Benefits: Looking ahead to '83 — Page 3

WEEK OF DECEMBER 13, 1982

business insurance®

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update:

Lloyd's says it warned of Kenilworth's problems

LONDON—Lloyd's of London says that it warned the Illinois Insurance Department in February that there were serious problems at the now-defunct Kenilworth Insurance Co.

Despite the warning, the state did not shut down Kenilworth until April, Lloyd's pointed out in a letter to Parliament defend-

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Hallmark proposes punitive damage fund

By BILL DENSMORE

KANSAS CITY, Mo.—Defendants in the Kansas City Hyatt Regency Hotel litigation will never have to participate in punitive damages trials if an agreement between Hallmark Cards Inc. and plaintiffs' attorneys works as planned.

For the plan to work, however, all the claimants and defendants in the litigation will have to cooperate.

Claimants will have to agree to participate in a state class action under which they will either settle claims or sue only for compensatory damages. Those who sue will receive additional payments in consideration for punitive damages from a special fund to be created by Hallmark.

All other defendants in the case will have to agree to undisclosed terms set by Hallmark for obtaining their release from punitive claims, perhaps including contributions to the special class fund.

This is the first time that a defendant in a mass disaster has explicitly recognized punitive damage claims with some sort of settlement fund, plaintiffs' attorneys say.

Hallmark is offering to create this fund without any commitment from its insurers or other plaintiffs to contribute.

The agreement, between Hallmark and attorneys representing 111 of the 115 plaintiffs in state court actions, already has the conditional approval of Jackson County Circuit Court Judge Timothy D. O'Leary. If no other defendant or plaintiff presents convincing arguments against it, he will give final approval to the agreement Jan. 5.

Final approval could clear the way for resolution of the 180 claims still pending 17 months after skywalks in the hotel lobby collapsed,

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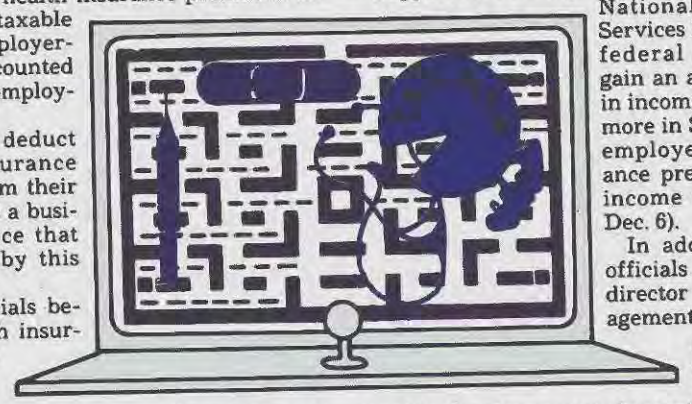
Reagan considering tax on health benefits

By JERRY GEISEL

WASHINGTON—The possibility that the Reagan administration may propose a tax on employer-provided health benefits is worrying benefit managers.

Administration officials are urging the president to propose a radical change in the tax code that would consider employer-paid health insurance premiums as part of an employee's taxable income. Currently, employer-paid premiums are not counted as taxable income for employees.



Employers can also deduct the group health insurance premiums they pay from their federal income taxes as a business expense, a practice that would be unaffected by this proposal.

Administration officials believe that taxing health insurance premiums could raise billions of dollars in new revenues to ease swollen federal deficits as well as help curb soaring health care costs that have been increasing twice as fast as the Consumer Price Index.

However, benefit managers say such a tax would not raise that much money, adding that it would take a further bite out of employee's paychecks, cause administrative problems and would not reduce health care inflation.

Although such a proposal would have received little support in Congress several years ago, the drive to raise new federal revenues will lead Congress to seriously consider the idea if such a bill is introduced, observers say. They point to the tax law passed earlier this year in which Congress approved, without prolonged consideration, dramatic benefit changes (*BI*, Aug. 23).

• Supporters of the proposal point to a new study by National Center for Health Services Research that says the federal government would gain an additional $20.4 billion in income taxes and $6.5 billion more in Social Security taxes if employer-paid health insurance premiums were taxed as income to the employee (*BI*, Dec. 6).

In addition, administration officials like David Stockman, director of the Office of Management and Budget, have argued that if health insurance premiums were taxed, employees would select lower-cost plans with high deductibles and coinsurance to avoid the tax. As a result, employees would have a personal stake in controlling costs.

Although a final proposal has not yet been hammered out, just the concept of taxing employer-paid health insurance premiums already has aroused a storm of protest from employers, insurers, benefit con-

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Big Kaiser Cement loss raises coverage issues

By STEPHEN TARNOFF

OAKLAND, Calif.—When buildings at 130 construction sites are flawed because the cement used was contaminated by one faulty ingredient, are the losses one occurrence or 130 occurrences?

Are excess insurers responsible for some defense costs when the primary insurance policy limits are exhausted?

The County of Alameda Superior Court in California is being asked to answer these questions in a case that could set precedents in litigation involving the definition of occurrence and insurers' responsibility for defense costs.

The case involves primary and excess insurers for Kaiser Cement Corp. of Oakland, which has turned in claims estimated to reach $75 million.

The costs stem from defense and settlement of more than 100 claims resulting from Kaiser's sale of limestone rock that was inadvertently mixed with kiln brick in May 1980, causing flaws in about 130 construction projects.

Already, Truck Insurance Exchange of Los Angeles, the primary comprehensive general liability insurer for Kaiser Cement, and excess insurers have paid $60 million in claims to homeowners, lessors and project site owners and may have to pay another $15 million, attorneys in the case say.

The most recent settlement for $7.2 million went to the general contractor for the Alameda County Jail.

The level of claims "is approaching the injury loss of the Air Florida crash in January," said Douglas M. Moore Jr. of the San Francisco law firm of Sedgwick, Detert, Moran & Arnold, which is representing excess insurer Allianz Underwriters Inc. "It is a very, very substantial claim."

Excess insurers just recently decided to ask the court to determine that there was more than one occurrence in this loss. They want the primary insurer and Kaiser to pay more than once under the per occurrence limit and the per occurrence deductible.

Meanwhile, Truck is suing Kaiser's seven excess insurers to force them to share about $4 million in defense and adjustment costs. Kaiser also was brought into the suit as a defendant on motion of some of the excess insurers. The bench trial began Dec. 8.

The first issue to be decided in the case is how many occurrences took place during the kiln brick incident. More than one could mean Truck would have to pay its aggregate

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NEWSPAPER

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ing itself against charges by an Illinois Insurance Department official that the market did not cooperate in the investigation of wrongdoing by persons linked to Kenilworth (*BI*, Dec. 6).

"Why had not the U.S. regulatory authorities acted sooner, particularly (after) they received several warnings from Lloyd's general counsel in the United States that there was a strong possibility that undesirable elements had gained a foothold in the company?" Lloyd's asked.

Lloyd's sent the letter, rebutting allegations made by William Allen, a special deputy with the Illinois department, after members of Parliament asked the Department of Trade to look into Lloyd's role in the Kenilworth affair.

Mr. Allen had told a meeting of U.S. insurance commissioners that a loosely linked group of reinsurance brokers and intermediaries had been defrauding insurers.

Court to review pregnancy case

WASHINGTON—The Supreme Court will decide whether the 1978 Pregnancy Discrimination Act requires employers to provide equitable pregnancy benefits to male employees' wives.

The high court last week said it would review a 4th U.S. Circuit Court of Appeals decision that Newport News Shipbuilding violated the 1978 law by refusing to provide full pregnancy benefits to wives of male employees in its group health insurance plan (*BI*, Feb. 1).

Many companies contend the law only requires them to provide equitable pregnancy benefits for their female employees.

Firm added to Cayman Re suit

NEW YORK—The New York law firm of Trubin Sillcocks Edelman & Knapp and two of its partners, P. Bruce Wright and Gerald Freedman, have been named as third-party defendants in a class-action lawsuit brought by stockholders of Cayman Islands Reinsurance Corp. against the company.

A federal judge recently signed an order granting Cayman Re's request to add the law firm to the litigation. Trubin Sillcocks served as its counsel for a two-year period ending July 31, 1981, during which a public stock offering was made by the reinsurer.

The class-action lawsuit charges Cayman Re with misrepresenting how the proceeds of the $4.8 million stock issue would be used. It also alleges that John Muir & Co., a defunct securities firm, used the proceeds to buy speculative new stocks it underwrote.

Cayman Re and two top officers recently settled similar charges brought by the Securities and Exchange Commission (*BI*, Dec. 6). The SEC will proceed to trial this week against Muir, partner Raymond L. Dirks and two other Muir associates.

Court reviews Bermuda insurer

NEW YORK—A New York Supreme Court began hearings last week to decide whether the state Insurance Department should be allowed to take over a $1.5 million trust fund maintained by Dover Insurance Co. Ltd. of Bermuda.

The department made the request in response to complaints from policyholders and rumors about the insurer's financial condition, a department attorney said. In September, the department ordered surplus lines brokers to stop placing business with Dover. Bermuda authorities then began investigating Dover (*BI*, Nov. 29)

Dover, a subsidiary of Pacific American Group of San Francisco, will resist any attempts to attach its assets, Chairman Irving Pfeffer told *Business Insurance*. "We are certain we can demonstrate to the court that Dover has sufficient assets to pay its claims and that we are currently paying claims from policyholders," he said. "We recently met with Bermuda authorities and satisfied their concerns."

Dover, which voluntarily stopped underwriting new business earlier this year, was also cited in a recent report on reinsurance fraud delivered to insurance commissioners (*BI*, Dec. 6). That report, according to Dr. Pfeffer, was in error when it claimed Dover was one of the reinsurers of a book of risks that eventually bankrupted Kenilworth Insurance Co. of Illinois.

M&M officers to hold standards

NEW YORK—Marsh & McLennan Inc.'s new management structure will help the broker maintain its professional insurance standards while it improves overall management, says Chairman John Regan Jr. of parent Marsh & McLennan Cos. Inc.

M&M Cos. has named Bruce Schnitzer, currently the parent's vp and chief financial officer, president and chief operating officer of the brokerage subsidiary effective Jan. 1, 1983, to replace Robert Clements, who was named vice chairman of the brokerage.

Though Mr. Regan admits the promotion to the top office of a financial manager rather than an insurance professional is unusual, he says Mr. Schnitzer's promotion will not diminish the firm's professional standards. If anything, he says, they will be improved.

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Lloyd's halts underwriting on large marine syndicate

By STACY SHAPIRO

LONDON—The Committee of Lloyd's of London has halted underwriting on one of the market's largest marine syndicates following new revelations into the activities of its underwriter and managing agency.

Lloyd's has suspended W.M.D. Underwriting Agencies Ltd., its managed syndicates including Syndicate 174, the large marine syndicate, and its underwriter, Colin Davies, from conducting business at Lloyd's.

The committee said it made its decision following a statement made by Mr. Davies "about his interest in, and/or involvement with, certain syndicate reinsurance." The suspensions of Mr. Davies and W.M.D. from the marketplace are the latest developments in the ongoing investigation into reinsurance dealings at W.M.D., which is 40% owned by Minet Holdings P.L.C, and P.C.W. Underwriting Agencies Ltd., which is wholly owned by Minet.

Two other W.M.D. shareholders—Peter Dixon, who was dismissed as chairman of P.C.W. earlier month, and John Wallrock, who resigned as Mi chairman last month—have been accused of benefi from reinsurance placed by W.M.D syndicates.

In addition, two other P.C.W. underwriters, Ad Hardman and David Hill, were dismissed by Minet lier this month after the same allegations were ra against them.

Lloyd's has also required P.C.W. and two other derwriting agencies that had underwriting interest P.C.W., T.E. Sampson & Co. and Gardner, Mountai Capel-Cure Agencies Ltd., to "take action to protect interests of their names."

The major shareholders in T.E. Sampson & Co. Messrs. Dixon, Hill and Hardman. Gardner, Mount and Cape-Cure is a subsidiary of Hogg Robinson Gr P.L.C.

P.C.W has also filed suit against Messrs. Wallro Dixon, Hill and Hardman for misuse of funds "deriv

Continued on page

NAIC's Olson warns employers about federal 'encroachment'

By EILEEN NORRIS

DALLAS—Unless employers and the insurance industry support state regulation, they may suddenly find themselves subject to an insurance system "designed by the architects on the Potomac."

With that warning about federal intervention, Lyndon L. Olson ended his presidency of the National Assn. of Insurance Commissioners.

"As long as insurance departments are underfunded and understaffed, they will be subject to the kind of criticism that can only lead to federal encroachment," he stressed.

