax: 212-603-0390

Benefit consulting since: 1979.

Benefit consulting: 7% of revenues

Retirement/saving plan consulting: 4% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting.

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

Benefit communication consulting: 1% of revenues: communication consulting, booklet preparation.

Other services: 93% of revenues: brokering, claims administration.

Locations: Midland Park, N.J.

Staff: 3 benefit consulting employees, 2 are professionals.

Clients: 300 total; 100% corporations.

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

Gross revenues: \$600,000 estimated from worldwide benefit consulting in 2000, all from U.S. locations, \$500,000 from worldwide benefit consulting in 1999, all from U.S. locations, \$8.1 million estimated from total worldwide revenues in 2000, all from U.S. locations, \$7 million from total worldwide revenues in 1999, all from U.S. locations.

Officers: Walter Harris, chairman; Richard J. Fleder, president/CEO; Paula Boyd, senior vp.

Contact: Richard J. Fleder; rfleder@thesco.com.

Towers Perrin

335 Madison Ave.,
New York, N.Y. 10017;
212-309-3400; fax: 212-309-3660
www.towersperrin.com

Benefit consulting: 64.4% of revenues.

Retirement/saving plan consulting: 46.2% of revenues: plan design consulting, actuarial work for defined benefit plan, pension plan record keeping, administration record keeping, plan/trust legal document drafting, plan administration consulting, investment managers selection consulting, asset/investment consulting, call centers.

Welfare plan consulting: 15.3% of revenues: plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, call centers.

Benefit communication consulting: 2.9% of revenues: communication consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 35.6% of revenues: compensation consulting, brokering, general management consulting.

Locations: 36 U.S., 38 non-U.S.

Staff: 5,163 benefit consulting employees, 4,196 are professionals.

Clients: 95% corporations, 5% government agencies/entities.

INTERNATIONAL

GLOBAL BRIEFS

Standard & Poor's Ltd. has lowered its rating on Bahrain-based **Arig Reinsurance Co. B.S.C.** to BBB+, with a negative outlook, from A-. S&P said it has lowered Arig Re's long-term counterparty credit and insurer financial strength rating because of the group's continued poor operating performance in 2000. In the first nine months of this year, Arig Re reported a net loss of \$52.6 million. S&P has also withdrawn its rating on Arig Insurance Co. Ltd. (U.K.) at the insurance company's request. Arig U.K. has been placed into runoff....Standard & Poor's also has announced a stable outlook for the **Swiss non-life insurance industry**. S&P said the stable outlook reflects the market's strong capitalization, conservative reserving practices, strong underlying operating performance and a benign regulatory and tax environment. But S&P warned that Swiss insurers would face heightened levels of competition over the medium to long term and said the market may become difficult for smaller players as the industry giants accelerate cost-cutting efforts....Moody's Investors Service Ltd. has assigned a positive outlook to **Lloyd's of London syndicate 529**. The syndicate, which will be managed by Omega Underwriting Agents Ltd. for the 2001 year, was formerly managed by Sterling Underwriting Agencies Ltd., The short-tail non-marine and marine excess-of-loss syndicate was one of the 19 syndicates ordered by Lloyd's in July to increase their capital backing for the 2001 year. Moody's cited the syndicate's new management, dedicated backing and new underwriter in changing 529's outlook. However, Moody's cautioned that syndicate 529 was now effectively equivalent to a start-up venture and warned that material uncertainty about its future remained....**Sumitomo Marine & Fire Insurance Co. Ltd.** and **Mitsui Marine & Fire Insurance Co. Ltd.**, both of Tokyo, have announced the terms under which they will merge in October 2001. The merger will create Japan's largest non-life insurer, with assets of 5.73 trillion yen (\$51.94 billion). The two companies announced that 1.09 Mitsui shares will be allocated for every Sumitomo share. The merged company will be known as **Mitsui Sumitomo Insurance Co. Ltd.** Mitsui President Takeo Iguchi and Sumitomo President Hiroyuki Uemura will become co-chief executive officers....**Lapinmaentie**, Finland-based **Pohjola Group** and London-based **Royal & SunAlliance Insurance Group P.L.C.** have agreed to expand their cooperation. The two insurers, which have been linked since 1994, will now cooperate in France, the United Kingdom, Scandinavia, Germany and the Benelux countries....Paris-based **Assurances Generales de France Group** has acquired a 25% stake in **Tindall Riley Marine Ltd.**, which manages U.K. protection and indemnity club the Britannia Steamship Insurance Assn. Ltd. Under terms of the deal, London-based **Allianz AGF M.A.T.**, a subsidiary of Munich-based **Allianz A.G. Holding**, which owns AGF, will progressively take a controlling interest in Tindall Riley, AGF said....**Philip Tuite-Dalton** has been appointed chief operating officer of London-based **United Insurance Brokers**. Mr. Tuite-Dalton, who will take up his new post on Jan. 1, was most recently managing director and deputy chairman of the aerospace division of London-based **Willis Group Ltd.**....Research conducted by the U.K. Health and Safety Executive suggests that **portable computers** do not pose serious health risks for their users. The government agency, however, did conclude that the use of portable computers could lead to musculoskeletal problems—namely because of the need to carry bulky items such as cables and batteries and the use of the computers in less-than-ideal situations, such as hotels or cars.

Disney cutting cell phone ties

Health concerns prompt removal of characters, U.K. safety warnings

By CAROLYN ALDRED

BURBANK, Calif.—The Walt Disney Co. is discontinuing the licensing of its cartoon characters on cellular telephones as safety concerns—especially in Europe—continue to surround the use of such phones.

In the United Kingdom, the government announced that information leaflets outlining the safety issues will be available at retail outlets later this month. The U.K. government said it is particularly concerned about the growing number of children using cell phones and the hundreds of thousands more who have cell phones at the top of their Christmas wish lists.

A group of independent experts commissioned by the British government stated earlier this year that if cell phones are proved to be harmful, children likely will be

more vulnerable because their brain tissues still are growing, their skulls are thinner and their heads are smaller (*BI*, May 22).

Although there is no scientific evidence that using cell phones is harmful, for some time there has been concern regarding the possible relationship between cell phone use and cancer, particularly brain cancer. The U.K. government-commissioned group—known as the Stewart Group after its chairman, Sir William Stewart—reported that “there is now some preliminary scientific evidence that exposures to radiofrequency radiation may cause subtle effects on biological functions, especially those of the brain.”

Announcing its decision to discontinue the licensing of Disney characters on cell phone faceplates, The Walt Disney Co. issued the following statement:

“Since issues were first raised about the safety of cellular telephones when held to the ear, we have been examining the available scientific research and literature and are mindful of the Food and Drug Administration statements that there is no conclusive evidence that they present a health risk,” the statement said.

“However,” the statement continued, “because the well-being of our customers is our first priority, we have decided to discontinue the licensing of our characters for use on cellular telephones until there is reliable scientific evidence establishing the absence of any such risk.”

The decision of Burbank, Calif.-based Disney is effective globally, said a spokesman, who added that the corporation is “aware of a growing concern about the safety of cellular phone use.”



A unit of Basking Ridge, N.J.-based AT&T Corp. was a licensee of Disney for cellular phone faceplates and made the faceplates for certain Nokia phones, the spokesman said. Disney is the highest-profile licensee.

See Cellular on page 25

Study names stress biggest concern in U.K. workplaces

By SARAH VEYSEY

Stress is the No. 1 workplace hazard in the United Kingdom, according to a survey of 9,000 health and safety representatives by the Trades Union Congress, a U.K. labor organization.

The TUC report, titled “Focus on Health and Safety,” found that stress was the greatest concern for 66% of safety representatives.

The results were broken down by region, which showed that stress or overwork was greatest in London, cited by 73% of respondents there as the major workplace hazard. That was followed by Scotland, where 72% of health and safety representatives described stress as the primary workplace risk.

The study found that stress or overwork was the major workplace hazard in all but three of 14 industries surveyed.

The risk of stress was highest in the banking, finance and insurance sector, with 86% of respondents citing it as the major hazard. In both the education and the voluntary sectors, stress or overwork was voted the major hazard by 82% of re-

spondents, and in central government, by 81%. In the health services sector, 74% voted stress the No. 1 risk, compared with 73% in local government, 68% in transport and communications, 64% in leisure services, 64% in the energy and water sector, 59% in other services and 50% in agriculture and fishing.

The TUC study also sought to determine the major causes of stress in the workplace.

Heavy workloads were cited as the main cause of stress—by 74% of respondents. The fear of staff cuts was mentioned as a significant cause of stress in the workplace by 53% of respondents. Bullying was also cited as a cause of stress—mentioned by 30% of those health and safety representatives who described stress as a problem. Bullying-related stress was found to be most prevalent in the voluntary sector and in banking and finance, where it was cited by 45% and 43% of respondents, respectively.

Other causes of stress mentioned were change at work, cited by 44% of respondents; long hours, cited by 39%; and shift work, cited by 30%.

See Stress on page 25

Railtrack responds to recent problems

LONDON—Railtrack P.L.C., the beleaguered U.K. rail operator, is revising its risk management program in response to recent problems on the rails and the Turnbull Report guidelines on corporate governance, said Railtrack's acting finance director.

Speaking at the 37th annual dinner of the U.K. Assn. of Insurance & Risk Managers in London last week, Finance Director Sebastian Bull said the rail transport industry has become increasingly aware of the need for better risk management systems and practices. Railtrack, he said, has set up a risk and review group comprising department leaders to coordinate the risk management activities of the entire company. “We are currently at the point where, having identified the key risks, champions have been identified to progress a more detailed analysis and management plan.”

“An issue that Railtrack is currently facing...is how to embed an ongoing risk management culture” in the day-to-day running of the business, Mr. Bull said. “We are still developing our thinking in this respect, and I understand AIRMIC is working on guidelines

that may assist in this process,” he added. A driver of such efforts, he noted, is the 1999 Turnbull Report's call for publicly traded companies to tell shareholders more about potential risks.

He also thanked the insurance industry for its support and assistance in processing claims arising from recent rail service disruptions stemming from a safety overhaul Railtrack undertook after an Oct. 17 fatal rail crash.

AIRMIC Chairman Alan Fleming, who also is Railtrack's head of insurance and risk management, praised the rail industry's claims-handling protocol.

“This allowed the industry and its insurers to get on with the job of dealing with claimants in a swift and reasonable way without incurring horrendous lawyers' fees,” he said. “I believe that a similar claims protocol where, by prior agreement, the insurance industry in the early stages of a disaster rallies round a lead party, which deals with the immediate aftermath without prejudice to liability, could greatly benefit other commercial sectors and industries.”

—By Sarah Veysey

Group aids region's risk management

By ROBERTO CENICEROS

PANAMA CITY—Brazil's minister of the treasury will open his nation's reinsurance market to private companies early next year if a definite timetable is not soon established by the courts to sell off Brazil's monopoly reinsurer, says a Brazilian risk manager.

Several dates for the sale of Brazil's Instituto de Resseguros do Brasil have come and gone. But a left-leaning political party and Brazil's high court have caused postponements, said Maria Beatriz Schiesari, insurance officer in

Washington for the Insurance Unit Technical & Environment Department of the International Finance Corp. The IFC is a private-sector affiliate of the World Bank.