He delivered that message to 1,300 insurers, regulators and employers attending the NAIC winter meeting in Dallas Nov. 28-Dec. 3. Mr. Olson is also a member of the Texas State Board of Insurance.

Insurance regulators will be tested in the next five years as never before as they grapple with policymaking for the international marketplace abroad and financial "supermarkets" at home, he added.

The financial integration decisions and strategies being shaped today by the business community, by lawmakers and by regulators will decide the fate of state regulation of insurance tomorrow, said Mr. Olson.

"I have faith that we can, and will, find a way to properly regulate the financially integrated institution of the future. It may require a new era of intrastate, interstate, and state/federal cooperation."

Today, the NAIC is the only forum for a unified voice in support of strong state insurance regulation, said Mr. Olson. "It is the best system for bringing about nation debate and consensus on insuranc issues," he added.

But, proper funding has to b supported if insurers and buyer really believe in state-based regula tion, Mr. Olson said.

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Board to reconsider extension of health benefits to 'partners'

By CAROL G. BLITZER

SAN FRANCISCO—The San Francisco Board of Supervisors will reconsider a proposal to extend group health care benefits to the unmarried domestic partners of city and county employees in the wake of last week's veto by Mayor Dianne Feinstein.

The controversial proposal twice passed the Board of Supervisors last month by an 8-3 vote, which is the margin needed to override a mayoral veto when the board meets again next week.

Even if the board overrides Mayor Feinstein's veto, however, another obstacle remains in the path of the so-called "live-in lovers' plan." A city government agency and not the board of supervisors has the final authority to fix benefits for municipal employees.

Only the seven-member board of trustees of the Health Service System can extend dependent medical coverage to domestic partners, including homosexual and heterosexual partners. The HSS is an independent government agency empowered by the city charter to administer the city's self-funded medical plan.

"The board of trustees is not required by law to be consistent with city policy, but there is much pressure to do so," says HSS Executive Director Randall Smith. The board will convene this week.

Mr. Smith pointed out that the HSS already is on record opposing

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Phone co-ops form Vermont captive

By JERRY GEISEL

MONTPELIER, Vt.—The first association captive formed in Vermont will provide the connection for broader insurance coverage for the nation's rural independent telephone companies and cooperatives.

National Telcom Corp., which will issue its first policies Jan. 1, will provide up to $5 million in property and casualty insurance coverages to members of the National Telephone Cooperative Assn., a Washington-based trade group.

"We were impressed by Vermont's new law that allows captives to insure both property and casualty risks," said Dennis Neustel, executive vp of the telephone cooperative association. "In short, Vermont was the most desirable of all the domiciles."

The National Telephone Cooperative Assn., which has about 500 members, began to consider a captive several years ago when members came to the 28-year-old trade group for solutions to their insurance problems.

Because of their small size—the average company has annual revenues of about $1 million—the cooperatives didn't have the staff or couldn't afford to hire consultants to adequately shop the commercial insurance marketplace.

As a result, some of the telephone cooperatives had gaps in their insurance protection, while others had overlapping policies, Mr. Neustel said.

By setting up their own insurance company, members will receive policies and services to meet their needs, Mr. Neustel.

With the aid of AIG Risk Management, a subsidiary of New York-based American International Group Inc., the telephone cooperative considered several possible domiciles for a captive.

Since many telephone cooperatives are tax-exempt or non-profit, there weren't any tax advantages to setting up a captive offshore.

There was a second important reason for a Vermont domicile. "This might sound corny, but our people are rural-oriented and there is a strong belief among our membership that you buy American," Mr. Neustel said.

Vermont also attracted the telephone cooperative association because of the state's liberal rules on capitalization and investment of premiums.

NTC, which received its license to operate from the Vermont Department of Banking and Insurance on Nov. 24, was capitalized at $1.5 million. The capital was raised through the purchase of NTC stock at $2,000 a share by the association and nine member companies.

NTC expects to increase its capitalization to about $4 million by the end of its first full year through the sale

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No health cost-containment method will cure all ills

By STEVE SHERWOOD

Employee benefit managers are discovering there is no miracle cure to the problem of rising health care costs.

Although there is a wide variety of methods a company can e in an attempt to hold the line on medical sts, experts agree on one strategy: If some- ng works for you, use it.

"Anything you can do to attack (rising alth costs) is smart to do," says John ckey, a partner at consultant Kwasha Lip- n in Fort Lee, N.J. "It needs to be hit from l angles. I haven't seen any cost-contain- ent methods that are bad ideas."

While many employers seem to be seeking that one cost-containment method that will solve all their problems, the experts say they doubt if that strategy can be found.

"I found that most clients are looking for magical solutions, with no major side effects or implications," says Michael Carter, a vp at Hay Huggins, a Philadelphia consulting firm. "There are various ways to attack the problem, but different things work for different people and none are magical."

Employers are now using techniques to cut health care costs in both the short and the long run. For example, many employers are making their employees share medical costs through higher deductibles, coinsurance or premium contributions, a move aimed primarily at immediate savings. Others are instituting wellness programs aimed at keeping employees healthier, thus reducing long-term health costs.

Galbraith & Green Inc., a consulting firm based in Salt Lake City, has identified some 66 different ways that employers can contain health costs, says Drew Crowley, a research and development specialist. "There are so many to choose from (that) an employer can be stymied before he even begins."

However, the success of a cost-containment effort often hinges more on how effectively it is administered and communicated to employees than on which particular strategy is used, consultants say, adding that a combination of methods is often needed before results will materialize.

"Often success is a matter of what the employer perceives will work and is willing to back wholeheartedly," Mr. Carter says. "I don't think any one thing has the potential of giving great savings on its own. The problem has to be attacked in as many ways as you can manage."

Although Mr. Carter says he doubts that any cost-containment method is, in itself, intrinsically bad, he adds that "halfhearted, scattershot health programs are a waste of time. They need to be ongoing, coordinated and convenient for employees in order to work."

Michael Sydlaske, an associate with consultant William M. Mercer Inc., says that all the methods work, but to what degree they will affect plan cost savings varies. "You try to structure the program to fit the needs of

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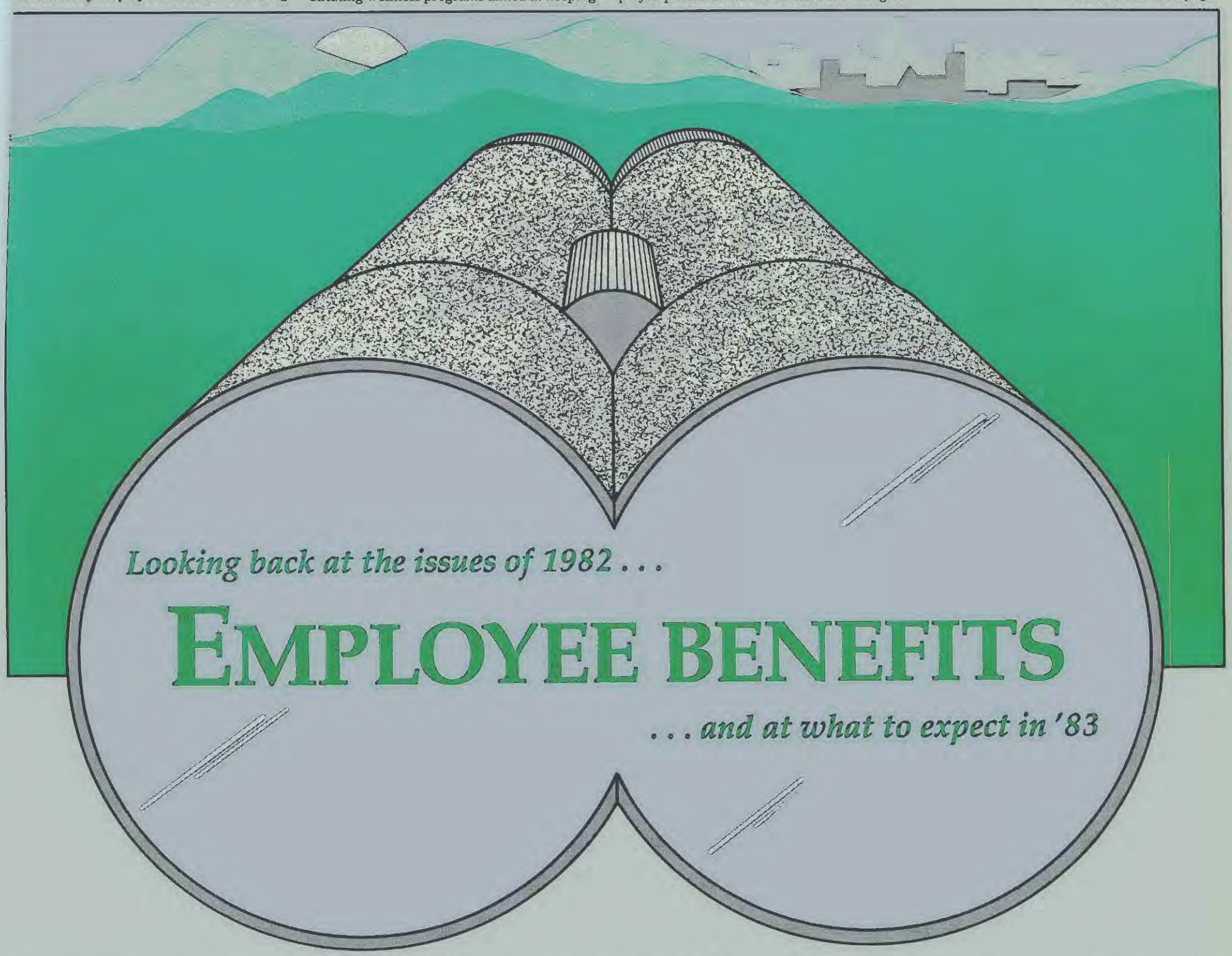

Looking back at the issues of 1982 . . .

EMPLOYEE BENEFITS

. . . and at what to expect in '83

Benefit managers to be faced with many challenges next year

Benefit managers will face a wide array of new challenges in the next year.

For example, they'll be under pressure from management to hold the line on group health insurance costs, which have risen well above the general inflation rate during the past year.

They'll be under pressure from employees and unions seeking new and more innovative benefits, including profit-sharing and retirement-savings vehicles like 401(k) salary reduction plans.

And, they will be pressured by state and federal governments, whose budget-cutting and tax-reform legislation is creating additional work, expense and headaches for most employee benefits departments.

To help employers meet these challenges, this *Business Insurance* special report on employee benefits is designed to recap the year's significant benefits developments and shed light on what benefit managers should expect in the coming 12 months.

Foremost on benefits managers' minds, according to a survey conducted earlier this year by consultant Hay Huggins of Philadelphia, is health care cost containment. The lead story of our report (see story above) explains what types of cost-containment measures employers are using and what health insurers are doing to hold the line on medical cost hikes.

The markets for two benefits often considered as companions to health insurance—group dental and life coverage—are profiled in stories on **pages 10 and 14.**

Many unions made concessions with employers during 1982 in exchange for some innovative benefit ideas. A recap of those negotiations and the outlook for companies that must bargain with unions over benefit issues appears on **page 16.**

Many benefit managers have been forced by the economy to shelve ambitious flexible benefit plans, but many hope to have such plans up and running by 1985, the story on **page 22** reports.

A byproduct of spiraling health costs has been the formation of employer coalitions hoping to put a lid on further increases. A battle between one coalition and a hospital in the Dayton, Ohio, area is detailed on **page 26.**

The focus of the section then turns to pension issues. Stories on **pages 36 and 37** explain some of the problems affecting both single- and multiemployer plans.

The government is considering liberalizing the rules for 501(c)(9) trusts, which offer health and disability benefits for members of trade associations. How this will affect employers is discussed on **page 39.**

The "hottest" new benefit, according to one consultant, is the 401(k) salary reduction plan. A story on **page 48** explains why these retirement savings vehicles are becoming more popular than payroll-deductible Individual Retirement Accounts.

Finally, beginning on **page 55,** *Business Insurance* presents its annual directory of employee benefit consultants. ■

Plans to cut hospital costs most common

Continued from page 3
the corporation. What you don't need is a helter-skelter approach. The lack of a definite plan is the bad way to go."

A survey of 800 employers conducted by Hay Huggins earlier this year shed some light on what cost-containment strategies employers are using.

"The most common are cost-containment measures designed to curtail hospital expenses, which have spiraled in recent years," the survey's summary says. Of the employers polled, 53% are using pre-admission testing programs to screen unnecessary hospital admissions. Seventy-three percent have health plans that cover ambulatory surgery, while 48% provide the same benefits for outpatient care and testing as they do for in-hospital services.