The repeated delays are an embarrassment for Brazil's insurance community, said Ms. Schiesari during the annual conference of the Asociacion Latinoamericana de Administradores de Riesgos y Seguros, held in Panama last month. ALARYS is an association of six risk management organizations from throughout Latin America.

International reinsurers that es-

tablished offices in Brazil in recent years, anticipating the sale, are finding it difficult to justify keeping those offices open, she said.

So the announcement earlier this month by Brazil's minister of the Treasury, Pedro Malan, offers hope, said Ms. Schiesari, who also is international director for the Brazilian risk management association Associacao Brasileira de Gerencia de Riscos and an ALARYS board member.

“It's a dream for Brazilians to see this happen,” Ms. Schiesari said of the IRB privatization. “It will mean the death of the national reinsurer, but it is important to us.”

Ms. Schiesari's speech was among several that described the

progress of risk management and commercial insurance throughout the region, despite the political and economic hardships that currently plague many Latin American nations.

Other speakers and attendees noted that risk management is spreading to local companies, not just the local branches of multinational companies. They also noted that new risk management associations are forming in several Latin American countries.

Chile, for example, could see the formation of a new association early next year, said Jorge Ferrada Gallardo, industrial risk analyst for Aetna Chile Seguros Generales S.A. in Santiago, Chile. Brokers in

See ALARYS on next page



INTERNATIONAL

ALARYS

Continued from previous page

Chile fear that purchasers want to form the association in order to bypass them and go directly to insurers, but that is not the case, Mr. Ferrada said.

The goal of creating a risk management association is to ensure the long-term stability of Chile's commercial insurance market by spreading information about risk management concepts and sound underwriting practices, he said. Several risk managers for multinational companies operating in Chile back his effort to form the organization, Mr. Ferrada said.

In some countries, established risk management organizations are facing challenges by nascent groups.

In Mexico, for example, a new risk management organization recently emerged, with its leader saying the nation's established risk management association—the 28-year-old Instituto Mexicano de Administradores de Riesgos, or IMARAC—does not meet its members' current needs.

IMARAC continues to focus on educating young college graduates and

new risk managers about risk management principals, said Enrique Benitez Gurrola, IMAFAC president and risk manager in Mexico City for Servicios Condomex S.A. de C.V. There is great need for that education in Mexico, he said.

But there is even greater need to move beyond the mere comprehension of elementary risk management practices, said Victor M. Garay, president of Garay Consultores in Mexico City.

Mr. Garay is a former risk manager for Wal-Mart Stores Inc.'s operations in Mexico and the founder of a new Mexican organization, the Asociacion Mexicana de Administradores de Riesgos y Seguros, or AMARYS. Mr. Garay said he formed the new organization to promote advanced risk concepts and insurance alternatives.

ALARYS leaders said they hope to reduce discord and bring the two Mexican groups together.

Also in Mexico, insurers are under a new legal mandate to disclose by July 1 where their reserves are invested, Mr. Garay told the ALARYS conference. Insurers were caught off guard by the law, which was pushed by regulators. But the mandate will help buyers ensure that they are cor-

tracting with financially stable insurers, he said.

In Latin American countries with smaller economies, many business operations are served by risk managers who reside and work in Argentina, Brazil and Mexico, said Javier Mirabal, general director for Pericas, Mirabal & Asociados, a Towers Perrin unit in Caracas, Venezuela.

Those three countries comprise about 70% of Latin America's insurance market, he said. They also are popular sites for the Latin American headquarters of multinational companies and large local corporations that employ risk managers and that maintain operations in Latin American countries with smaller economies.

Risk management decisions, therefore, often are made outside some of the countries where the risks are located. But that does not mean that risk management practices are entirely absent in those areas, Mr. Mirabal said. It does mean, though, that ALARYS needs to provide an information conduit to risk managers who must address risks in areas in which they do not reside.

Meanwhile, service providers attending the conference said they

foresee continued growth in Latin America's insurance and risk management market.

There are now 50 captives licensed to Latin American companies, with more than half domiciled in Bermuda, said Eduardo A. Fox, a manager for the Hamilton, Bermuda-based firm of Appleby Spurling & Kempe.

Interest in the formation of Latin American captives is expected to grow, because companies throughout Latin America that previously were government-owned have been privatized, Mr. Fox said. In addition, there is greater understanding of advanced risk management concepts throughout the region, and more Latin American companies now have paved the way for those considering the captive option, he said.

"We now even have the interest of state-owned companies, as well as those that used to be state owned," Mr. Fox said.

While international insurers, brokers and other vendors continue to be interested in the region, there is a need for them to understand the local cultures, customs and language in Latin American markets, said Stavros Costaragos, president of Compania Panamena de Productores de Seguros in Panama City.

International vendors may also have something to learn about the level of sophistication among some Latin American risk managers.

Several risk managers complained in private after a conference speaker discussed the need for greater risk management professionalism, including an understanding of risk mapping and financial risks, Mr. Costaragos said. The speaker said he would not have delivered the same speech in the United States or in Europe, because risk managers there already understand those concepts. That irritated several of Latin America's risk management leaders, who said their companies implemented such practices years ago.

The range of sophistication among Latin American risk management impressed David L. Mair, risk manager for the U.S. Olympic Committee in Colorado Springs, Colo. Mr. Mair noted that while some risk managers who attended the conference appeared to be learning basic risk management concepts, others have the skills and knowledge to handle the risks of a Fortune 500 company. Mr. Mair attended the conference as a representative for the Risk & Insurance Management Society Inc. of New York, for which he is first vp. **BI**

Pollution risk awareness growing in Latin America

By ROBERTO CENICEROS

PANAMA CITY—Although much of the world long ago adopted legal standards requiring polluters to pay for the damage they cause, Latin America has lagged in that respect, a risk manager says.

But that attitude is changing as Latin American nations have begun imposing fines and remediation requirements on polluters, says Jorge D. Luzzi, president of ALARYS and director of risk management for Latin America at Italian tire manufacturer Pirelli S.p.A. in Buenos Aires, Argentina.

Mr. Luzzi spoke at the fourth convention of the Asociacion Latinoamericana de Administradores

de Riesgos y Seguros. ALARYS is an association of six risk management organizations throughout Latin America.

Brazil, for example, has one of the highest rates of pollution disasters in the world, with deaths of

ten resulting, Mr. Luzzi said. But there is growing awareness in that country that pollution is no longer acceptable, he said, noting that the government has imposed fines amounting to tens of millions of dollars for some of the most egregious cases.

Employers in Brazil, therefore, have become more aggressive in preventing pollution, and policyholders increasingly want insurance coverage for pollution liability, Mr. Luzzi said. Insurers and

reinsurers are trying to respond with coverage pools that can handle the large financial losses that can occur, he said. Insurers and reinsurers, however, are moving slowly, because they do not yet have enough information about risks in Latin America.

"Reinsurers don't have all the answers," Mr. Luzzi said. "This is just beginning in Latin America. We are taking the first steps, and the reinsurers are moving with a lot of care, taking risks very selectively." Lawmakers in Brazil are starting to examine the coverage availability issue, Mr. Luzzi added.

Multinational corporations operating in Latin America purchase their coverage on a global basis and likely have well-structured pollution coverage, said Maria Beatriz Schiesari, insurance officer in Washington for the insurance unit-technical and environment department of the International Finance Corp. The IFC is a private-sector affiliate of the World Bank.

Domestic Latin American companies, on the other hand, are likely to find it more difficult to purchase this coverage within their local markets, she said.

Latin American risk managers, meanwhile, must understand the

risks and insurance coverage issues associated with pollution liability, Mr. Luzzi said. In particular, risk managers must understand the growing risk posed by U.S. attorneys, who are willing to travel south to gather plaintiffs in cases against U.S.-based corporations with Latin American operations.

That is also the case with regard to product liability, another speaker told the conference. U.S. attorneys increasingly will hold Latin American companies responsible for losses in the United States related to products they manufacture, said Edna Vazquez-Bonnet, president of Bonnet Insurance Brokerage Corp. in San Juan, Puerto Rico. That is a particular concern for Mexico-based operations, given that country's proximity to the United States and the existence of the North American Free Trade Agreement.

Another issue Latin American risk managers need to understand involves the coverage implications of sudden vs. gradual pollution, according to speakers at the conference.

Specific coverage for gradual pollution exists in theory only, Mr. Luzzi said. Insurers say they have the coverage available; but, in re-

ality, their underwriting standards and prices are too high for companies to obtain the insurance, he said.

"It isn't there, really, but in theory it exists," he told his audience at the meeting.

Whether a loss is sudden or gradual can easily become an issue under policies that cover only sudden pollution, Mr. Luzzi said. He presented the example of a loss that occurred at a manufacturing plant that Pirelli purchased from another tire manufacturer. The loss occurred in a part of the plant in which rubber is mixed with other manufacturing chemicals.

A pipe running underneath the plant developed a crack, and a small water leak ensued. The ground upon which the factory was built tends to give way when it is saturated with water. When that happened, the building's foundation also gave way, releasing some of the manufacturing ingredients, Mr. Luzzi said.

The incident raised many coverage questions about when the pipe leak—and, therefore, the loss—actually occurred.

From Pirelli's standpoint, the loss was sudden and happened when the ground and foundation gave way, Mr. Luzzi said. **BI**



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Meeting moves to a Latin beat

PANAMA CITY—When it comes to Latin American risk management conferences, forget the golf shoes and bring something appropriate for dancing to a conga-thumping, hip-gyrating cumbia band.

The fourth conference sponsored by the Asociacion Latinoamericana de Administradores de Riesgos y Seguros included an evening at which risk managers from throughout the region showed off their dance-floor prowess. The conference schedule also included a bus trip to view the Miraflores Locks, where ships are raised or lowered as they traverse the Panama Canal.

ALARYS is an association of

six risk management organizations from various Latin American nations. About 200 people from throughout the region attended ALARYS' fourth Congreso Latinoamericano de Administradores de Riesgos y Seguros, held

Nov. 19-22 at the Hotel Westin Caesar Park in Panama City. Those who attended included a delegation from Cuba's insurance market. Conference session topics included captives in Latin America, the management of Internet risks and environmental risks in Latin America.

The organization's board members presented the first ALARYS award to Jorge D. Luzzi, for his efforts to foster risk management

practices throughout Latin America. Mr. Luzzi is president of ALARYS and director of risk management in Latin America for the Italian tire manufacturer Pirelli S.p.A.

Attendance was lower than expected and smaller than at past ALARYS-sponsored conferences, organizers said. But the event was still a success, they added, given that the economic troubles currently plaguing Latin America kept some risk managers from traveling to Panama. Additionally, past ALARYS conferences were held in Mexico and Argentina, which have relatively large risk management communities compared with Panama.

The next ALARYS conference is planned for 2002 in Brazil, ALARYS leaders said. **BI**



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INTERNATIONAL

Cellular

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pany so far to take action to protect itself, and its reputation, in the event that cell phones are proved to be harmful. Most companies and employers are watching the situation closely but not acting in the absence of scientific proof.

"Risk managers will be aware of concerns which have been raised within the media and individual organizations will be considering if they need to make a risk management response at present, but there does not appear to be any consensus view on this matter within the risk management sector at the moment," said David Gamble, executive director of London-based AIRMIC.