In addition, 40% of the surveyed companies said they audit health care claims to make sure billing is accurate, and 51% have implemented some type of wellness or health promotion program.

A smaller number have started to transfer some of the health care burden back to employees. Thirteen percent of the respondents have increased health plan deductibles, while 7% have increased employee coinsurance requirements.

Although the survey reported that only a small percentage of employers have raised deductibles and coinsurance levels, "I think we will see this trend continue because it has been successful," Kwasha Lipton's Mr. Hickey says.

"There seems to be a real movement in changing plan designs to let employees participate in costs through increased deductibles, coinsurance or premium contributions," says Bill Marino, vp and head of Prudential Insurance Co.'s cost-containment department. "We think this is something corporations are doing now or seriously considering."

David Balak, vp and head of Prudential Insurance Co.'s flexible compensation department, agrees. "We're seeing companies that have traditionally had non-contributory plans now implementing employee contributions. Some are not even trying to disguise it. They have a take-it-or-leave-it attitude, and right now the market is right for doing this."

Shifting costs to employees is not only a short-term money saver, but can also have long-term effects because employees are likely to become better health care consumers if they have to pick up part of the cost, Mr. Hickey says. "This (cost shifting) can also set the stage for other methods, like pre-admission testing, second surgical opinion and wellness programs."

"Individual employers find it difficult to grapple with the medical service distribution system, but if they can do a narrower cost-containment measure by shifting some of the cost to employees, they may be able to reduce utilization due to the employee's increased price awareness," adds David Young, vp-group insurance marketing for Aetna Life & Casualty Co. in Hartford, Conn.

Other employers are setting preferred provider organizations negotiate discounts or fixed f with doctors and hospitals.

Under a preferred provider or nization, employers designate particular hospital or group of p sicians as their preferred source medical care. Employees genera receive a financial incentive, lik lower deductible, if they visit t preferred provider rather th other local health care provide one consultant says. In exchan for the additional business a guarantees of prompt payment the employer's insurer, the pr vider discounts the price of his se vices to plan members.

"There is every indication th this is a big trend," the consulta says. "Early results are good, an PPOs are on everybody's mind."

"Recent legislation in Californi opened the door to PPOs," says M Marino. "We're trying to get ou selves into business on that on People are setting them up every where."

One of the most effective cost containment steps that Prudentia thinks an employer can take is th addition of an incentive to encour age employees to obtain a secon opinion before undergoing surgery says Mr. Marino. "Savings com from the fact that many elective surgeries (like hysterectomies, hernia operations and tonsillectomies) are unnecessary and can be spotted by the second physician."

The incentive is included in the plan's level of reimbursement, he says. Those who obtain a second opinion are totally reimbursed for the surgery if the surgery is deemed necessary. Employees who do not seek a second opinion must pay 20% of the cost.

"At this point, (Prudential) has 700,000 employees covered under the incentive plan, so it is not just an experiment," Mr. Marino says. "We've actually tracked surgical frequencies and seeing a reduction in elective operations."

Since 40% or more of an employer's health care costs are directly associated with hospitalization, any program that reviews hospital expenses is worthwhile, he says.

"It is not unusual to find that a policyholder has been charged for services not delivered," says William Holt, group actuary at Mutual of Omaha, which also audits hospital bills. "Where audits are done, you can probably expect reductions in excess of 5%."

On Oct. 1, Mutual of Omaha also began a surgical pre-authorization program that requires those covered by its health plans to give advance notice of elective surgeries, Mr. Holt says. The insurer hopes that the program will result in greater use of less-expensive ambulatory facilities.

"One common claim we've seen in our plan and in others has been hospitalization to have wisdom teeth removed," Mr. Holt says. "We're saying we will readily pay to have this done in the dentist's office, but the patient must show supporting medical reasons for having it done in the hospital."

More and more health plans are emphasizing the use of alternate care facilities, like skilled nursing centers, birthing centers and hospices to reduce utilization of acute care facilities, says James Norton, a principal at William M. Mercer Inc. in New York.

Both Prudential and Metropolitan Life Insurance Co. now offer coverages for hospice care.

"Our original position on hospice care was that it was not necessarily a cost-containment provision, but

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GROUPS OF 25+
BETTER GET MORE
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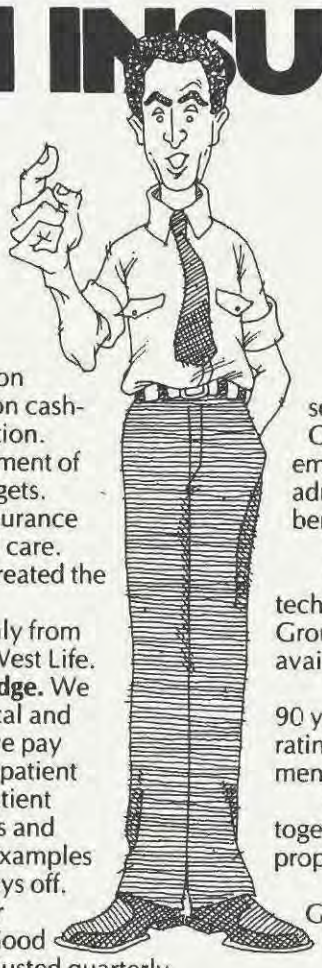

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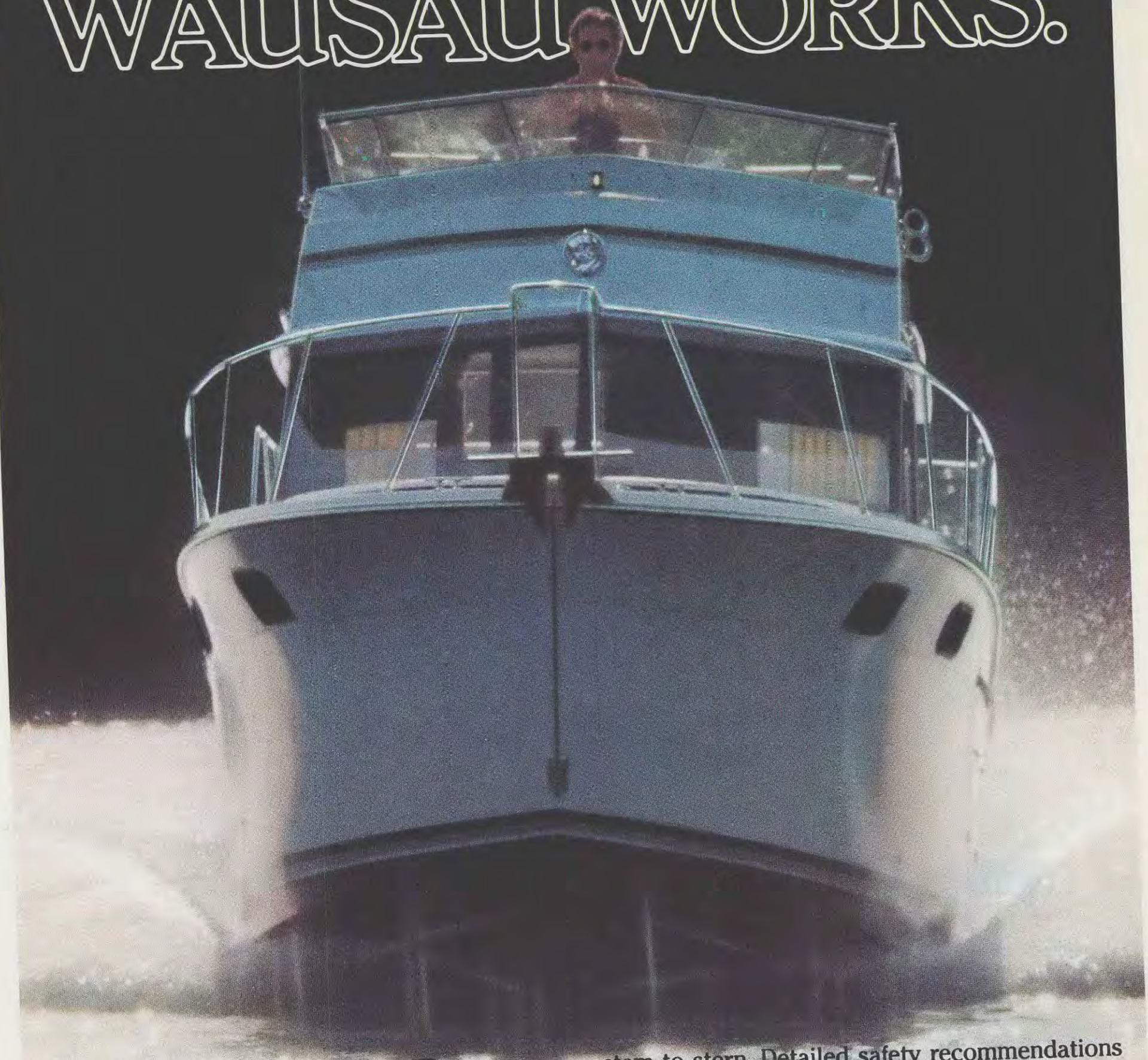

Helping Carver Boat run a tight ship.

Workers compensation costs were running out of control at Carver Boat Corporation, a builder of mid-size cabin cruisers at Pulaski, Wisconsin.

Five years ago, insurance costs hit a high of $360,000.

Carver then elected to go on a rating plan — and went to work on their problem. To help our policyholder steer clear of trouble, Wausau's loss-control specialists went over Carver's operation from stem to stern. Detailed safety recommendations were made. Carver acted on them.

"In 1980, our total bill for workers compensation was only $30,000," Carver President Glen Nordin says.

"Wausau also made suggestions for our truck fleet. Our efforts have brought our accident rate to zero. And fleet rates haven't increased in five years.

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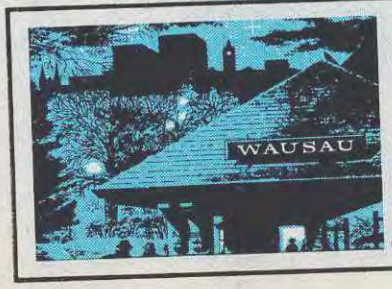

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Wide choice of cost-containment plans available

Continued from page 4
allowed the terminally ill more dignity," says Charles Cohen, manager of cost containment for Metropolitan Life in New York. But, he adds, hospice care does have some cost-saving elements.

"If you look at the total impact the savings would have on an employer's health care package, it isn't major," Mr. Cohen says.

"But, we have seen figures that, in the last 10 weeks of life, being confined in a hospice has saved as much as 50% of the cost of a hospital."

Tom Patzau, director of benefits for broker Johnson & Higgins, says he sees an increasing interest in wellness programs as a long-term cost-containment method.

"If we can encourage people to take care of themselves before illness occurs, we can cut ultimate expenses," he says.

Mr. Crowley of Galbraith & Green agrees, saying that he believes employers will place a great deal more emphasis on stay-well programs. Employers will also increase the screening of job candidates to assure that employees are healthy when hired, he adds.

Cost-containment programs that do not appear to be working well include voluntary second surgical opinion plans where there is no financial incentive, says Mercer's Mr. Norton. "Voluntary programs and those that rely on education to make changes in utilization of health care won't work. You need to have the monetary incentives and disincentives."

Hospital audits and second surgical opinion programs with incentives were mentioned by several experts as being among the techniques that are effective.

"Some are much more positive than others, like using generic drugs rather than major brands, for example," Mr. Crowley says. "The cost savings are minor, but it is one place where you can nail them down and it is working."

He says he cannot yet put a finger on programs that are not working. For one thing, many are new and the results have not been tracked.

"What really counts is the coordination of the program between employer and employee," Mr. Crowley says. "If that succeeds, you have a program that works. If it fails, the program will fail."

While most employers' cost-containment programs are aimed at either making the employee pick up more of the costs or trying to cut costs charged by providers, some benefit managers are dealing with another party that has a whole lot to say about health insurance rates —the health insurers themselves.

Some employers aren't happy about the high rates charged by their insurers and are doing something about it.

"It is an extremely active market," notes Joseph Walton, vp-group insurance marketing for Connecticut General Insurance Co. "A lot of business is being shocked (by higher rates), and we see a lot of switching of markets.

"It's a tough time for insurers," Mr. Walton continues. "One th we've done to hold onto busines to suggest changes in plan desi to make them more cost-efficient

"We're working damn hard justify the rate increases we're livering," adds Aetna's Mr. You "We're making sure we can expl them rationally."