"A potential risk has been identified, and risk managers will watch very closely the information that comes out from official and scientific channels," Mr. Gamble said.

Cell phone service providers and manufacturers continue to stress that there is no scientific evidence that the phones can be harmful, and cell phone use continues to grow worldwide.

Meanwhile, additional research continues to investigate the safety of the technology.

The U.K. government will announce further research programs and funding later this month, in accordance with the Stewart report's recommendations, a spokeswoman from the Department of Health said.

In the United States, the CTIA and FDA this summer announced a \$1 million Cooperative Research and Development Agreement to fund more research. This follows the conclusion of an earlier \$25 million program, which recommended that additional research be done.

"The wireless industry is committed to consumer safety and to addressing the concerns the public might have about wireless phones. While the vast body of scientific evidence indicates that there are no adverse health effects from the use of wireless phones, we are proud to be working with the FDA on research that will complement research presently under way globally," said Tom Wheeler, the CTIA's president and chief executive officer.

Ongoing research includes the International Electromagnetic Fields Project, set up by the World Health Orga-

nization to assess the scientific evidence of possible EMF health effects, review research results and conduct risk assessments of radio frequency exposure. The International Agency for Research on Cancer also is conducting a large epidemiological study in 10 countries to see if there are links between the use of mobile phones and head and neck cancers. The study is due to be completed in 2003.

In the United Kingdom, a three-year study to investigate occupational exposure to radiofrequency, electromagnetic fields and radiation from various sources, including telecommunications, is due to be completed at the end of 2001. The study is being carried out by the Institute of Occupational Health, the University of Birmingham and the National Radiological Protection Board, and it is being supported by the Department of Health and the government's Health and Safety Executive. The study aims to develop a protocol to estimate the total radiofrequency exposure during a period of employment and will assess the feasibility of conducting an industrywide epidemiological study to investigate any relationship between RF radiation and the risk to human health. **BI**



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Stress

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"Stress at work is a serious problem," said John Monks, general secretary of the TUC. "But a modern, 24-hour economy doesn't have to mean long hours—we should be working better, not longer."

"The government, which has a major stress problem among its own employees, needs to take the lead in creating a better working environment for its own staff and creating a better business environment for British workers generally," Mr. Monks said.

The TUC report asked safety reps to list their top five concerns. After stress, back strain was the second-biggest worry, reported by 44% of respondents. Repetitive strain injury was the third-biggest concern, reported by 41%. Display screen equipment was the fourth most-often-cited concern—reported by 36%, while working alone was the fifth-biggest worry, cited by 32% of respondents.

The report also found that fewer than half of employers—47%—have adequate risk assessments, and that, where risk assessments have been carried out, just 26% of safety reps are satisfied with their involvement in creating them.

The survey also determined that only 90% of employers have health and safety policies, though the 1974 Health and Safety at Work Act requires all firms with five or more employees to have health and safety policies in place and to bring these policies to the attention of all staff.

The TUC said it would call on the Health and Safety Executive, a government advisory body, to draw up standards to tackle excessive workloads, low staffing levels and long hours—factors for which management performance can be measured—in an effort to reduce workplace stress. It said it would also ask the Health and Safety Commission, which proposes laws, to give top priority to developing plans to cut RSI and back strain, and the government to legally oblige employers to establish rehabilitation policies outlining how they would deal with employees injured or made ill at work.

Meanwhile, stress in the workplace continued to grab the headlines in the United Kingdom last week, when a teacher whose stress-related illness forced her to quit her job in a South Wales primary school was awarded £254,000 (\$366,393) in a record out-of-court settlement.

Janice Howell was awarded the

compensation, the highest-ever award for teacher stress, after the Newport County Borough Council admitted liability in January 2000. Ms. Howell said she had suffered a two-year "nightmare" because she had to deal with 11 special-needs pupils in a mainstream class of 28. After two "nervous breakdowns," Ms. Howell was forced to retire.

Nigel de Gruchy, general secretary of the London-based National Assn. of Schoolmasters and Union of Women Teachers, the United Kingdom's second-largest teaching union—which backed Ms. Howell's case—said that his union is currently representing 120 teachers in stress-related lawsuits against school councils.

"If work-related stress is not taken seriously by government and employers, it could become the cancer and chief killer of the 21st century," Mr. de Gruchy said.

The Newport Council said that the events leading to Ms. Howell's case took place while the local authority was known as the Gwent Council and before the Newport education authority existed. It said, in a statement, that the council was committed to the health of its employees. "We are aware of the importance of stress. A stress management policy agreed with unions is in place," the statement said.

Stress was cited as the most-serious emerging threat the public sector faces in a survey carried out by the United Kingdom's Assn. of Local Authority Risk Managers earlier this year. In light of that finding, the association developed guidelines for human resources risk management that will be published next year, said ALARM Chairman Kevin McGlone.

"Stress is not always easy to recognize, diagnose and treat. But it is essential that early preventive action is taken and an HR risk management strategy is implemented which is sensitive to employees' abilities and needs, as well as meeting the demands of the organization," he said.

"As a general rule, ALARM believes that once stress has been identified as a problem or potential problem, it can be managed on one of three levels," said Mr. McGlone. "At a primary level, it involves removing the cause of stress—though we recognize that this is not always easy. Other measures include improvements in communications and support and participation in decision-making."

"On a secondary level, managing stress involves equipping individuals to cope with the problem and changing working practices to minimize the risk," Mr. McGlone said. "The third

level requires a recognition of the fact that some individuals will develop stress-related problems, so employers should provide occupational health therapy, counseling and rehabilitation services."

Employers are waking up to the fact that the stress levels of their employees can have a serious effect on business, according to a recent survey by London-based Hay Management Consultants. The survey of employee benefits found that the percentage of U.K. industrial and service companies offering stress counseling has tripled in the last nine years—to 53% in 2000, from just 18% in 1991.

"Technological advances—particularly the Internet and e-mail—have placed employees under far greater pressure," said Julie Alderdice, a consultant at Hay Management Consultants.

"Stress levels are building, and the balance between work and home life can no longer just be accepted but must be actively managed," Ms. Alderdice said.

"The good news, however, is that, with an increasingly service-based economy, people are more important to their companies than ever before," she said. "Employers are, therefore, now taking action to make it easier for employees to do their jobs." **BI**

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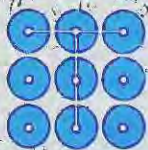
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NAIC

Continued from page 2

Systems Subgroup will begin immediately and apply to both life/health and property/casualty insurers.

That subgroup's recommendations to the states include: creating checklists of review standards in order to provide CARFRA members with clear guidance regarding state requirements, establishing a 30-day review and compliance time frame, implementing electronic rate and form filing nationwide, recognizing market competition and providing consumer access to information, according to Ohio Insurance Director Lee Covington, chair of the subgroup. Regulators plan to implement many of the recommendations by June 2001.

The NAIC also formally approved limited testing of a national treatment program for insurers, with the goal of eventually streamlining regulation in the areas of company licensing, solvency monitoring, holding-company transactions and market conduct. Participating states—representing all NAIC zones—are: California, Illinois, Maine, Nebraska, North Carolina, Pennsylvania, Texas, Virginia and Wisconsin.

During elections at last week's NAIC meeting, Kathleen Sebelius of Kansas defeated a challenge by Texas Commissioner Jose Montemayor for the office of president. Ms. Sebelius, who previously was vp, succeeded George Nichols III, the Kentucky insurance commissioner.

Iowa Commissioner Terri Vaughan ran unopposed to move up to vp. Elected to fill Ms. Vaughan's previous post of secretary/treasurer was Ar-

kansas Commissioner Mike Pickens, who defeated Pennsylvania Commissioner Diane Koken for the spot. Details of the balloting, which took more than two hours in a closed session at the NAIC meeting, were not released.

The new leadership is expected to continue efforts to modernize state insurance regulation.

The meeting also focused the attention of insurance regulators on the billions of dollars in new employer liabilities that a new federal ergonomics rule may create, along with potential conflicts between the rule's compensation requirements and limitations within state workers compensation programs.

The Occupational Safety and Health Administration rule is designed to encourage workers to identify symptoms related to musculoskeletal disorders, such as carpal tunnel syndrome, and report them to employers before they become serious and widespread problems.

The rule also requires employers to respond by paying for medical diagnoses and, in some instances, providing work removal and wage replacement benefits that exceed those required under many states' workers comp systems.

OSHA's new rule takes effect Jan. 15, 2001, before the new White House administration will take office. Employers, though, have until Oct. 15, 2001, to implement the rule.

Peter R. Kochenburger, counsel for Travelers Property Casualty Co. in Hartford, Conn., speculated, though, that if George W. Bush becomes president, the pro-business candidate may seek to delay implementation of the rule until the lawsuits challenging it

are resolved.

Mr. Bush could not simply overturn it, and a split Congress would be unlikely to undo it legislatively, Mr. Kochenburger said. To date, several lawsuits have been filed by employer and insurer groups, all of which seek review of the federal rule (BI, Nov. 20).

Members of the NAIC's Workers Compensation Task Force plan to discuss the ergonomics standard in a conference call this week, according to South Dakota Insurance Director Darla L. Lyon, who chairs the task force. Among other things, the group will discuss a request made, primarily by several insurer trade organizations, that the NAIC file an amicus brief in their lawsuit over the new rule.

Ms. Lyon also asked representatives of the Boca Raton, Fla.-based National Council on Compensation Insurance to provide some financial estimates about the impact of the new law, which the council agreed to do.

According to discussions among insurers and regulators, it is unlikely that current workers comp policies would cover employers' expanded liabilities under the new federal ergonomics rule, though the new rule may spur the development of new products that will do so.

The International Assn. of Industrial Accident Boards & Commissions drafted a position statement on the OSHA standard but found the statement so controversial among its membership that the group's executive committee opted not to take an official position on it, said Gregory Krohm, executive director of the IA-IABC, which held a joint session with the NAIC. Nonetheless, the organiza-

tion of state comp officials will discuss public policy issues and may take positions on technical or medical issues, Mr. Krohm told regulators at a joint meeting.

"Our governors will want us to look at this," especially since it could add billions of dollars of liability to the system, for which employers would be primarily responsible, Ms. Lyon said of the ergonomics rule.

State insurance officials also are looking at the regulation of workers compensation carve-out business after several insurers experienced significant losses participating in such a pool managed by Unicover Managers Inc. Since September 1999, members of the Underwriting and Reinsurance Pools Working Group have examined the operation of such pools, their impact on the insurance and reinsurance marketplace and the extent to which current statutory authority may have to be revised to ensure effective oversight. The result is a 14-page report, released last week, on which comment is invited by Feb. 16, 2001. To view the report, visit the NAIC's Web site, www.naic.org.

In a related action, the NAIC Blanks Task Force recommended adopting a requirement that life insurers that assume workers comp carve-out business expand the financial disclosure on their statutory annual statements. The proposed requirement is expected to go into effect for insurers' 2002 annual statements, which would be filed in March of 2003.