The smaller the client, genera the higher the rate increase. . .a the more tough-minded the r sponse, industry sources say.

"I don't think many large cu tomers are out shopping since th are experience-rated, but amo smaller employers—those belo 200 lives—we might be seeing wh we call a lack of customer loyalty explains Jerome Buckley, vp-grou marketing for Metropolitan Li Insurance Co. in New York.

Many of these smaller employe are being hit with higher-than-av erage rate increases, he says.

"When they're asked to pay 50% increase, as many of them ar they can't absorb it and it's onl natural that they shop around."

Some large policyholders are als moving around, he says, but fo reasons other than rate increase alone. Often they are looking be cause they don't like their presen insurer's data system or feel the in surer is not doing enough to contro costs.

Even if an employer is satisfied with its rates, it must get claims information from its insurer before it can set up an effective cost-containment program, experts say.

"The bedrock of all good cost-containment programs is good data," Mercer's Mr. Norton says. "But there is a dearth of good information. On a one-to-10 scale, I would say that data now provided by insurers rates a 'two.' It is terrible in relevance and detail."

Until recently, when employer coalitions began investigating health care costs and demanding claims information, insurers have seen themselves as claims payers, not data servicers, Mr. Norton says. "Some didn't think data availability was important enough soon enough."

"Cost-containment problems employers face differ from community to community," adds Ed Friedman, vp and manager of human resources consulting at broker Alexander & Alexander Inc. in New York. "The question is how to identify them and take action. This starts with good data, which too many people lack."

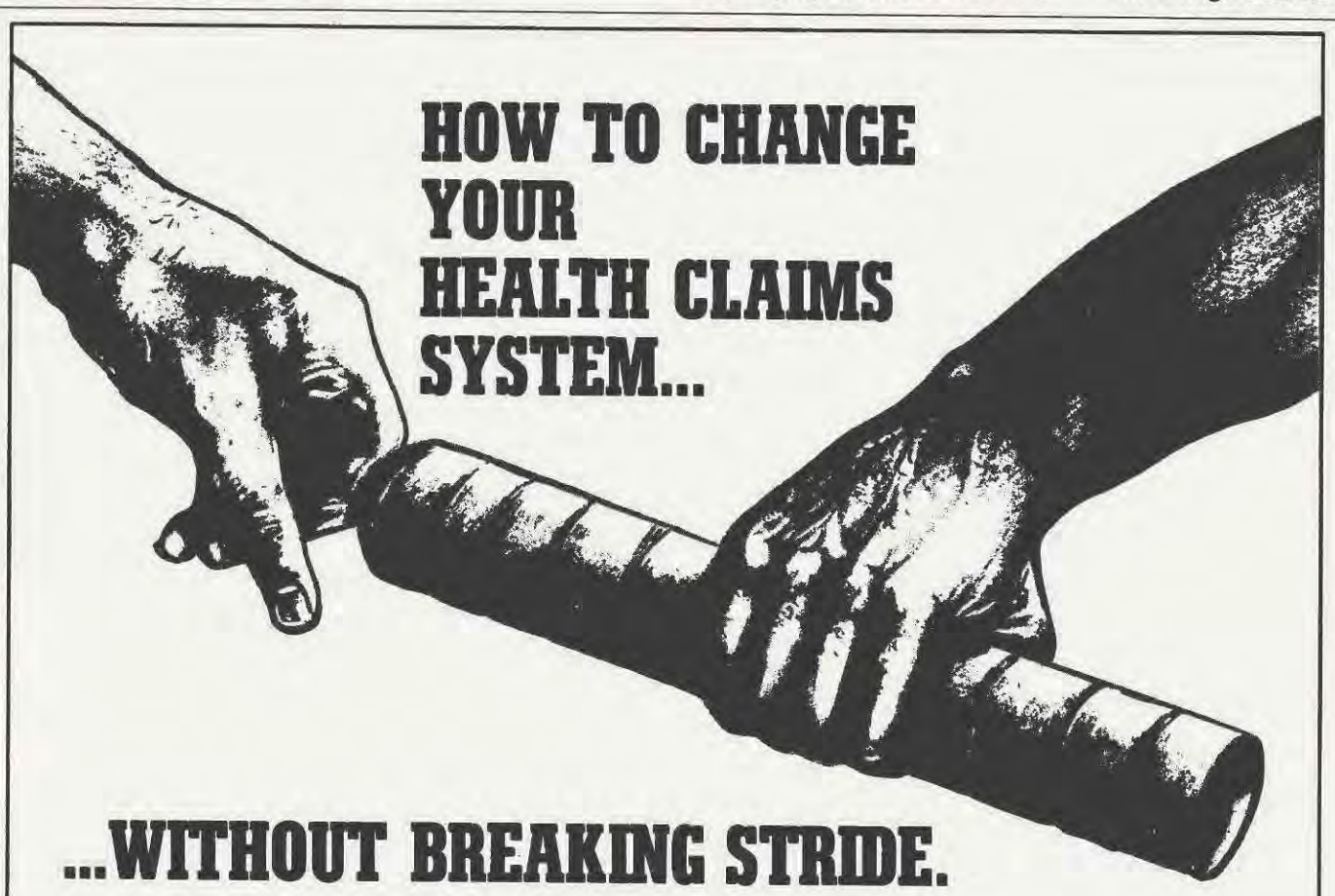
This difficult situation should change soon, says Mr. Crowley of Galbraith & Green. "Making the wealth of data employers will be given applicable is going to be an industry in itself," he says. "We have seen several companies come into being recently for the expressed purpose of massaging data for use in cost control."

Insurers say they, too, are responding to the increasing demand for claims information.

"Employers need information on duration of hospital stays and on diagnoses," says Aetna's Mr. Young. "It is difficult to do, but we're working hard to get the data base together so we can supply it. In many cases we have been able to."

Insurers and consultants agree that the worst cost-containment program is no plan at all. "Not having a plan is a deficit," Mr. Carter of Hay Huggins says.

Unfortunately, some employers are doing little to establish plans that will work for them, he says. "Most of the smaller companies will say they have enough to do without taking on a major cost-containment effort. Unless we give them quick, clean answers, they don't want to deal with it." ■



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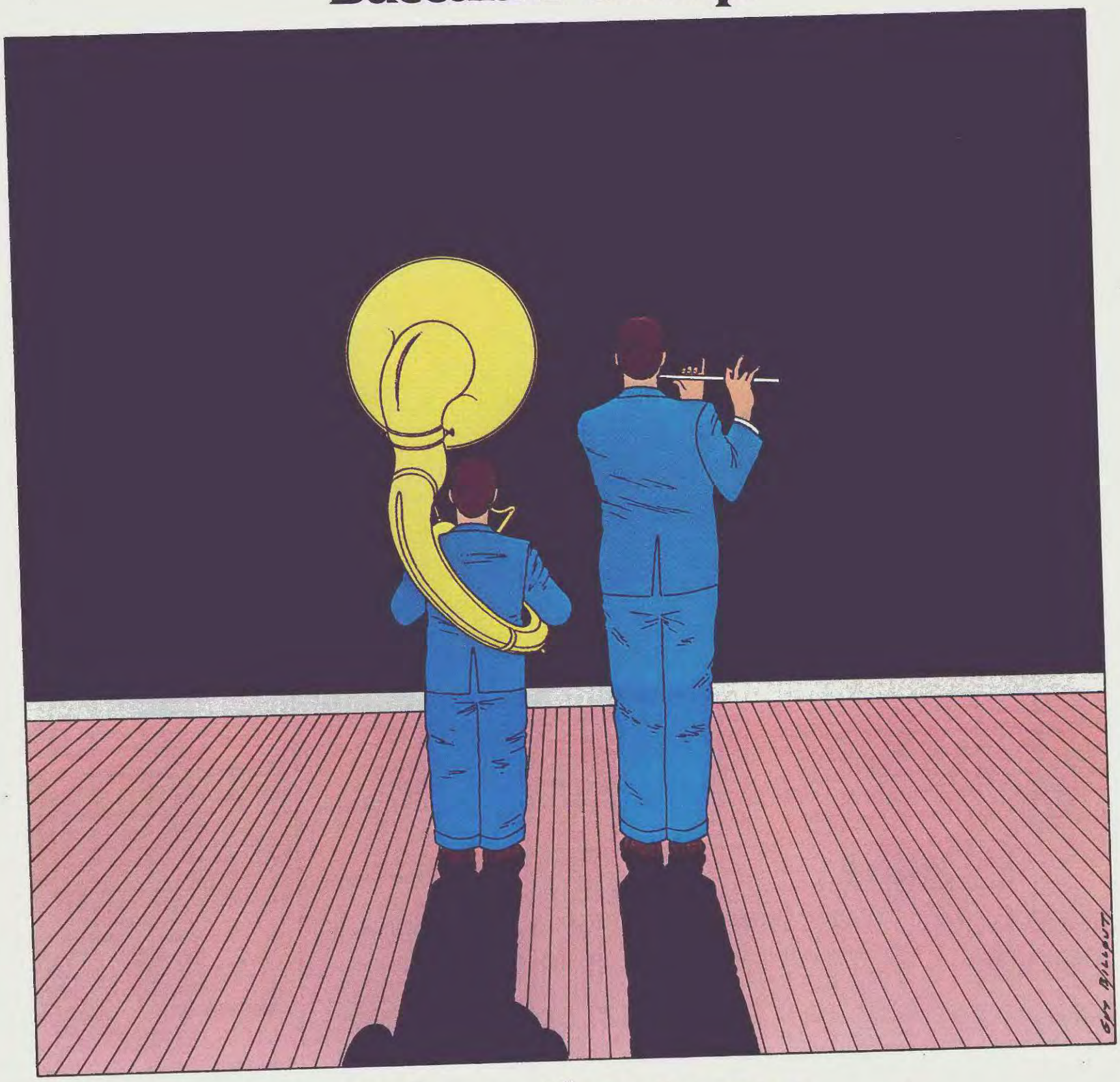

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editorial opinions

Harebrained proposal

FROM THE PEOPLE who brought you the proposal to tax unemployment and Social Security benefits, we now have another harebrained idea that deserves the same speedy burial that the first two received.

The latest proposal from Reagan officials to tax group health insurance benefits is ridiculous.

Taxing group health benefits would reduce employees' take-home pay at a time when our economy needs a consumer-driven recovery. Taxing group health benefits would create new paperwork expenses for employers at a time when they are trying to control their expenses to produce profits.

Taxing group health insurance benefits also would throw a wrench into stabilizing labor costs, as employees would demand raises to compensate for their reduction in take-home pay.

Beyond these practical considerations, taxing group health insuance benefits would be a radical departure in social policy. It would discourage the group purchase of comprehensive medical care for employees who at first blush would want inexpensive health care plans that would cost them less in taxes. But, in the end, these less expensive plans also would be found wanting in coverage.

The worst result could be a nation of underinsured individuals, many of whom would find they couldn't afford a catastrophic illness.

We know there is a desperate search for funds to cover federal budget deficits, but we strongly suggest that the administration and Congress look elsewhere. The current debate over the MX missles suggests there is at least one big ticket item that may not be worth the cost.

We urge all employers, insurers and benefit experts to immediately protest this proposal. Swift and strong protest will bury it just like the proposals to tax unemployment and Social Security benefits.

If, however, this proposal lives long enough to be introduced in Congress, we urge Congress to hold full hearings on the proposal. The last thing we need is another change in tax law affecting benefits that is passed in the middle of the night with little or no understanding on the part of lawmakers. That's how portions of the Tax Equity and Fiscal Responsibility Act were passed by Congress earlier this year.

But, we maintain, the proposal should never get that far.

letters

Getting the facts on Guernsey

To the editor: The article on the proposed Guernsey insurance law (*BI*, Oct. 25) does nothing to enlighten your readers, but only serves to add to the confusion concerning this insurance center.

The consultative document recently published is the work of a small working party set up by the States of Guernsey's advisory and finance committee. It is in the form of a draft law, on which comments are invited before Jan. 31. It is then intended to pass legislation during 1983, to take effect on Jan. 1, 1984.

The proposed legislation does not in any way exempt captives. All companies doing business in Guernsey will have to be licensed, as will all Guernsey-registered companies conducting their business from elsewhere in the world.

The only law provision exemptions (other than registration) affect non-Guernsey registered companies that are registered and supervised by other European Economic Community authorities. Such companies will not be supervised in Guernsey, but will be required to file in Guernsey any accounts or other information they produce for their own country.