In other action at the meeting, insurance commissioners:

- Approved the association's 2001 budget, which represents a 2.8% increase in spending, to \$46.9 million,

and a 3.3% increase in projected revenues, to \$47.9 million. The budget allocates no resources for the implementation of state requirements under the federal financial modernization law. The organization is developing separate cost estimates for such programs.

- Agreed to expand regulatory participation on the NAIC's funded consumers program, which included 13 NAIC-selected representatives this year, at a cost of about \$60,000. The NAIC expects to increase the budget to nearly \$70,000 for the coming year because of increased costs anticipated with their participation in the NAIC working group on the implementation of the federal financial modernization law.

- Awarded second-round accreditation certificates to Alabama, the District of Columbia, Indiana, Michigan and Mississippi. That brings the total number of jurisdictions receiving the second-round designation to 45.

- Recognized 10 state insurance departments for successfully implementing all 11 technology-based initiatives in the State Regulation 2000 program—Alabama, Arizona, Connecticut, Illinois, Maine, Mississippi, Nebraska, New York, Pennsylvania and South Dakota. That brings to 23 the total number of departments to have implemented the program, which aims to use technology to improve regulatory efficiency.

- Awarded the NAIC's Robert Diene Award, the organization's most prestigious individual award, to Ron Foley, a life and health actuary with the Kansas Insurance Department; and to Arnold Dutcher, the chief deputy director of the Illinois Insurance Department. **BI**

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Risk

Continued from page 2
compensation risk financing costs rose in 1999

But risk managers should look for overall costs to climb, according to one expert.

"Insurers' results have been worsening," and premiums are rising, said James Gamble, senior manager with Ernst & Young's Business Risk Solutions practice in New York. In past surveys, he pointed out, the cost of risk has closely tracked the rise and fall of insurers' combined ratios.

Mr. Gamble said he believes mounting losses are "affecting premium negotiations for people who have them" during the current renewal season and will have an impact on the cost of risk in 2001 as well.

The benchmark survey is co-produced annually by the New York-based Risk & Insurance Management Society Inc. and Ernst & Young.

Last year's cost of risk was 8.9% lower than the 1998 figure of \$5.71 per \$1,000 of revenue. The 1998 total was an increase over the previous year and marked the first time the cost had risen in six years.

A look at this year's study suggests that risk managers who locked in multiyear programs at low rates could find that keeping their costs down will be challenging when those programs come up for renewal.

"There's been a lot of competitive pricing over the last three to four years, and a lot of people locked into three-year programs," said Matthew S. Ponticelli, risk manager with Rail-Works Corp. in Baltimore and chair of RIMS' research committee. Those organizations enjoyed a low cost of risk while insurance costs remained fixed and revenues grew, he noted.

In Canada, risk managers don't have to wait for the effects of a hardening market; their cost of risk rose substantially last year, after reaching its lowest level in 10 years in 1998.

In 1999, the cost of risk for Canadian respondents soared to \$2.88 Canadian (\$1.99) per \$1,000 Canadian (\$692) of revenue, compared with the previous year's \$1.74 Canadian (\$1.14) per \$1,000 Canadian (\$654). Large property costs were a big reason the 60 Canadian respondents reported such a high cost of risk, according to the survey.

The survey considers the cost of risk to consist of expenses related to the following: insurance premiums; retained losses; internal administra-

tion; outside services, including consulting, captive management and other vendor services; financial guarantees; and fees, taxes and similar expenses.

The survey is published as a benchmarking tool for risk managers.

Mr. Ponticelli said risk managers can use the information to gauge their cost of risk against that of their peers. He noted that insurance buyers with good loss experience can also use the survey to help convince underwriters that their losses are under control.

"It creates and opens a dialogue with the marketplace," Mr. Ponticelli said.

Retained liability losses for U.S. respondents fell to \$1.20 per \$1,000 of revenue in 1999, from \$1.62 per \$1,000 of revenue the year before.

Mr. Gamble acknowledged that the drop appears significant partly because the 1998 figure was "exceptionally high." In fact, retained losses in 1998 were a big reason the cost of risk rose that year.

Overall, liability costs per \$1,000 of revenue fell to \$1.88 in 1999, from \$2.43 in 1998.

Average liability premium costs also dropped last year, falling to 69 cents per \$1,000 of revenue, from 79 cents the year before.

On the property side, costs decreased to 85 cents per \$1,000 of revenue in 1999, down from \$1.07 in 1998.

Retained property losses fell to 33 cents per \$1,000 of revenue last year, from 53 cents the year before. The survey said that the "decrease in self-assumed losses can be attributed to the fact that fewer major losses occurred in 1999."

Premiums were down slightly, to 52 cents per \$1,000 of revenue, compared with 56 cents the year before.

While property and liability costs fell, workers comp risk financing ticked higher in 1999. The survey showed that those costs reached \$2.03 per \$1,000 of revenue, compared with \$1.96 in 1998.

Retained workers comp losses rose, accounting for much of the to-

tal increase in cost, according to the survey. Those losses were up to \$1.56 per \$1,000 of revenue in 1999, after they reached \$1.52 in 1998.

Even though overall workers comp costs rose, premiums for the coverage per \$1,000 of revenue fell by a penny in 1999, to 47 cents.

The survey noted that, while more companies are buying guaranteed-cost workers comp insurance, the strategy of shifting more risk to insurers is only partially effective, "since overall workers compensation costs have not been reduced," even though coverage prices generally remained attractive in 1999.

Administrative costs, which include the budgets of risk management departments, fell to 41 cents per \$1,000 of revenue last year, from 51 cents in 1998. Other costs in the category are broker compensation, fees for third-party administrators and consultants, captive management fees and costs related to risk management information systems.

There were some mild surprises in this year's findings, according to Sue Anne Mitro, risk manager for The Hillman Co., an investment holding company in Pittsburgh, and vice chair of the RIMS' research committee.

Ms. Mitro pointed out that respondents who bought guaranteed-cost insurance reported lower costs of risk than did those who maintained retentions. "More people bought guaranteed-cost at all revenue levels," she said, noting that such respondents, "as a group, reported a lower cost of risk."

That doesn't jibe with the conventional wisdom that holds that retentions and deductibles are always the most effective way to manage the cost of risk, Ms. Mitro said. With reasonable coverage costs, buying insurance obviously was a smart and effective way for many risk managers to control costs, she said.

While U.S. risk managers enjoyed a lower cost of risk last year, their Canadian counterparts got walloped. Retained losses are blamed by the study as contributing to the large cost increase.

Property costs in Canada more than doubled, to \$1.66 Canadian (\$1.15) per \$1,000 Canadian of revenue. Retained losses increased sharply, to \$1.15 Canadian (80 cents) per \$1,000 Canadian of revenue last year, from 24 cents Canadian (16 cents) the year before.

Mr. Ponticelli said the large losses of Canadian property owners related to ice storms helped push up their property costs and the overall cost of risk in 1999.

Property premiums also were up, jumping to 53 cents Canadian (37 cents) per \$1,000 of revenue in 1999 from 1998's 48 cents Canadian (31 cents).

Canadian risk managers saw their liability costs jump to \$1.08 Canadian (75 cents) per \$1,000 Canadian of revenue last year, an increase from 76 cents Canadian (50 cents) the previous year. Retained liability losses also grew, reaching 48 cents Canadian (33 cents) per \$1,000 Canadian of revenue, compared with 33 cents Canadian (22 cents) in 1998.

According to the survey, Canadian risk managers did get a break on administrative costs, which were cut in half to 20 cents Canadian (14 cents) per \$1,000 Canadian of revenue last year. "The decrease is attributable to a dramatic decline in the risk management department budget," which fell to 11 cents Canadian (8 cents) per \$1,000 Canadian of revenue in 1999 from 32 cents Canadian (21 cents) in 1998.

The survey also notes, though, that the reporting of 1999 costs was limited to those related to the risk management department. For some respondents, the survey said, "the eliminated the reporting of costs associated with previously included functions, such as safety and security."

Copies of the 2000 RIMS Benchmark Survey are available at a cost of \$395 for RIMS members, \$445 for associate members and \$495 for non-members. Telephone orders can be placed at 800-211-3257 or 317-843-2523. Information also is available at www.rims.org.

Captives

Continued from page 1
na's law uses the same tax structure as the Vermont statute.

Julie S. Boucher, senior vp and branch manager of Marsh Management Services Inc. in Burlington, Vt., which manages the FT Reinsurance captive, said the decision to redomesticate was driven largely by geographical considerations.

"FT and First Tennessee, its parent company, have their operations based in the South and the Southeast, so it made sense to have their captive" in South Carolina, Ms. Boucher said.

"The major reason we did South Carolina is, they were able to turn it around in two weeks," said Gary Osborne, senior vp at Vermont Insurance Management Inc./USA Risk Group in Montpelier, Vt., the Carnegie Insurance captive's manager. "We had faced a time crunch."

"We had spoken to Hawaii and they were quite receptive but weren't able to move things as quickly as we needed," Mr. Osborne said. "And South Carolina promised to give us immediate action and did, and that's what made us choose South Carolina."

With both of South Carolina's new captives managed out of Vermont, Mr. Ingram noted his state does not yet have a resident captive manager requirement, though it may in the future.

"We're allowing out-of-state management and, at this point, it was easier to maintain (FT Reinsurance's) management in Vermont," Mr. Ingram said.

"We're going to allow everyone to take a look at us," he said of captive managers. "However, as critical mass builds, we will be coming to you to ask you to establish a presence in South Carolina if you don't already have one."

Mr. Ingram said there has been considerable interest in South Carolina as a domicile since Gov. Jim Hodges signed the state's captive legislation into law this summer (BI, Aug. 21; June 12).

"We've actually got a couple of risk retention groups that are under review right now," Mr. Ingram said. "We have two (applications) on my desk right now and several more in the pipeline. If all goes well, we should have six licensed by the end of the year."

Mr. Ingram credited South Caroli-

na's quick start in captive formations to the planning that led up to the adoption of the state's captive law. "We planned this for a long time," he said.

Looking toward future development of the domicile, South Carolina in October formed the Alternative Risk Transfer Services division in its insurance department. A captive trade association, the South Carolina Captive Insurance Assn. Inc., also is in place. The association held its first meeting Nov. 30-Dec. 2 in Charleston, S.C., at which it installed its first board of directors.

"We had a fairly well attended little meeting," Mr. Ingram said, adding that the gathering drew approximately 70 attendees, including prospective captive parents. "In fact, we took two applications down there," he said.

"We had folks there from everywhere," he said. "Those that were there will essentially be our core group as we go forward with this." **BI**

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Ski

Continued from page 1

developed three years ago to cover a ski resort's loss of income due to a significant reduction in paid-skier days—defined as one skier purchasing a lift ticket for one day—that stemmed from any cause not specifically excluded.

The coverage, designed principally to protect against weather-related earnings disruptions, filled a void for ski resorts, which have been unable to purchase typical weather insurance coverage due to the lack of an onsite national weather reporting station—a

requirement for most weather policies.

Although the paid-skier day policy had been around for two seasons, it first gained wide popularity earlier this year when Vail Resorts Inc. mentioned in a quarterly results statement that it would recover losses from its policy due to a 9% decline in the number of paid skiers over the holiday season (BI, Feb. 14).

In all, 16 of the 18 ski resorts that had the coverage last year made claims on their policies last season as Y2K fears stymied many would-be ski travelers during the all-important year-end holiday season. Because of the resultant loss in business, coupled

with a lack of significant snowfall at the beginning of the season, underwriters paid out a total of about \$25 million, said Joseph M. McNasby, president of MDM Group Associates Inc., a Steamboat Springs, Colo.-based managing general agency.

"Last year was more unique, in that Y2K had a greater bearing virtually than any other thing you could think of," said Mr. McNasby, whose MGA created the paid-skier day policy. "The fear factor took on a life of its own."

Although the losses resulted in increased demand for the all-risk coverage among most of the major ski resorts in North America, they also created some reluctance on the part of underwriters.

Only one of the four underwriters that wrote the policy last season was interested in doing so this season, Mr. McNasby said, noting that one insurer in London got out of the primary market altogether.

Despite weather being the greatest known risk to earnings for ski resorts, underwriters feared unusual exposures falling under the "all other" risk category, as did last year's Y2K-related losses, Mr. McNasby said. About 90% of a ski resort's earnings exposure is weather-related, he added.

Underwriters also were reluctant to write the paid-skier day coverage because of a general tightening in the property/casualty marketplace, and some took the conservative view that the all-risk policy could be construed as a financial guarantee policy, something many underwriters tend to shy away from, Mr. McNasby said.

As a result, Mr. McNasby decided to amend the policy.

Whereas last year's policy was triggered when the number of paid skier-days—minus the number of season tickets and complimentary tickets issued—fell below a number agreed upon at the beginning of the ski season, the policy now contains a double trigger. The initial trigger is based on average snowfall for December through March: If snowfall drops below 70% of the historical average base snowfall for one month or if

snowfall falls below 80% of the average snowfall for the four months, the policy then turns to the number of paid-skier days, Mr. McNasby explained. If the ski resort's snowfall trigger is met and the number of paid-skier days falls below 90% of the average base number of skier days for a certain time period, coverage is triggered.

"We created this (double trigger) option in August but didn't push it until it became obvious that we would not get an all-risk policy," he said. "We had a choice: Do you let it go by the wayside or do you maintain 90% of the policy's integrity and keep it going? We kept it going."

The amended policy attracted six underwriters, including some domestic insurers as well as syndicates at Lloyd's of London. Most policies are written with \$5 million in limits.

Mr. McNasby maintains that this year's policy covers 90% to 95% of what was covered under last year's.

"For ski resorts, there are not too many things that could cause them a loss that are not weather-related," Mr. McNasby said. "Unless there is bad snow, other factors are not likely to be as serious of a problem for them."

He said that because it is hard to differentiate exactly how much of the losses from last season were due to Y2K fears and how much to the lack of snow, he cannot say whether the new double-trigger policy would have covered all of last year's losses. Had there been plenty of snow, the same Y2K fears and a reduction in the number of paid-skier days, however, insurance would not have been paid, he said.

Although the new policy is now complete, it has taken time. Whereas Mr. McNasby wanted to bind the policies by early November, he was still working out policy wording last week and expected to finish all the binding by the end of this week.

"If I had to guess, we might do 10 resorts" this season, Mr. McNasby said. "If we had done this one month ago, it would have been different."

And while the policy issues were

being worked out, many ski resorts around the country were enjoying early-season snowfall, which, coupled with the new policy, may have some bearing on whether resorts ultimately will purchase the policy this season.

Crested Butte Mountain Resort in Crested Butte, Colo., for instance, continues to weigh its options.

"I don't know if we will purchase it, but my gut feeling is that we won't," a spokeswoman said. "The combination of the two (triggers) will probably make it more difficult to collect on."

Crested Butte was one of 18 resorts around the county that purchased the paid-skier day policy last season. The spokeswoman said Crested Butte received a partial insurance payment from last season's dip in paid-skier days and is currently in mediation with insurers to resolve other disputes. She declined to elaborate.

Vail Resorts of Vail, Colo., which said that it expected to recoup approximately \$13.9 million from its reduced paid-skier day policy last season, also has yet to purchase the new policy for this season.

A spokesman for Vail—which operates the Breckenridge, Beaver Creek, Keystone and Vail ski areas in Colorado—said the resort is examining the cost and benefits of the available policy but has yet to make a decision.

Aspen Skiing Co., for one, is definitely not purchasing the policy.

"It just didn't seem to make sense to us, given the premium and deductibles," said a spokeswoman for the Aspen, Colo.-based company.

Due to the losses last year and the new policy, "which is being viewed from a different angle," premiums have gone up, Mr. McNasby said. About 80% of the resorts that bought a policy last year are seeing premium rate increases of up to 20% for the new policy, he said, noting that some will receive premium decreases. Another 20% that had bad losses, however, are seeing premium increases that are "out of the ballpark," he said.

"Eighty-five percent of the resorts, up until last year, had never had a claim. Almost all had a claim last year," he said. **BI**



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St. Paul

Continued from page 2

employees' age and length of service, between 20% and 80% of the premium.

The traditional retiree medical plan, say St. Paul benefit executives, had become increasingly out of step with a workforce where few stay long enough to qualify for the plan.

"We wanted to develop a plan that would be valued by all employees, not just those who stayed until retirement," said John P. Clifford Jr., St. Paul's vp-performance and reward systems.

The traditional plan was "very valuable to employees if, and only if, employees retired from the company. It literally had zero value if an employee left before retirement," he added.

St. Paul's new retiree health plan comes at a time when employers, ever-more alarmed about retiree health care costs, are increasingly abandoning the plans.

A new survey by William M. Mercer Inc. on corporate benefits reports that the proportion of employers offering health care plans to Medicare-eligible retirees has fallen to 24% this year from 40% in 1993, while those offering coverage to pre-Medicare eligible retirees dropped to 31% from 46% during the same seven-year period (see story, page 1).

The driving force behind plan terminations is employers' growing awareness of the cost of the plans and their fears that the plans will become even more expensive as more members of the baby boom generation re-

tire.

Indeed, St. Paul's Mr. Clifford said a secondary reason for adopting the new plan was a concern that the company's medical liability was "uncapped and inflating at an alarming rate."

Benefit experts describe St. Paul's approach as a middle ground between extremes of maintaining an ever-more costly plan and offering no plan at all.

"I see this as a win-win. Employees receive additional money, which they can use for any purpose, including purchasing health care coverage, while employers have gotten out of the business of offering a retiree health plan," said Steve Wagner, a consultant in the Minneapolis office of Hewitt Associates L.L.C., which worked with St. Paul in designing the plan.

Others like the concept of offering a benefit that not linked to age and service. "This is age neutral and provides a benefit regardless of whether employees stay until retirement," said Dennis Coleman, a principal with Unifi Network, a benefit consulting unit of PricewaterhouseCoopers in Teaneck, N.J.

Some note that St. Paul's approach could be especially attractive to employers that have significantly overfunded pension plans. That is because the surpluses in the plans could be used to fund the cost of the benefit.

"It is an effective use of surplus assets," said Richard Ostuw, global practice director, group and health care consulting, with Watson Wyatt Worldwide in Stamford, Conn.

The fact that St. Paul's pension plan is overfunded, while not a reason

behind the company's decision to overhaul its retiree medical plan, "obviously made this change easier to accomplish," Mr. Clifford said.

Legally, in fact, the new benefit is part of St. Paul's pension plan, with St. Paul essentially offering for those who opt for the cash balance approach an additional pension benefit rather than the company-subsidized retiree medical plan.

Simultaneous with St. Paul adopting a new way of providing retiree benefits, the company also converted its traditional defined benefit pension plan to a cash balance plan.

Under the new pension plan, employees whose combined age and service equal 39 or less receive an annual credit equal to 6%, while those whose age and service is 40 to 59 receive a credit equal to 8% of pay and those whose age and service equals 60 or more receive a credit of 10%. Account balances are credited with quarterly interest based on the 10-year Treasury note.

Current employees had between Aug. 28 and Nov. 21 to decide if they wanted to remain in the current pension and retiree medical plans or opt for the new plans. Fifty-eight percent of eligible employees chose the new cash balance medical plan and 51% opted for the cash balance pension plan. All employees hired on or after the Jan. 1, 2001 will be offered the new plans.

To help employees evaluate the two benefit designs, St. Paul used Ernst & Young L.L.P. to conduct onsite workshops. In addition, a toll-free help line and an Internet site, also administered by Ernst & Young, were offered. **BI**

Saving a career from the dogs

As I write this, tomorrow is the 15th anniversary of the day I joined *Business Insurance*, and it seemed fitting to make note of it here, especially since nothing else came to mind and my deadline has arrived.

Like virtually everyone else associated with insurance, I stumbled into the fringes of this industry and spent years telling others and myself that it would be only temporary. I liked journalism and my co-workers just fine, but insurance as subject matter? Ugh. I kept telling myself that Wallace Stevens worked for The Hartford for decades and it didn't seem to stifle his creativity.

I had moved to Chicago from Denver in 1985 to be closer to my girlfriend (now my wife) and to seek a career in publishing. Somehow, my hometown of Denver was just not the thriving media mecca I thought it would be. Based on a friend's recommendation, I landed a job in Chicago as a columnist with a small weekly newspaper. It didn't pay very much, but seeing my name in print was priceless. To me, that is.

My assignment for that newspaper was to write a column for the society pages offering a man's point of view. Point of view on what? My editor never specified, and she never commented on the columns I filed or called with any questions. So, I typed up pretty much anything that came into my head (sort of like this column), checked to make sure the paper was publishing the columns, and that was that.

Eventually, though, I began to feel that I was not connecting with the reader. In other words, the idea of a young man in his 20s writing anything that would hold the attention of a woman old enough to take interest in the society pages seemed absurd to me. That and the fact that my weekly viewpoint was not paying the rent forced me to look elsewhere for work.

I spent a couple of months answering help-wanted ads, sending letters to local media magnates and discovering what color my parachute was (for the record, it was green and came in the form of a check from my dad when my savings ran out). Due to an apparent glut of journalists at the time, entry-

level jobs were scarce, especially for someone with a liberal arts education and only limited experience in publishing.

I sent letters of application to Chicago publishers, including two to Crain Communications Inc., which publishes *Business Insurance*. One letter went to Rance Crain, the president of the company, who had attended my college and who I was hoping would take pity on a fellow alumnus. The other went to the company's personnel department, to which I am certain I expressed a lifelong desire to work for Pensions & Investments Age, another Crain publication.

I did not hear anything from Crain immediately. In the meantime, I received a reply from a publisher of various trade magazines and went to the interview expecting to land a job with Van Conversion Blue Book magazine. Instead, the available position was for a magazine called Dog World. My interview consisted of talking to a copy editor for about 15 minutes, and I was then placed in a storeroom with a manual typewriter to take an editing test. For the next hour, I read veterinary research papers and translated them into English. One of the papers I vividly recall was about how to tell whether an animal was in pain. To anyone who saw me exiting the Dog World interview, it would have been obvious.

The next day, feeling gloomy about how low my journalism prospects were sinking, I received a call from the editor of *Business Insurance*, to whom my letter had been forwarded. Now you might not think that getting a call from *Business Insurance* would be uplifting if Dog World was so depressing, but it truly was. Perhaps because I felt it could be the steppingstone to my dream of working at Pensions & Investments.