Captives that are not doing business with the public in Guernsey are exempted from publishing accounts for policyholders, but are subject to capitalization, solvency and other supervision envisaged in the draft law.

The intent of the law is to both ensure proper regulation of locally registered companies and to foster the orderly development of the local insurance market.

Michael J. Savage
Chief executive
The Reinsurance Corp. of Guernsey Ltd.
St. Peter Port, Guernsey

Peso problems

To the editor: There are problems with insurance in selected countries south of the border (*BI*, Nov. 22).

Prior to Sept. 1, the property insurance situation in Mexico was not very good: high rates were controlled by the government, little or no credit was given deductibles and insufficient perils were covered in policies. On Sept. 1, the problem worsened when the Mexican government declared that all insurance policies would be issued in pesos and all policies in effect would be converted to pesos. The declared value was 70 pesos to the dollar. Unfortunately, the rest of the world does not acknowledge that 70 pesos equal a dollar. When a loss occurs and the Mexican policy pays 70 pesos to the dollar, the risk manager may find that his company has inadequate insurance proceeds to replace a Mexican plant's machinery and equipment. His bank may require 100 pesos or more to get one U.S. dollar, thus making the insured a coinsurer.

Insureds should be seeking a solution to this deficiency in currency exchange. Solutions are available in the market.

C. David Bass
Risk manager
Sangamo Weston Inc.
Atlanta

Not an affiliate

To the editor: Our insurance brokerage is not an affiliate of Marsh & McLennan as stated in your article on Venezuela (*BI*, Nov. 22). We do belong to the same Lansberg Group as the insurance brokerage, Lansberg, Cox y Asociados, which is a continuation of the former Marsh & McLennan de Venezuela.

Herbert Salas
President
C.A. De Coretaje Segurosca
Caracas, Venezuela

Not a proper subject

In reference to the Perspective article "Pick the culprit pushing up health costs" (*BI*, Nov. 22), the plain fact is that health care is not a proper subject for insurance. It should be available to all citizens, young or old, employed or out of work.

One of the most vicious aspects of American life is that a person out of a job loses his medical insurance, not only for himself but for all family members. The system also means that many people work on and on to the breaking point because they dare not quit and risk being not merely unemployed but uninsured, perhaps for several months.

Another problem is the person who may have a chronic condition and require continual treatment. Too many plans, especially those available to individuals, impose lengthy waiting periods, if not outright exclusions.

If insurance companies are willing to offer cash reimbursement policies for medical expense bills, that is OK, but the provision of decent health care cannot depend on who your insurer is.

It is not the public's fault that the medical profession has become so complex and so clever as to be unaffordable.

All basic health care must be available to all citizens, unfettered by state boundaries, conditions of employment or lack of wealth. A new approach is needed, along with the abandonment of the profit motive, which is a polite term for greed.

John Honigan
San Francisco

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EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING; RISK AND INSURANCE MANAGEMENT SERVICES THROUGHOUT THE WORLD.

Employers hope to contain dental costs, too

By STEVE SHERWOOD

Not as many companies are setting up new group dental plans because of the tough economy and a desire to hold the line on benefit costs, consultants and insurers say.

But another reason for the slowdown is that most large employers already have one.

"Dental (insurance) has gotten to the point where it can be considered a mainstay of the overall benefit package, rather than an extra," says Michael Carter, vp of Hay Huggins in Philadelphia.

A survey conducted earlier this year by the consulting firm found that 75% of the 300 major employers polled now provide group dental insurance for employees. In 1978, only 44% of the responding companies provided the same benefit.

"We are beginning to see the maturing of the group dental market in the upper-sized category of employers," says Joseph Walton, group insurance marketing director for Connecticut General Life Insurance Co. in Hartford, Conn., part of CIGNA Corp. "Among those (companies) with 5,000 or more employees, the prevalence of dental coverage is 75%."

Some 80% to 90% of Metropolitan Life Insurance Co.'s large clients, those with more than 5,000 employees and dependents, provide dental coverage, says Jerome Buckley, director of group marketing at Metropolitan in New York. "And, I think dental is beginning to trickle down to the smaller employers."

For example, Mr. Buckley says that in 1982 about 33% of Metropolitan Life's smaller clients, those with 50 to 200 employees, purchased dental coverage as part of their overall benefit plans.

Other group insurers indicate that small employers made up a major portion of the companies purchasing group dental coverage for the first time this year. "We are seeing a dramatic increase this year because we are getting into lower-sized groups," says James Glynn, vp of Equitable Life Assurance Society in White Plains, N.Y.

"A lot of small companies are out there, and even though some are hurting, enough are doing well that sales are holding up," explains Connecticut General's Mr. Walton.

On the other hand, not many employers appear eager to improve the dental plans thay already have in place.

"I don't think proposals to broaden plans are getting far," Mr. Walton says. "Some companies are even talking about cutting back benefits."

"Clearly, we've seen that employers are not committing new money to benefits," says David Young, vp-group insurance marketing for Aetna Life & Casualty Co. in Hartford, Conn.

A spokesman for Metropolitan says two employers it insures have trimmed the dental benefits they offer. "Most are still reluctant to do this, and we haven't seen as many benefit cutbacks as we expected. But, if times are as hard in 1983 as in 1982, we may see dramatic changes."

Employers are more likely to the health care benefits they p vide, the Metropolitan spokesn adds, since employers spend m money on their health care pl and medical insurance costs are ing faster than dental plan exp ditures.

Still, the average increase of 1 to 14% in group dental costs t year reported in the Hay Hugg survey—while below the 15% 25% hike in group medical rates—large enough to sting employe forcing them to adopt dental ca cost-containment measures like i creased employee contributio higher deductibles and dent audits.

"While most dental plans a paid for entirely by the employe newer plans tend to transfer so of the cost to employees," accordi to the survey.

Although Connecticut General Mr. Walton says he has observed move toward contributory dent plans, he says requiring employe contributions can be risky if dent coverage is optional.

"I question whether it saves th employer money since there i clearly a tendency to use the bene fit when they need it, then opt ou of the plan when they don't," h says.

When that type of utilization—known as adverse selection—occurs, employee contribution tend to be far less than projected canceling any cost savings.

Another measure employers are taking to contain dental plan costs involves setting benefit schedules that cap the amount that will be paid for a certain procedure, says Richard Sampson, a vp at Mutual of Omaha.

"We've seen a number of first-time plans based on this approach in 1982," he says.

Plans with a fee schedule give an employer more control over cost increases and can be less expensive than a plan that covers a percentage of reasonable and customary charges, Mr. Sampson says.

"Employers with scheduled benefit plans should have fairly stable costs next year, while we expect costs incurred by reasonable and customary plans to inflate 10% to 12%," he explains.

But Ed Friedman, vp and manager of human resources consulting for broker Alexander & Alexander Inc. in New York, says some employers have installed dental plans with scheduled benefits to save money, only to discover that they have installed a fee schedule that is too rich.

"Suppose the highest price in town for a dental checkup is $40 and the lowest is $20," he says. "In setting up a fee schedule, employers often overreact, mistakenly assuming that the average cost for a checkup is closer to $40 than $20, and put in a rich schedule. This can end up costing them more than a plan based on reasonable and customary charges."

However, dental care cost increases will never be as serious a problem as group health insurance cost hikes, Mr. Friedman says.

"In dental, you don't have the massive Medicare cost-shifting from the government to the private sector and the expensive technological leaps you have in medical care. Rate increases in dental are stable," he explains.

But for those desiring to control dental program costs, the use of consultants that audit dental claims and the installation of a plan design that encourages frugality may be the best choice, Mr. Friedman suggests.

Continued on page 14

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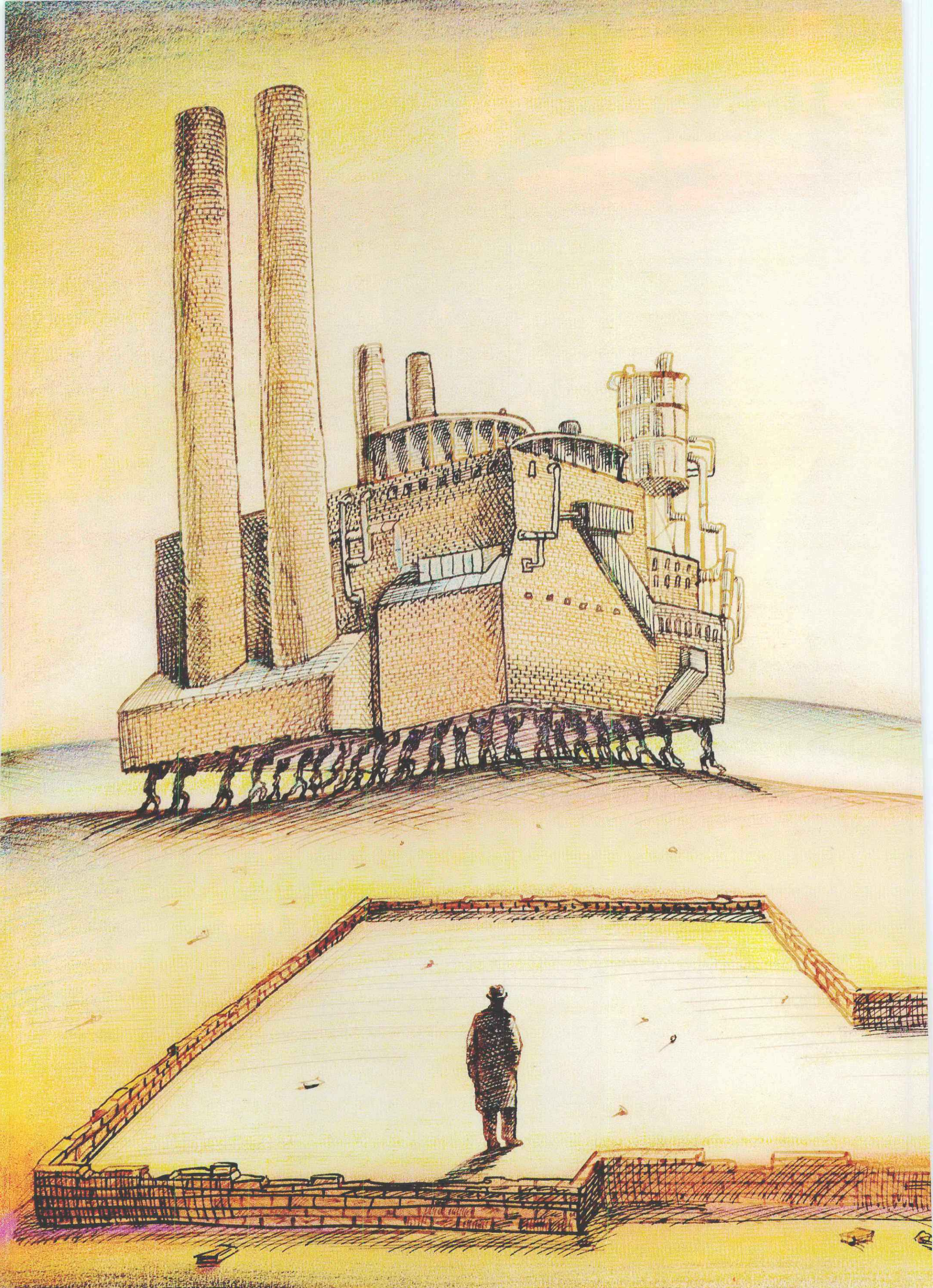

In certain parts of the world, if the powers that be don't like the way you do business, they do more than send you nasty letters.

No long treatise is needed to convince you how perilous it can be operating internationally these days. All you have to do is look at the front page or your T.V. Suffice it to say that sudden changes in local laws, riots, nationalization, civil insurrection, even the whims of foreign governments can all have serious effects on your business.

They can also put you out of business.

Even in times of worldwide economic stability, political risk has accounted for some uncertainty in foreign ventures. Today, the situation is even worse. What some people are calling a worldwide recession coupled with unexpected political change–even in foreign countries once considered stable–has created an environment in which operating internationally is much riskier than ever before. The election in France is a good example. Iran, Iraq, Argentina and Lebanon are just a few more examples of relatively current events that have also caused some nasty surprises.