Kathryn McIntyre interviewed me. It went fairly well, despite the fact that I probably gave her clips of my male perspective column and, when she asked me what I would ideally be doing in five years, I replied without hesitation that I'd like to be the fiction editor at Playboy magazine. In hindsight, I realized I was supposed to say something like, "I want to have your job and be editor of *Business Insurance*," but, thankfully, she overlooked my naivete or appreciated my candor.

I was hired Dec. 9, 1985, as a proofreader, marking up page proofs for spelling and grammar errors—a job that was made obsolete in a matter of weeks by the purchase of a new computer publishing system.

About five days after I started working at *Business Insurance*, I received a reply from Rance Crain at my home. It said something to the effect of: "Dear Mr. Winston, Thank you for your interest in Crain Communications. However, we do not hire people with your lack of experience. Good luck."

I was terrified that my employment would be revoked if he discovered I had snuck past the company's defenses, and I didn't mention his letter to anyone for years. After 15 years at *Business Insurance*, I still enjoy journalism, I like my co-workers, and I've stopped saying that insurance publishing is only a temporary gig. I even get to write a column again. Maybe now I can also stop hiding from Rance.

Editor Paul D. Winston's commentary appears fortnightly and at www.businessinsurance.com. He can be reached at pwinston@crain.com

Fremont

Continued from page 1

casualty for A.M. Best Co. in Oldwick, N.J. Best downgraded Fremont Compensation's insurance financial strength rating Dec. 1 from B to E, indicating the insurer is under regulatory supervision.

The Illinois Department of Insurance expects to follow California and approve a similar plan, with reserve discounting, for Chicago-based Fremont Casualty Insurance Co., a spokeswoman for the Illinois Department said last week. Of Fremont Compensation's five units, Fremont Casualty is the only one not domiciled in California. The risks underwritten by the five units had all been pooled, Mr. Clark said.

California broker sources said they had already stopped placing client business with Fremont Compensation. Because larger policyholders will not be able to place business with a low-rated insurer, Fremont Compensation is expected to end up with a policyholder base made up of small businesses that may not have many options in California's tightening workers comp market, according to brokers, regulators and analysts.

The rehabilitation plan marks the first time regulators have allowed a California workers comp insurer to reduce statutorily required loss reserves through a process known as "loss reserve discounting," according to regulators and analysts. Insurance regulators in other states have allowed such reserve discounting for insurers in rehabilitation with long-tail liabilities.

The agreed-upon rehabilitation plan allows Fremont Compensation to "adjust to present value their workers compensation net loss and allocated loss adjustment expense reserves for accident years 1999 and prior," according to a release from Fremont General, the Santa Monica, Calif.-based parent of Fremont Compensation.

Adjustment of reserves to present value will be retroactive to Sept. 30 and will give Fremont Compensation's subsidiaries a consolidated statutory insurance surplus of about \$220 million as of that date, according to Fremont General.

In essence, Fremont Compensation will be allowed to satisfy reserve requirements by setting aside the present value of claims expected to come due in the future, Mr. Clark explained. For example, if a claim is expected to cost \$100 five years from today, the company may only need to reserve \$75 instead of the full \$100, with an expectation that investment returns will produce the full amount necessary to pay the claim, he said.

Regulators from the outset were aware that their plan to reduce Fremont Compensation's reserve requirements could be viewed by the insurer's competitors as favoritism and could result in other insurers requesting similar treatment, Mr. Clark said. But, he added, the strict oversight conditions that have been placed on Fremont are likely to discourage other companies from requesting a similar arrangement.

Although Fremont Compensation's reserves were not adequate to meet the conservative statutory accounting standards, regulators approved the plan because they believe Fremont Compensation has sufficient assets to pay claims and make the rehabilitation successful, Mr. Clark said.

But that remains to be seen, and the company still could be placed in conservation, according to regulators and analysts.

As an alternative to the rehabilitation plan, California regulators also considered directing the state's Conservation and Liquidation Office to manage Fremont Compensation and allow the insurer to obtain reinsurance, which is considered a traditional solution for financially troubled insurers.

In weighing their options, regulators took into consideration the conditions in California's workers comp market and the impact of eliminating another major workers compensation insurer, Mr. Clark said.

Analysts and brokers said Fremont experienced difficulties similar to those that plagued Calabasas, Calif.-based Superior National Insurance Group, which was seized in March after it was found underinsured and

insolvent (BI, March 6). Operating in a competitive market following California's switch to open rating in 1995, Fremont Compensation sold policies at rates below expected losses, while using reserves to meet stockholder demands, they said.

The business for which the discounted-reserve approval applies will be placed into one Fremont Compensation unit and run off, explained a spokeswoman for the insurer. Fremont Compensation's plans call for its other four units to eventually assume only post-1999 business, and they will not discount reserves.

The plan agreed to by the insurer requires Fremont Compensation to reduce annual written premiums from nearly \$1 billion to \$400 million, Mr. Clark said. "It's a huge cut in the amount of business they write," he noted. "But it is reasonable in relation to the size of the new company."

The agreement will remain in force until the Department says otherwise or the agreement is superseded by administrative or court order, the agreement reads.

Under one of 20 conditions, "The department reserves the right to require resignation of members of the boards of directors and senior executive officers of the insurance companies and shall have prior review and approve any new appointments by Fremont to such positions," the agreement states.

In addition, Fremont General will contribute a total of \$6 million in cash to Fremont Compensation from 2001 to 2005. Fremont General, a financial and insurance services holding company, has more than \$8.2 billion in assets.

The plan is preferable to the option of requiring Fremont Compensation to increase its surplus by obtaining reinsurance, because that would have forced the company to pay hundreds of millions of dollars in premiums. Instead, the company can earn interest on that money.

Fremont Compensation "remains in very precarious financial condition," and without the discounting, it would be technically insolvent, Best's Mr. Simpson said. "They are very vulnerable and have been kept alive through this discounting of reserves."

Other rating agencies reacted with downgrades, while analysts agreed the company's future remains unclear. Chicago-based Fitch lowered Fremont Compensation's insurer financial strength to DDD from BB-

"Obviously, the insurance commissioner didn't believe (Fremont Compensation) could operate on a stand-alone basis," said Michael Paisan, vp at Keefe Bruyette & Woods in New York. "It is unclear to me whether or not they really have their reserve issues put behind them. Obviously, it is unclear to the insurance commissioner as well."

The extent to which policyholders will renew business with Fremont Compensation remains to be seen, given that the company will have to raise rates significantly, analysts said. Just how badly past claims expenses will continue to weigh down the company also remains an uncertain factor, they said.

Fremont Compensation's strategy will now rest on attracting small policyholders that are less sensitive to its current Best rating and to price increases, the insurer's spokeswoman said. Larger accounts often are served by brokers whose own errors and omissions liability coverage might preclude them from placing business with an E-rated company. Also, large accounts often need layers of insurance, and other insurers might decline to provide coverage above Fremont, she said.

But Fremont Compensation is adept at writing small business—the sector it focused upon until the early 1990s, she said. Most of the company's larger accounts came through acquisitions, the spokeswoman said. In addition, the company is already obtaining substantial renewal rate increases.

Brokers for large and midsize business said they had already stopped placing business with Fremont.

"We stopped placing business with them a while back, and we have replaced anything we did have with them," said Stephen B. Paulin, senior vp for Sullivan Curtis Monroe in Irvine, Calif. **BI**

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Costs

Continued from page 1
tal health and vision care.

These increases continue a trend, which began in 1998, of accelerating health care plan cost increases. In 1999, costs increased by an average of 7.3%; in 1998, they rose 6.2%.

And costs are likely to increase by an even higher percentage next year. Survey respondents expect that costs will increase by an average of 11% in 2001.

"I do not think the worst is over," said Blaine Bos, a Mercer consultant in Chicago and one of the authors of the survey.

With the recent run of health care cost increases showing no signs of leveling, more employers are prepared to pass on a portion of those increases to employees, the survey revealed.

Forty percent of surveyed employers—including 58% of large employers—say that they will raise employee premium contributions in 2001. That's a huge jump from a year ago, when just over 20% of employers said they planned to increase employee premium contributions for 2000. With a booming economy, at least until recently, and a tight labor market, employers have been reluctant to pass on cost increases to employees.

But now, with no end to cost increases in sight, "the feeling is we have to do something. This can't wait anymore," Mr. Bos said, referring to employers' decision to shift costs to employees.

In the case of retiree health care coverage, where plan costs are rising even faster than in plans covering active employees, some employers are taking an even more radical step and are terminating plans. This year, the number of employers offering health care coverage to pre-Medicare-eligible retirees fell to 31% from 35% in 1999, while those offering coverage to Medicare-eligible retirees declined to 24% from 28%.

Soaring costs, Mr. Bos said, are driving employers out of the retiree health care market. This year, health care coverage for pre-Medicare-eligible retirees jumped 10.6%, to an average of \$5,537 per retiree, while costs for Medicare-eligible retirees skyrocketed 17%, to an average of \$2,319 per retiree.

As is the case for active-employee plans, even steeper cost increases in the future seem likely for retiree health care plans. That is because elderly plan members are the biggest users of prescription drugs, and prescription drug costs—which increased 17.5% this year—are rising faster than those of any other health care services.

Still, employer-sponsored retiree health care coverage isn't likely to disappear entirely, due to the downside of plan terminations.

"Without a retiree medical plan, employees wait longer to retire, which may delay career advancement for younger employees. And those employers trying to attract experienced, midcareer employees may find the lack of retiree coverage hurts them," Mr. Bos said.

For the majority of employers, though, the most-disturbing survey finding may be that the sharpest cost increases were seen among health maintenance organizations and point of service plans—the health care plans that make the greatest effort to manage care. This year, costs for large employers increased by an average of 9.2%, to \$4,179 per employee for POS plans, and rose 8.7% for HMOs, to \$3,909. Large employers' costs for preferred provider organization plans increased by an average of 6.1%, to \$4,072. In 1999, large employers' costs for HMOs increased 6.4%, while costs rose 2.5% for POS plans and 6.5% for PPOs.

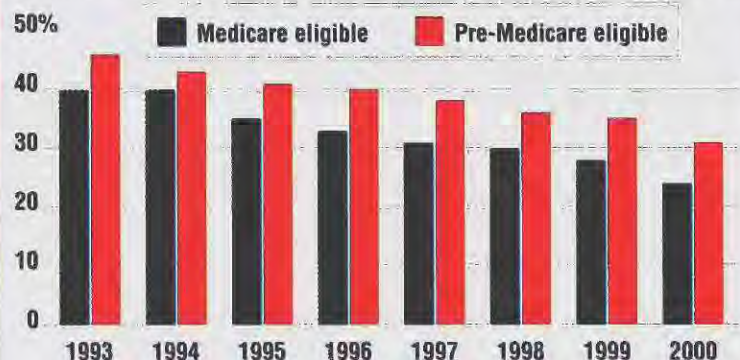
Costs at a glance

Total health care costs per employee*	% change
1996	\$3,703 1.4%
1997	\$3,594 -2.9%
1998	\$3,817 6.2%
1999	\$4,097 7.3%
2000	\$4,430 8.1%

Medical costs per employee by plan type**	2000	1999	% change
Traditional indemnity	\$4,450	\$4,190	6.2%
Point of service	4,179	3,826	9.2
Preferred provider organization	4,072	3,837	6.1
Health maintenance organization	3,909	3,596	8.7

Total health care costs per employee by plan size*	2000	1999	% change
All employers	\$4,430	\$4,097	8.1%
10-499	4,165	3,804	9.5
500-999	4,325	4,045	6.9
1,000-4,999	4,535	4,044	12.1
5,000-9,999	4,607	4,229	8.9
10,000-19,999	4,614	4,294	7.5
20,000 and more	4,736	4,587	3.2

Decline in number of employers offering retiree medical coverage†



*For active employees
†For employers with at least 500 employees
Source: William M. Mercer Inc.