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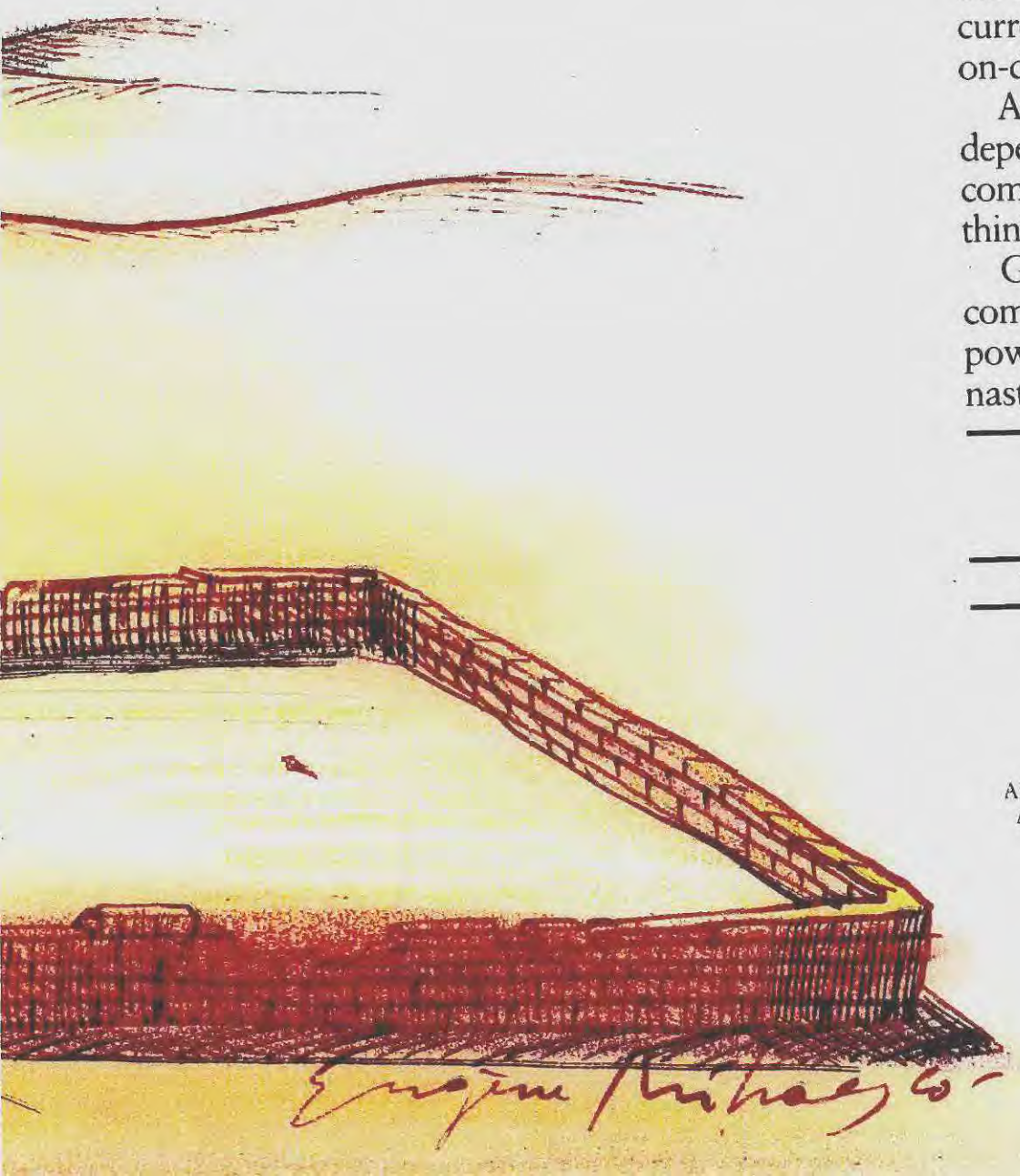

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Dental audits can save money for employers

Continued from page 10

Dental plan audits can save employers money through the review of frequent or high-cost claims to make sure the treatment given employees is appropriate, Mr. Friedman says. "By identifying proper, improper or inappropriate treatments, consultants can save up to 10% of the plan costs."

Drew Crowley, research and development specialist for Galbraith & Green Inc. of Salt Lake City, says, "I think the dental audit will be the most talked-about cost-containment method in the near future. One auditing firm says if the savings it brings in are less than four times greater than the cost of the audit, they won't charge anything."

"We've seen several cases where a review by peers or by dental consultants has saved money," says Rick Citron, senior vp of Frank B. Hall & Co. Inc. Reviews have been particularly successful where they were done in conjunction with effective plan administration and predetermination of the rates area dentists charge.

In any case, cost containment is not the only group dental phenomenon associated with today's sluggish economy, says CG's Mr. Walton.

"Claims are down in group dental. This probably reflects the decreasing employment rolls and the significant co-payments many of those still working must pay when they go to the dentists," he explains.

However, the families that do have full-coverage dental plans are using them, Mr. Walton says.

Employers offer worker more group life options

By STEVE SHERWOOD

Continued cheap group life insurance is good news for employers facing large increases in group health and dental plan costs.

But the news isn't good enough to generate a buying spree.

During 1982, group life insurance rates ranged from 40 cents to 50 cents per $1,000 of coverage, insurers and consultants say, and they expect them to remain stable 1983.

"Death rates are going down life insurance is more competit than ever. I don't know if it will cheaper unless we have a quant leap in the prevention or cure heart disease or cancer," says Friedman, vp and manager human resources consulting broker Alexander & Alexanc Inc. in New York.

Product design and buyi trends, however, are not remaini the same, experts add.

Employers are seeking and g ting more flexibility in the life co erages they purchase and are pr viding more life insurance optio that their employees can bu through payroll deduction. Bu they are not buying more insuran overall.

An annual benefits survey co ducted earlier this year by Ha Huggins, a Philadelphia benefi consultant, confirms that more em ployers are paying the full cost their basic group life insuranc plans and are adding more em ployee-paid supplemental plans.

Of the 800 employers polled, 79 offered fully paid group plans, u from 72% in 1978. And 72% offe optional supplemental plans tha are fully funded by employees, u from 59% in 1978.

"We're not seeing a tremendou amount of activity, except in vol untary life where employees car pick and choose coverage on a pay roll-deduction basis," agrees Tom Patzau, director of benefits for bro ker Johnson & Higgins.

"There is more flexibility being introduced," adds John Hickey, a partner with Kwasha Lipton, the Fort Lee, N.J., benefits consulting firm. "This is a long-term trend, not just over the past year. It is impossible to define the needs of a diverse workforce with a simple group life formula. But flexibility allows employees to pick the amount of coverage that fits their needs."

"Employers are saying they have reached the limit of how much they are willing to spend on benefits," explains Jerome Buckley, vp-group marketing for Metropolitan Life Insurance Co. in New York.

Employers are also reviewing the life insurance options for retired employees, insurers and consultants say.

"There is some activity in post-retirement group life," notes Al Cole, director of group services for Buck Consultants Inc. in New York. "Employers are asking if they are providing too much coverage and whether they should limit these benefits."

An employer's group life policy often gives an active employee coverage of two times his yearly earnings up to a maximum of $100,000 to $200,000. The coverage is reduced to half a year's earnings when he retires, Mr. Cole explains.

"The question then becomes not if an insurer will pay a death benefits, but when. There is no more chance involved," he says.

The Financial Accounting Standards Board is examining post-retirement benefits, and there is an indication that it will review how employers pay them, adds Mr. Hickey of Kwasha Lipton. "They may try to come up with a way to expense them over the working life of the employee. Right now, it is done on a pay-as-you-go basis."

Employers will be forced to re-examine what they provide and may eventually cut back benefits for retirees, he says. "I think the numbers will be startling and will cause them to reduce benefits going to retirees." ■

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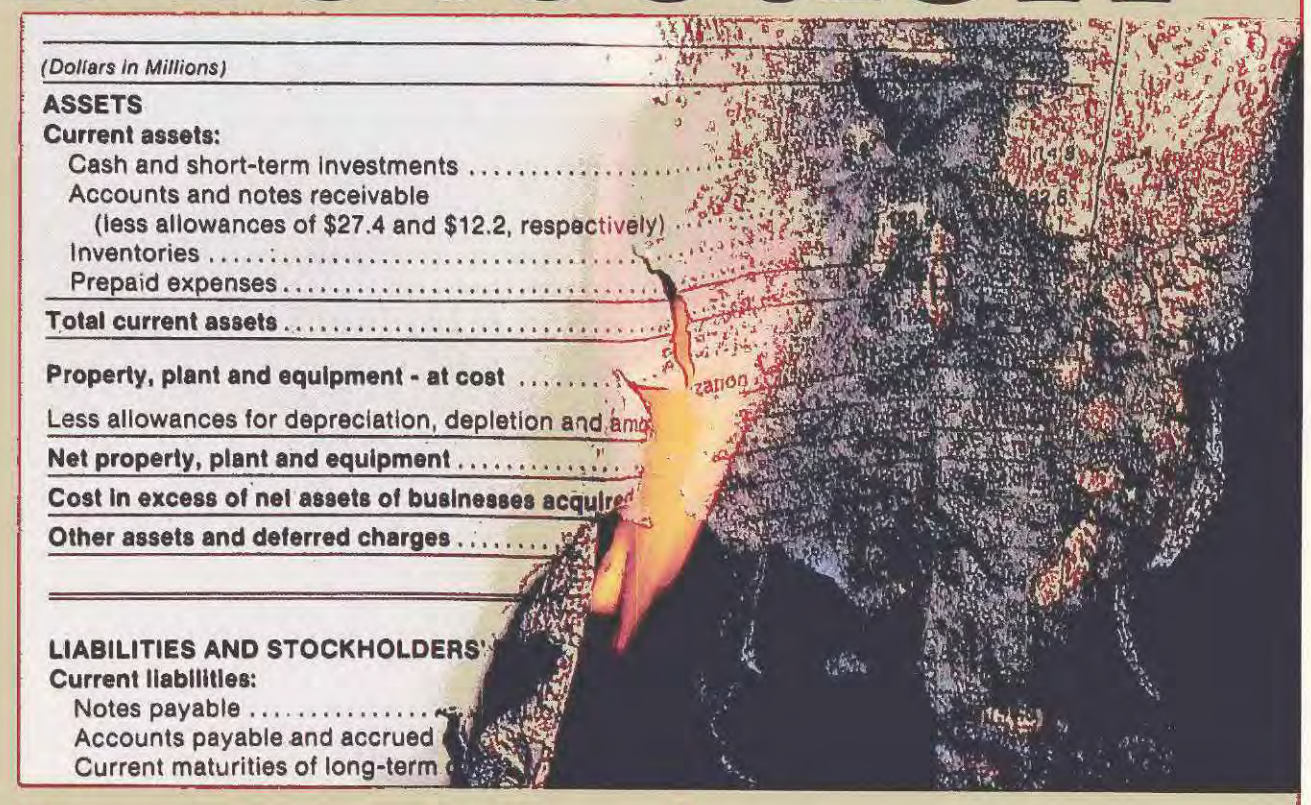

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Unions may demand both better benefits and job security in 1983 as they did during this 1980 strike against Schwinn Bicycle Co.

Unions not likely to concede employee benefits next year

By LAURENCE H. GROSS

Don't expect unions to settle for fewer benefits and lower pay in 1983 as many did in 1982.

Unions may even demand low-cost benefit plans, like legal or vision plans.

The 1982 labor contracts were negotiated by ailing industries and worried unions, including the automobile and farm implement manufacturers' pact with the United Auto Workers, the rubber industry's contract with the United Rubber Workers and the trucking industry's pact with the Teamsters.

Next year, more profitable industries like telephone communications, shipping and aerospace are scheduled to renegotiate contracts with their unions. That is a much stronger industry lineup, which could lead to strengthened union demands, say some analysts.

In all, union contracts governing about 3.6 million workers will expire in 1983, according to the U.S. Bureau of Labor Statistics.

"Just as a general observation, as positive economic indicators show an increase—declining unemployment and increasing production levels—there will be a very dampening effect on givebacks," says Jim Norton, a principal at William M. Mercer Inc. in New York. "The concessions may be coming to a close with the end of 1982 exc for very troubled industries."

Mr. Norton cited a recent Mer study of 600 employers in wh 43% said they had imposed "e traordinary constraints related compensation and benefits" duri 1982, but only 13% anticipate sir lar constraints in 1983.

"Reading between the lines this study, there was a strong fe ing among employers that 1982 w the year to reduce benefits," M Norton said. "If you missed chance for concessions in 1982, y may have blown the opportuni for some time."

The survey also revealed th employers looking for benefit co cessions will focus on increased en ployee contributions and larger d ductibles for medical coverage an a general reduction in medical ber efits.

Robert Paul, vice chairman a Martin E. Segal Co. of New Yorl an employee benefits consultin firm with many unionized client agrees on both points. "Despite a this talk of concessions, I think may be dead for a while."

Any concessions, Mr. Paul says will probably involve "more co payment plans, more profit sharin or larger medical deductibles, bu the short era of benefit concession may be over."

These health care cost-containment measures are perceived by some unions as just another way employers shift costs to workers.

Chrysler Corp., which is now negotiating with the UAW after its contract expired Sept. 14, has met union resistance.

Chrysler says it desperately needs to control medical costs. "We believe a continuation of the existing health care benefit plan is unacceptable," Chrysler Vp T.W. Miner recently told the union.

"It is simply not in our interest nor the union's interest that we devote over $3 per hour in labor costs for health care, or that we incur an additional $1.33 per hour in costs between now and 1985."

Mr. Miner has been trying to convince the union to accept health care provider utilization studies, co-payment plans or medical plan deductibles, but the union so far has called the plans "schemes for reducing health care costs that generate savings at the expense of workers or retirees and family members."

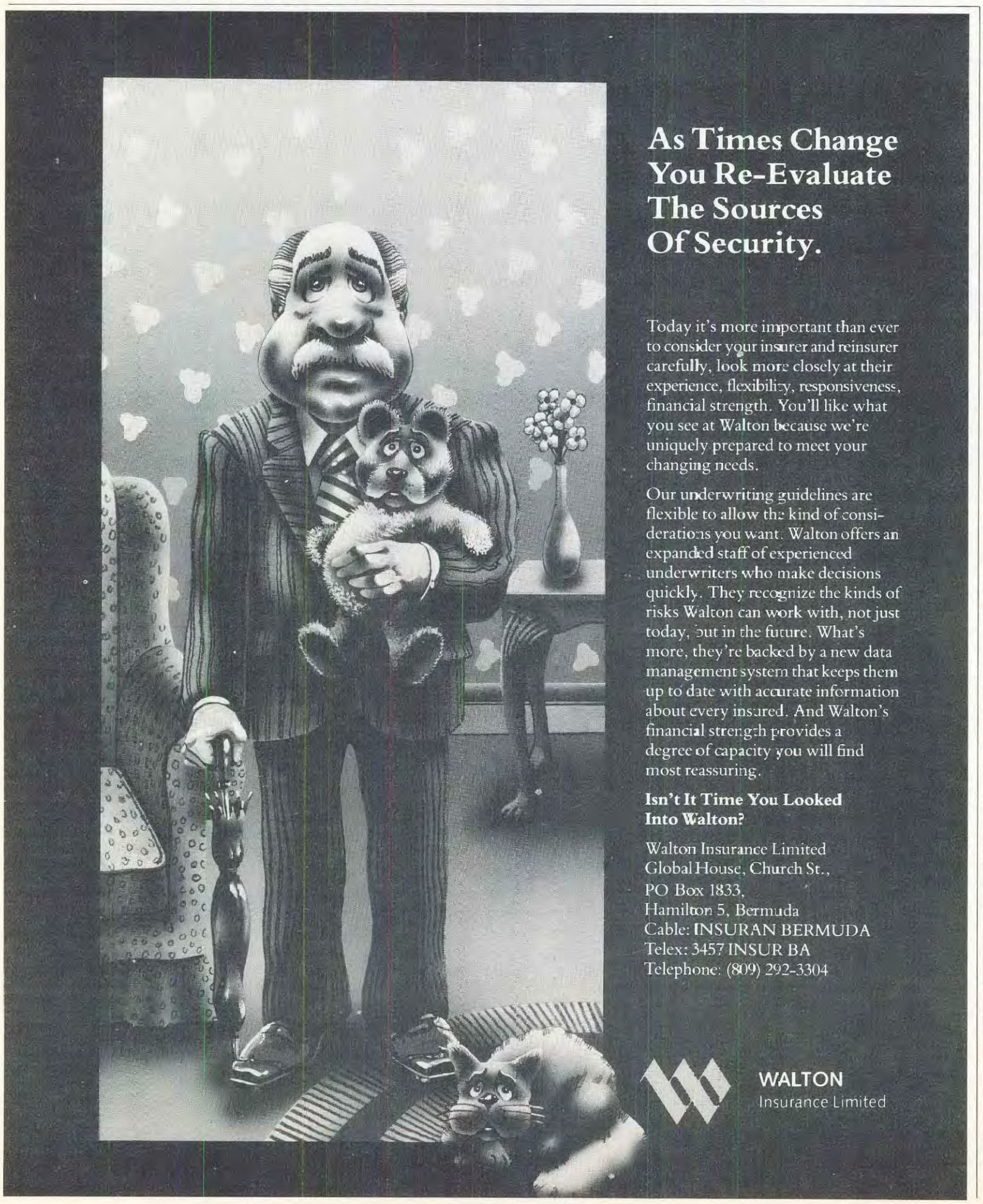
Disagreeing with his consultant colleagues is Rodger Patrick of the Detroit office of consultant Hewitt Associates, who predicts more benefit concessions. "Employees will continue to be asked to dig a little deeper to help save their company," says Mr. Patrick. "There may be some union resistance, judging from the Chrysler and steel workers' talks, but the issues will be job security and a trade of benefits and wages for them."

Mr. Patrick agrees, however, that unions will increase their demands for low-cost insurance programs like dental and vision care plans. Employers may concede this benefits because they are tax-effective, he added.

"Instead of giving $25 per month cash to the unions, just give them dental coverage," Mr. Patrick says. "It becomes a deduction to the employer and non-taxable to the employee. Those types of benefits have a lot of sex appeal to the union and easily gain union acceptance."

Ed Shults, assistant vp for Metropolitan Life Insurance Co.'s group marketing division, expects low-cost insurance services to become an important factor in 1983 nego-

Continued on page 18



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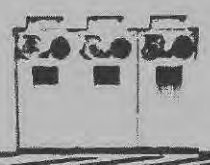

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Few benefit givebacks expected next year

Continued from page 16

tiations.

"Something like vision care coverage and legal services costs only $5 per month or so per employee, yet the unions can say to their members, 'Look at this brand new super benefit,'" Mr. Shults says. "It's peanuts compared to the cost of medical coverage."

While benefit givebacks became buzzwords in 1982, contract watchers point out that the non-wage givebacks employers won this year often were in exchange for agreements that held down salary increases.

And although some health benefit concessions were made by unions during the heavy bargaining schedule of 1982, most char in benefit plans were motivatec mutual desires of unions and m agement to contain spiraling m cal costs.

"There have always been gi back arguments made by empl ers in past negotiations, but nob really expected the onslaught concessions this year," says Jo Zalusky, an AFL-CIO econom based in Washington.

"We saw most of the concessi in the first half of the year witl decline in the givebacks by t third quarter. By then, the numb of agreements that involved c creased benefits was almost zero.'

Mr. Zalusky says the changi trend becoming evident in late 19 may indicate a new toughness the part of unions, who "ma some realizations that no matt what they gave back could n change the profit picture in son industries."

Perhaps the two collective ba gining agreements that receive the most notoriety for labor conce sions were the March and April a cords reached respectively by For Motor Co. and General Moto Corp. with the United Auto Work ers.

Both agreements were the resul of early negotiation on contract that would have expired in Sep tember, but union officials sai they feared further declines in th industry would weaken the unions bargaining positions.

The UAW broke with a tradition of receiving a 3% annual wage in crease, waiving any specified pay increase and accepting deferals ir cost-of-living increases. The unior received job security assurances but other than conceding to give up 26 paid personal holidays over the 30-month accord, the union gave no concessions in the benefits area.

"With General Motors and Ford, we were able to improve our benefits package," says Patrick Killeen, senior health care consultant for the UAW. "The health improvements were somewhat of a trade for wage cuts, but it's difficult to say what traded for what. After all, a package agreement is a package."

Mr. Killeen said medical insurance benefits for laid-off workers were extended, providing fully employer-paid medical and surgical coverage for one year for workers with six-years' seniority and providing two years' coverage for a laid-off employee with 10-years' seniority. The extended medical coverage does not include prescription drugs, dental or vision care as does the employed workers' contract.

"Going beyond one year in insurance benefits for laid-off workers was breaking new ground," Mr. Killeen said. "The concept behind a layoff is that it is temporary. But in this depression of the auto industry, that rationale didn't hold up anymore."

While both companies offered a new profit-sharing incentive to employees, which is now becoming a negotiating factor in other industry talks like the steel industry's, GM workers also will receive a group legal plan. The coverage, which will cost GM 3 cents an hour per worker, also represents part of the new ground broken this year for insurance-related services.

Medical coverage was one of the areas in which the autoworkers refused to grant concessions. UAW-negotiated medical coverage provides first-dollar coverage for employees, excluding routine office visits to physicians.

"When we are talking about a time when we are capping or reducing wages, then the health care

Continued on page 20

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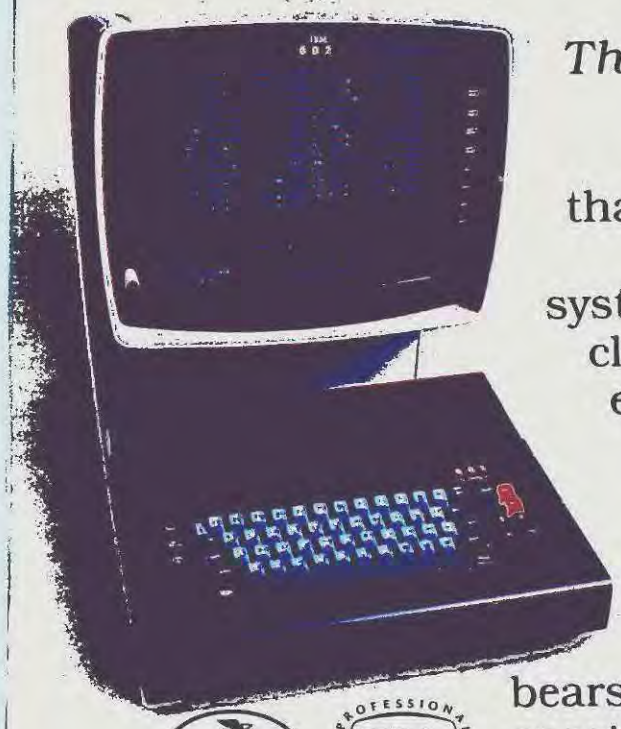

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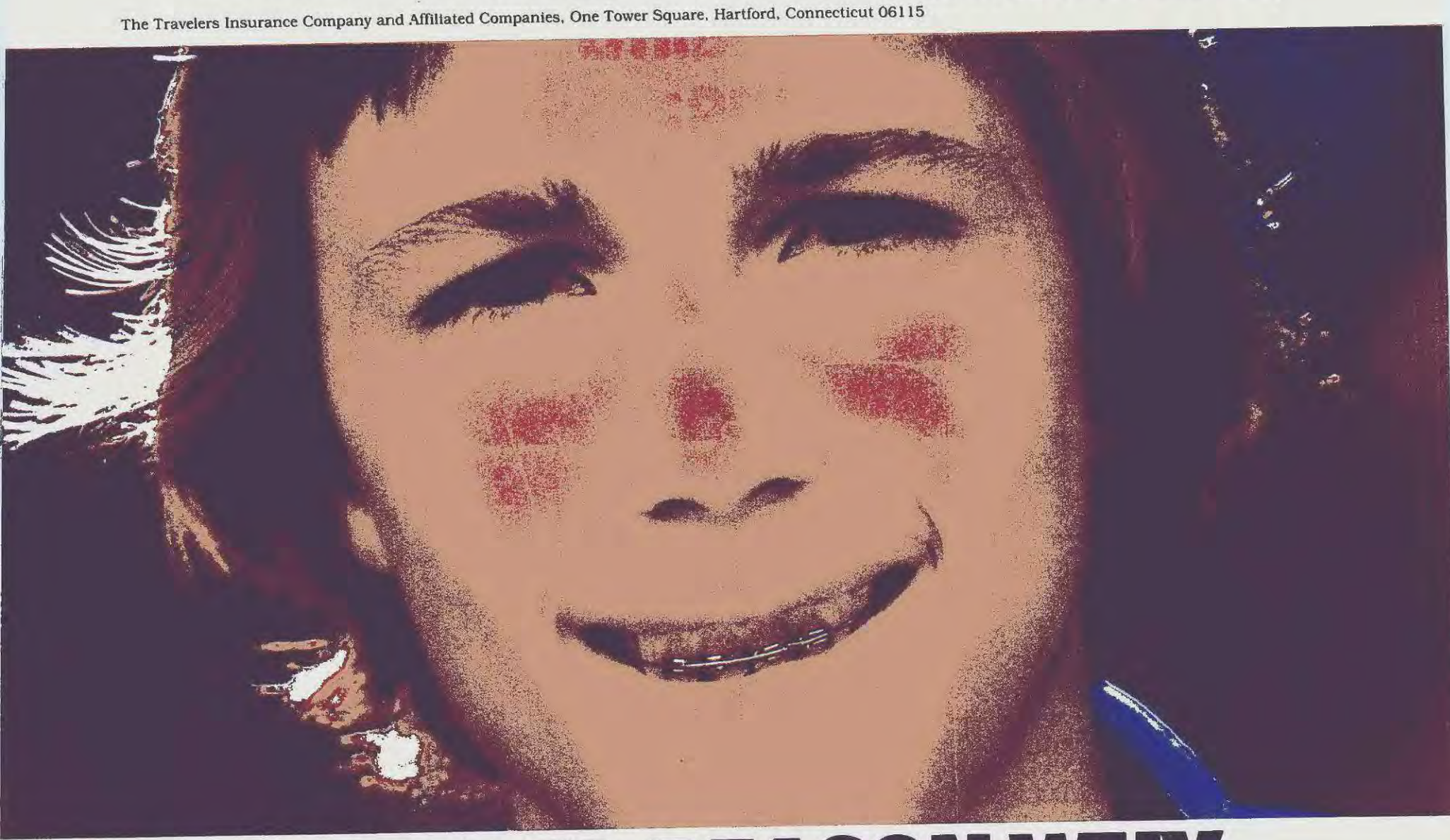

ANOTHER REASON WHY THE TRAVELERS IS A LEADER IN INSURING SMILES.