GRAPHIC BY JOHN HALL

One factor driving HMO and POS rate increases is that the plans remain under pressure from shareholders to improve their bottom lines following years of rate stability that have eroded profitability.

"They have to erase the red ink that resulted from intense competition—they have to show their shareholders something," Mr. Bos said.

At the same time, providers, perhaps sensing that they have new leverage with HMOs, have been demanding—and, in many cases, winning—rate increases. HMOs, in turn, are passing those costs on to customers.

Providers know that HMOs do not want disruption in their networks, because it could antagonize their enrollees, and that puts HMOs on the defensive in negotiating with providers, Mr. Bos said.

While ever-bigger health care cost increases may be likely for at least the next couple of years, Mr. Bos said that several developing trends could eventually dampen cost increases.

Advances in technology, especially expanded use of the Internet, have the potential to cut administrative costs significantly, he noted. At the same time, while greater use of prescription drugs is a key driver of current cost increases, Mr. Bos said that prescription drug use could ultimately lower costs by preventing expensive hospital stays.

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

- Regionally, PPO costs were highest in the Northeast, averaging \$4,326 per employee, up just 1% over last year's figure. PPO costs were lowest in the South, where they averaged

\$3,829, up 15.7%.

- HMO costs were highest in the Northeast, averaging \$4,157 per employee, up 5.8%; they were lowest in the West, averaging \$3,749, up 7.9%.

- The Northeast also had the highest POS plan costs, with per-employee costs averaging \$4,443, up 12.3%. POS costs were lowest in the South, averaging \$3,864, up 6.2%.

- Enrollment by plan type showed little change. Forty-one percent of employees this year were enrolled in PPOs, up from 39% in 1999; while 34% were HMO enrollees, up from 32%. In addition, POS plan enrollment fell to 17% from 18%, while enrollment in traditional indemnity plans dropped to 8% from 11%.

- More than one-third of large employers are using the Internet or company intranets in the administration of their health care plans.

- Most employers—79%—say they are concerned about litigation by health care plan participants, with 8% of employers saying they have been named in suits related to medical care provided through the health care plans with which they contract.

- Eighty-four percent of employers say that terminating coverage for employees and giving them money to buy coverage would result in some of their employees becoming uninsured, either because of chronic illness or because employees felt they couldn't afford or didn't need the coverage.

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

UPDATES

Asbestos woes fell Armstrong unit

Continued from page 2

has been named in 460,000 asbestos claims and has paid or agreed to pay more than \$5 billion in settlements, the company reported.

Pension reform measures dead

WASHINGTON—Employers will have to wait until at least next year for Congress to act on pension reform legislation.

Republican Senate leaders last week decided not to seek passage during the current lame-duck session of a tax-cut bill that contains a sweeping pension reform package. The bill, which earlier cleared the House of Representatives, was scuttled amid discontent among Senate Republicans, some of whom believe that if Texas Gov. George W. Bush becomes president, Congress will pass and Mr. Bush will sign a bill that cuts taxes even more significantly than this year's bill would.

Benefit lobbyists were not surprised by last week's action, having warned weeks ago that the chances that Congress would pass the tax-cut bill were very slim.

Among other things, the tax bill would have significantly increased benefits that could be funded through pension plans, as well as easing certain non-discrimination tests.

Court limits defect suits

SAN FRANCISCO—California's Supreme Court handed homebuilders a victory last week, ruling that a homeowner cannot bring a construction-defect lawsuit unless there is an injury or property damage.

Before the ruling in *Aas vs. William Lyon Co.*, an owner of a new home who found a defect had 10 years to sue the builder, even if the defect had not yet caused damage. The 10-year statute of limitations for bringing construction-defect lawsuits still stands. Now, though, damage must occur before a homeowner can sue.

The San Francisco-based court split 5-2 in its decision, which upheld two lower court rulings. Requiring builders to immediately correct a defect ultimately may be less expensive, wrote Justice Kathryn Werdegar for the majority. But, Justice Werdegar wrote, that also causes builders to raise prices to protect themselves against potential liabilities.

In a dissenting opinion, Chief Justice Ronald George wrote that a ruling stating that a house must first collapse or burn down before a homeowner can collect the costs for negligently constructed shear walls or firewalls offends basic common sense.

P/C industry overcapitalized: Best

The U.S. property/casualty insurance industry's excess capital position has grown dramatically over the past decade because of slower premium growth, better risk management techniques and significant surplus gains, A.M. Best Co. says in a study of the industry's capital adequacy at year-end 1999.

The Oldwick, N.J.-based rating agency estimates the industry could return \$180 billion of capital to its stakeholders, which equates to 53% of the industry's 1999 statutory surplus, and still qualify for a B+ rating. Best based its analysis on 996 individual companies and groups that represent more than 99% of the industry's capital base.

Best also concluded that more than three-quarters of U.S. property/casualty companies maintain "extra" capital totaling \$88 billion, or 26% of 1999 surplus, when compared with the capital that Best requires to support their respective rating assignments.

Best plans to publish its more detailed 1999 study of the property/casualty industry's capital adequacy in January.

Highlights of Best's research were presented in September at a conference in Philadelphia sponsored by Aon Corp. and the Wharton School of Business. At the same conference, Standard & Poor's Corp. presented a study that concluded many insurers could return capital to shareholders, boost reserves by 10%, prepare for a 25% stock market downturn and yet still have enough capital to retain their S&P financial strength ratings.

D.C. approves deregulation bill

WASHINGTON—The District of Columbia Council gave its final approval to a commercial insurance deregulation bill last week.

The measure—which is supported by the insurance industry—would exempt certain businesses within the District of Columbia from filing rate and policy forms if they meet at least one of seven criteria, which include paying annual insurance premiums of more than \$10,000 or generating annual revenues of more than \$2 million. The council had approved an insurance liberalization bill earlier this year, but that bill was rewritten after receiving what appeared to be final approval. The rewritten legislation disposed of most of the liberalization and was withdrawn.

"The legislation will enhance the district's ability to attract insurance companies by providing greater flexibility," said District of Columbia Insurance Commissioner Lawrence Mirel, who backed the measure.

Mayor Anthony Williams, who has supported previous deregulation efforts, now must sign the bill. The law then must be approved by the district's Financial Control Board and be sent to Congress, which has 30 days in which to review it or allow it to become law.

Briefly noted

The U.S. Circuit Court of Appeals for the District of Columbia has been chosen by lottery to hear a consolidated lawsuit challenging the Occupational Safety and Health Administration's recently promulgated final ergonomics rule. The court does not expect to hear the case before next year.... Washington state's Department of Labor and Industries has accused Bentonville, Ark.-based Wal-Mart Stores Inc. of failing to fully compensate injured workers and said it will take over the retail giant's self-insured program in the state. A spokesman for Wal-Mart said last week that the company is surprised, because it passed an audit by the Department of Labor and Industries in Nov. 1999.

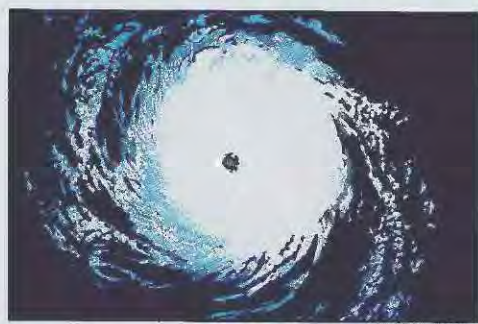


PHOTO: NOAA

► **GRAY FORECAST** The Atlantic and Gulf coasts can expect a light hurricane season in 2001, forecasters say. William Gray, one of the nation's foremost hurricane researchers, and his colleagues at Colorado State University in Fort Collins, predict nine named storms, five of which will become hurricanes, in the 2001 season. Two of those hurricanes will become major hurricanes, meaning they will be of category 3, 4 or 5, according to the forecast. This compares with a 1950-1990 annual average of 9.3 named storms, 5.8 hurricanes and 2.2 major hurricanes. Those averages, however, are only half the average seasonal activity of the last three years, according to Mr. Gray.

► **PILL-SPLITTING CHALLENGED** In a lawsuit filed last week in Alameda Superior Court, a public-interest group is accusing Oakland, Calif.-based Kaiser Permanente of jeopardizing patients' health by prescribing double-dosed pills that must be cut in half. The suit, which seeks class-action status, was filed in state court by the Trial Lawyers for Public Justice on behalf of Kaiser's 6 million California members. It asks the court to order the HMO to halt the prescribing practice. Kaiser maintains that the pill-splitting policy, which has been in place for seven years, is voluntary and has not had an adverse impact on patient health. The pills that usually are split include some antibiotics and those prescribed for such conditions as high blood pressure and depression, a Kaiser spokeswoman explained.

► **BACK BELTS STUDIED** Back belts worn by

workers carrying heavy loads do not help avert back injuries, according to a study by the National Institute for Occupational Safety and Health and the Centers for Disease Control and Prevention. The study, published last week in the Journal of the American Medical Assn., also noted that back injuries have been the leading cause of disability in the United States for workers under 45 years old and have been the most expensive health care problem for the 30- to 50-year-old age group. A NIOSH statement indicated the results of the recent study are consistent with NIOSH's 1994 finding that there is insufficient scientific evidence that wearing back belts protects workers from the risk of job-related back injury. The NIOSH/CDC study looked at 9,377 employees at 160 U.S. retail stores over a two-year period.

► **TIRE RECALL COSTS TALLIED** The recall of 6.5 million tires will likely cost Bridgestone/Firestone Inc. \$900 million in recall and liability costs, the company said. Yoichiro Kaizaki, president, chairman and chief executive officer of the manufacturer's Japanese parent, Bridgestone Corp., said in a statement that the company had set aside \$450 million for liability claims involving the tires. Mr. Kaizaki issued the statement in response to reports that a plaintiffs lawyer had estimated that the ultimate liability for deaths and injuries associated with the tires could total \$50 billion. "The basis for the alleged sum of \$50 billion is totally incomprehensible," Mr. Kaizaki said in the statement. The recall itself will cost another \$450 million, a spokesman for Bridgestone/Firestone said. The recall began in August, after complaints alleged that some Bridgestone/Firestone tires were defective and had caused hundreds of accidents, some of them fatal. The tire company does not have product recall coverage.



► **TEXAS EYES PACIFICARE** Texas insurance regulators are giving Pacificare Health Systems Inc. until Dec. 22 to submit a plan to remedy alleged problems related to patient access and claims payments. Texas Insurance Commissioner Jose Montemayor said, in letters written

last month to Pacificare's Texas operation, that the Santa Ana, Calif.-based health care company must correct problems related its complaint and appeals procedures; the late payment of claims; and the availability, accessibility and continuity of care. In one case, the department received complaints that Pacificare members had been assigned to doctors located 90 miles from the members' homes. A spokesman for the Texas Insurance Department said administrative oversight is "the least-intrusive investigation into a company's affairs." If the problems are not corrected, sanctions such as fines could be imposed.



PHOTO: NEWSMAKERS

American Foods Group last week recalled 1.1 million pounds of ground beef.

► **MEAT RECALL INSURED** American Foods Group Inc. announced a voluntary recall last week of 1.1 million pounds of ground beef, after the Minnesota Department of Health linked 22 reports of illness to E. coli contamination in the meat, according to the meat packer. A spokeswoman for American Foods Group said that the company has product recall and product liability coverage, but she declined to provide additional details. The beef was produced at the Green Bay, Wis., facility on Nov. 2 and Nov. 3 and was sold at eight Cub Foods stores in Minnesota, according to a spokesman for American Foods Group Inc. Cub Foods is owned by Minneapolis-based SuperValu Inc. The reports of illness have been confined to the greater Minneapolis-St. Paul area and were reported between Nov. 11 and Nov. 24, according to the MDH. The recall also includes meat distributed to other retailers in 15 states, though the Minnesota Department of Health has stated

that "consumption of ground beef purchased at other retail establishments was not a significant risk factor," according to American Foods Group.

► **2001 EVENTS LISTINGS DUE** *Business Insurance's* 2001 meeting and events guide is quickly approaching. This annual directory of commercial insurance-related conferences, seminars and classes is intended to help risk management and employee benefits professionals plan for the coming year. The comprehensive listing of local, national and international events will be published in the Jan. 8, 2001, issue and posted on BI's Web site. The guide is compiled from information provided to BI. Events to be listed can be submitted online on the Datebook area of www.businessinsurance.com.

► **BRIEFLY NOTED** CNA Re has launched smartfac, a Web-based system for submitting facultative reinsurance to the Chicago-based reinsurer. Ceding company clients can use smartfac at www.smartfac.com to submit, bind, endorse and review facultative business online....Paris-based reinsurer SCOR S.A. has launched an online underwriting tool, Sar@, for life insurers writing non-standard life and disability risks. The site, sara.scor.com, includes a database of diseases as well as information about professions, sports and transportation. Sar@ is currently in French, but versions in English, Spanish and Italian will be available in January, and a German version is due in June....Accused swindler Martin R. Frankel will be extradited to the United States from Germany to face charges that he siphoned tens of millions of dollars from a group of life insurers he controlled. Mr. Frankel was arrested in Hamburg and was convicted there of charges related to his use of a false passport. In the United States, he faces a criminal fraud indictment in Connecticut and a civil lawsuit filed by Mississippi regulators liquidating three of his former life insurance units.

► **To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.**

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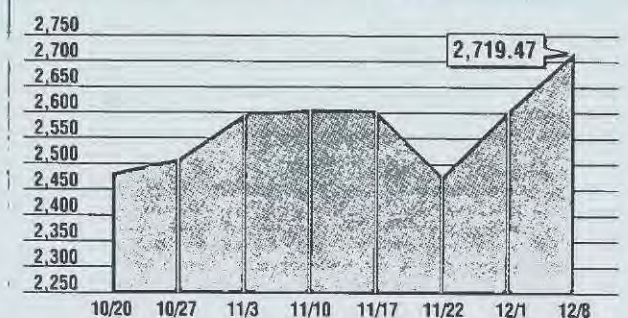
BI Industry Stock Report DEC. 4, 2000, THROUGH DEC. 8, 2000

BROKERS																							
		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)			Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)			Price	Weekly % change	Year to date %change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	33.13	7.29	-17.19	42.75	20.69	7793	Frontier Insurance Group	NYS	0.19	-14.29	-94.55	3.69	0.14	1415	UNUM Corp.	NYS	27.88	1.59	-13.06	32.94	11.94	3169
Brown & Brown	NYS	32.94	3.94	71.94	34.81	15.63	94	Galileo Inc.	NYS	2.63	0.00	-51.16	6.38	2.38	331	Vesta Insurance Co.	NYS	5.25	6.33	35.48	7.68	3.44	444
Clark Baires Holdings	NDQ	10.56	3.68	-26.52	17.88	8.50	14	Harleysville Group	NDQ	28.50	14.86	100.00	30.63	11.63	1187	XL Capital Ltd.	NYS	86.19	7.57	66.14	86.19	39.00	3532
E.W. Blanch Holdings Inc.	NYS	15.69	1.62	-74.39	62.56	13.00	186	HSB Group Inc.	NYS	38.75	0.00	14.60	40.63	21.50	782	Zenith National Ins.	NYS	29.25	14.99	41.82	29.25	18.75	191
Gallagher Arthur J. & Co.	NYS	60.88	0.00	88.03	64.44	23.06	1159	HCC Insurance Holdings	NYS	24.94	-3.16	89.10	25.81	10.38	1130	INSURERS/REINSURERS	AVERAGE		4.20	21.95			
Hib, Rogal & Hamilton	NYS	41.00	1.55	45.13	42.13	25.63	56	ING Groep N.V.	NYS	73.31	-1.43	20.18	75.25	46.81	676								
Kaye Group Inc.	NDQ	6.00	2.40	-4.48	11.88	5.00	9	IPC Holdings Ltd.	NDQ	21.19	-1.45	42.44	22.88	9.75	187								
Marsh & McLennan	NYS	126.00	7.96	31.68	135.69	70.50	3978	Hartford Financial Services	NYS	79.31	7.91	67.41	80.00	29.38	3732								
								John Hancock Financial Services	NYS	36.56	15.16	115.07	37.00	13.44	8957								
								LaSalle Re Holdings Ltd.	NYS	18.88	0.00	14.39	19.38	10.88	0								
								Lincoln National	NYS	49.19	4.24	22.97	56.38	22.63	4192	Health Net Inc.	NYS	22.88	0.00	130.19	22.88	6.63	0
								MAIC Holdings Inc.	NYS	15.44	8.81	-27.14	23.13	10.00	67	Humana Inc.	NYS	12.81	0.99	56.49	14.88	4.75	2445
								Market Corp.	NYS	165.00	10.00	6.45	171.00	111.50	240	Oxford Health Plans	NDQ	40.88	2.83	222.17	42.13	10.63	6214
								MBIA Insurance Group	NYS	74.06	5.61	40.24	75.25	36.31	1871	Pacificare Health Sys.	NDQ	12.19	-2.99	-77.00	72.31	9.81	2858
								Meadowbrook Insur. Group	NYS	5.25	13.51	-20.00	7.75	3.94	145	Sierra Health Services	NYS	3.60	6.67	-46.17	9.31	2.44	364
								MitLife	NYS	35.50	19.33	149.12	35.50	14.25	55082	United HealthGroup	NYS	119.25	2.86	124.47	121.56	46.38	4851
								Mutual Risk Mgmt. Ltd.	NYS	15.88	-2.31	-5.58	23.75	12.50	676	Wellpoint Health Networks	NYS	106.44	1.67	61.42	121.50	56.94	3264
								Navigators Group	NDQ	13.56	4.33	39.10	14.00	8.63	54	HMOs	AVERAGE		1.72	67.37			
								NYMAGIC Inc.	NYS	18.63	7.19	41.23	19.00	12.25	37								
								Ohio Casualty Corp.	NDQ	10.00	12.68	-37.74	17.88	6.13	1934	ALL COMPANIES			2.94	38.55			
								Old Republic Int'l	NYS	29.44	10.56	116.06	29.44	10.63	3639								
								Partner Re Ltd.	NYS	55.81	5.31	72.06	57.63	28.38	1502								
								Penn-America Group Inc.	NYS	6.88	-2.65	-11.29	9.75	6.63	13								
								PMA Capital Corp.	NDQ	17.50	2.94	-11.95	20.06	15.19	88								
								Philadelphia Cons. Holding	NDQ	27.69	2.55	90.95	29.50	14.13	153								
								PXRE Corp.	NYS	14.75	5.36	13.46	17.56	10.00	65								
								Reliance Group Holdings	NYS	0.03	0.00	-99.53	7.75	0.03	6365								
								ReksStar Financial Corp.	NYS	53.94	0.00	37.65	53.94	23.75	0								
								Renaisance Re Holdings Ltd.	NYS	80.38	8.25	96.64	80.38	35.88	815								
								RLI Corp.	NYS	41.88	3.40	23.16	42.00	26.25	54								
								St. Paul Cos.	NYS	56.38	10.54	67.35	56.38	21.31	7161								
								SCOR	NYS	47.88	-5.20	8.19	53.63	38.38	14								
								SAFECO Corp.	NDQ	30.94	11.24	24.37	31.06	18.00	8534								
								SCPIE Holdings Inc.	NYS	21.25	2.41	-33.85	36.94	18.31	NA								
								Seibels Bruce Group	NDQ	0.60	-25.93	-65.71	2.69	0.53	16								
								Selective Ins. Group	NDQ	22.38	11.18	30.18	22.38	14.63	274								
								Tokio Marine & Fire	NDQ	54.38	-4.40	-8.03	67.00	45.00	69								
								Torchmark Corp.	NYS	40.75	7.41	40.22	40.75	18.75	2015								
								Transatlantic Holdings	NYS	100.19	3.22	28.34	100.19	68.75	41								
								Trenwick Group Inc.	NYS	25.81	17.33	52.40	25.81	12.00	1753								
								Union American Corp.	NDQ	6.25	-3.85	-10.71	7.88	4.50	18								
								United Fire & Casualty	NDQ	18.50	0.68	-18.23	23.31	15.50	9								
								Unitrin	NDQ	39.00	7.96	3.65	39.75	27.19	614								

BI Insurance Index

Date	Index Value
10/20	2,250
10/27	2,400
11/3	2,300
11/10	2,450
11/17	2,350
11/22	2,400
12/1	2,550
12/8	2,719.47

BI Insurance Index



Top advancing issues: ESG Re Ltd., MetLife, Trenwick Group Inc. Leading decliners: Fremont General Corp., Seibels Bruce Group, Frontier Insurance Group. Most active issue: Citigroup. The BI Index increased 4.6%; the Dow Jones 30 Industrials rose 2.4%; the S&P 500 went up 4.1%; and the NYSE Composite increased 3.3%. Average P/E: Brokers, 23.0; Insurers/reinsurers, 29.3; and HMOs, 15.9.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

There is no 'I' in insurance.



GENERAL LIABILITY



COMMERCIAL AUTO



PROPERTY



WORKERS COMP

Well, you know what we mean: teamwork. The real kind. Ask our customers about the impact of our teamwork. Last year, we helped them save nearly 700,000 disability days, reduce claims by 20% and lower their cost of claims by 10%. Results like these come from partnering with our customers on every angle of insurance, through our unique team process called LibertyWorks™. It's how we evaluate their business from top to bottom, helping them uncover safety and savings opportunities. It's how we customize the best insurance for each individual business. And ultimately, teamwork is how we make your insurance more effective and easier to manage.

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