Auto negotiations result in novel ideas

Continued from page 18
protections become even more important," says the Mr. Killeen.

Although GM offered some low-cost insurance benefits like legal services, Ford agreed to give the UAW a $70 million advance to the union's supplemental unemployment benefits plan, permitting resumption of unemployment benefits to laid-off workers whose payments had been terminated because the fund's asset level had fallen below the minimum.

Ford also agreed to increase payments to the fund by 3 cents for every hour worked by UAW members, allowing workers with 10 years' service to receive the supplemental benefits for two years instead of the previously agreed-upon 52 weeks.

Pension benefits for Ford workers also were increased and special provisions for early retirement were improved. Under the new plan, workers who elect to retire early receive $15 for each year of credited service up to 30 years, instead of the previous 25-year limit.

The new contract also created a guaranteed income for employees with at least 15 years' service who meet certain criteria. If laid off, these workers will receive until age 62 or retirement age 50% of gross pay for those with 15 years of service, increasing for each additional year of service up to 75%. The laid-off workers protected by this plan also will receive life and health insurance.

Employee benefits also were improved at BFGoodrich Co. when the United Rubber Workers negotiated a three-year contract that reduced the company's labor costs by $18.3 million.

While the contract did not provide for any specific wage increase, employees will receive a cost-of-living increase yielding about $2.44 per hour over three years, assuming a 7% annual rise in the Consumer Price Index.

Non-wage compensation improved for union members included a $1.50 increase in the pension benefit, bringing the benefit to $16.50 a month for each year of credited service; a $60 per-week increase in sickness and accident benefits, bringing ill workers $185 per week; and a six-month extension in maintaining life and health insurance benefits for laid-off workers, making workers eligible for 30 months of life and health coverage after a furlough.

Although non-union and white-collar workers at companies with union workforces have historically been given the same benefit improvements won by union members, companies began to turn the tables in 1982.

"There used to be some sort of agreement of honor with non-union employees who expected to receive what the unions got," says Hewitt's Mr. Patrick. "There were several cases last year where management was ordered to take cuts prior to union negotiations just to set an example."

Although Mr. Patrick refused to identify specific cases of management setting an example for union talks, Goodrich announced it w cutting the pay of 10,000 white-co lar workers during its negotiatio with the United Rubber Workers.

Goodrich Chairman John D. On said the pay cuts and some salar freezes "represent our commitmer to managing our way through th difficult period," referring to th difficult times facing the rubber in dustry, not the negotiations. Th company also eliminated one wee of paid vacation for those who wer scheduled for three weeks' vaca tion in 1983.

A similar move by Caterpilla Tractor Co., which froze non-unior salaries in June and then reduce them by 8% to 10% in the third quarter, apparently has not inspired its union employees. The company's 21,000 union workers have been on strike for more than two months, shutting down the company's 10 manufacturing facilities.

"We didn't plead a hardship case" with the UAW members, said a company spokesman. "The primary disagreement is in wages."

Although the UAW initially asked Caterpillar for substantial increases in dental benefits, the union appears to have temporarily backed off from that demand. The company now offers its employees first-dollar medical coverage and dental and vision care, which cost Caterpillar $147 million in 1981.

Norman Weintraub, chief economist for the International Brotherhood of Teamsters, last year said he expected health costs to be a critical issue in negotiations for the truckers' Master Freight Agreement.

"We asked our actuaries in the different welfare funds to determine how much they needed to maintain benefits," says Mr. Weintraub. "The figure was horrendous —just astounding."

The Teamsters settled for no specified wage increase and deferred cost-of-living provisions, with a 25-cent-per-hour increase to be diverted to welfare funds for health and pension benefits.

While employers in the private sector often settled for wage freezes and kept benefit levels the same, the state of New York in late November reached agreement with the unions representing more than 190,000 workers, setting a pattern for 220,000 county government workers.

Negotiators for the state told the unions they did not want benefits to cost more than $300 million, the level spent in 1981. Negotiators agreed to modify health coverages, representing a savings of $142 million over 27 months for the state.

Mercer's Mr. Norton, who was involved in the negotiations, said most of the changes in benefits represented cost-containment issues. Not all of the unions have yet ratified the New York contracts.

Changes in the contract include establishing a 28-day waiting period before new employees become eligible for health care benefits (new employees were immediately eligible under the old contract), forcing employees to pick up 10% of premium costs (about $5 to $10 per month per worker) and making employees who work fewer than 20 hours per week ineligible for fully-paid medical coverage.

Health insurance deductibles were increased to $100 per participant from $75, with deductibles increasing each year at a rate proportional to the increase of the medical component of the Consumer Price Index.

Mr. Norton said the program also includes the innovative mix of mandatory second surgical opinion programs, mandatory pre-admission testing and financial incentives for outpatient surgery. ■

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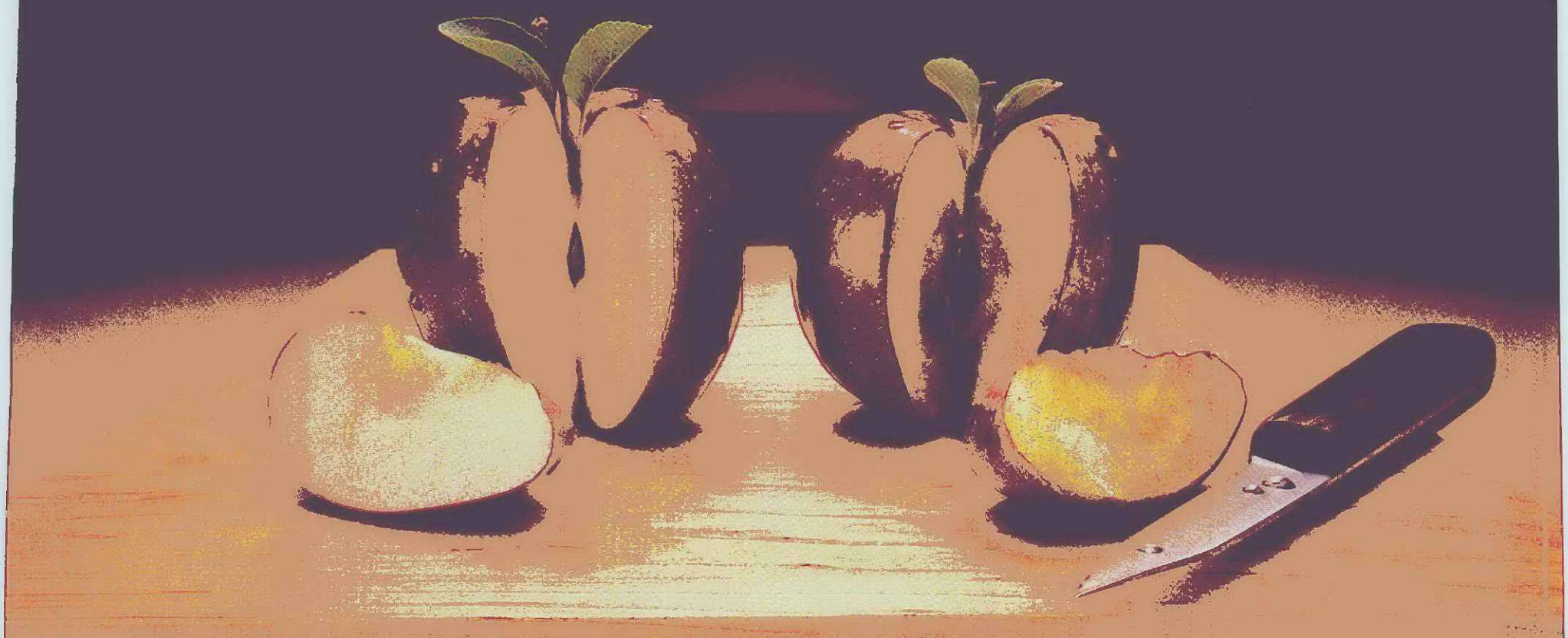

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Many employers hope to offer flexible plans by '85: Survey

By JAMES C. LAWSON

NEW YORK—Flexible benefit plans will be popular by 1985, but right now the hottest—and about the only—area of benefits activity is retirement savings plans.

Forty-four percent of the 264 employers that answered a recent Towers, Perrin, Forster & Crosby survey on benefit trends said they will institute flexible benefits plans in the next two or three years to let employees design their own benefit mix.

Of the 13 types of benefits listed in the survey, flexible benefits was by far the one named most often to be offered by 1985 or 1986.

The next benefits most likely to be offered in 1985 or 1986 were salary reduction plans and child care assistance, but they were listed only 22% and 20% of the respondents, respectively.

However, the survey shows growth in flexible benefit plans and most other benefits was slow 1982 and will continue to be slow 1983, possibly reflecting tight corporate budgets as a result of the poor economy.

Only 2% of the respondents offered new flexible benefit plans 1982 and only 3% plan to do so 1983. Similar statistics were recorded for new vision care, hearing care, group prepaid legal, group auto, child care, tuition reimbursement and adoption assistance programs.

In contrast, however, 14% of the employers surveyed began 401(k) salary reduction plans this year and another 29% will in 1983. Under a salary reduction plan, an employee can defer a portion of his salary toward retirement savings, reducing his taxable income.

And, 35% of the respondents began payroll-deduction Individual Retirement Account programs in 1982.

The interest in 401(k) plans will continue through the next two or three years, the survey shows. However, plans for payroll-deduction IRAs, made possible under the Economic Recovery Tax Act of 1981, drop off drastically beginning in 1983 (see story, page 48).

TPF&C mailed its benefits trend survey to 416 members of its Employee Benefits Information Center to gauge what new benefits and plan design changes employers made or plan to make. A total of 133 non-industrial companies and 131 industrial companies answered the survey for a 63% response rate. However, not all companies answered all questions.

EBIC is a computerized data base that functions as a resource unit for a variety of Fortune 500 industrial companies as well as leading utilities, service firms, banks and other financial institutions across the country.

TPF&C consultants say the number of flexible benefit plans will grow because employers' attitudes toward the amount of work such plans create are changing.

Under a flexible benefit plan, an employer offers additional health, life or disability benefits or totally new benefits like dental, hearing, vision care or child care assistance to workers who use "flex credits" or bonus points to purchase what they want to add to a basic core of benefits.

Interest in flexible benefit plans was slow in the past, TPF&C says, because many employers believed high administrative costs and other start-up problems outweighed the advantages of flexible benefits plans.

But much of that thinking is changing now, says Philip Alden, a vp in TPF&C's New York office.

"Companies are beginning to realize a flexible benefits program need not have everything from soup to nuts in them," he explains. "They don't have to be complicated. They can be quite simple. A company may allow an employee to choose between two medical plans or a dental plan or accept cash rather than offer a whole lot of benefits."

The choices become even simpler if the company also offers a 401(k) salary reduction plan since an employee who chooses cash instead of a particular tax-free benefit could have that money funneled into a tax-deferred salary reduction plan, he said.

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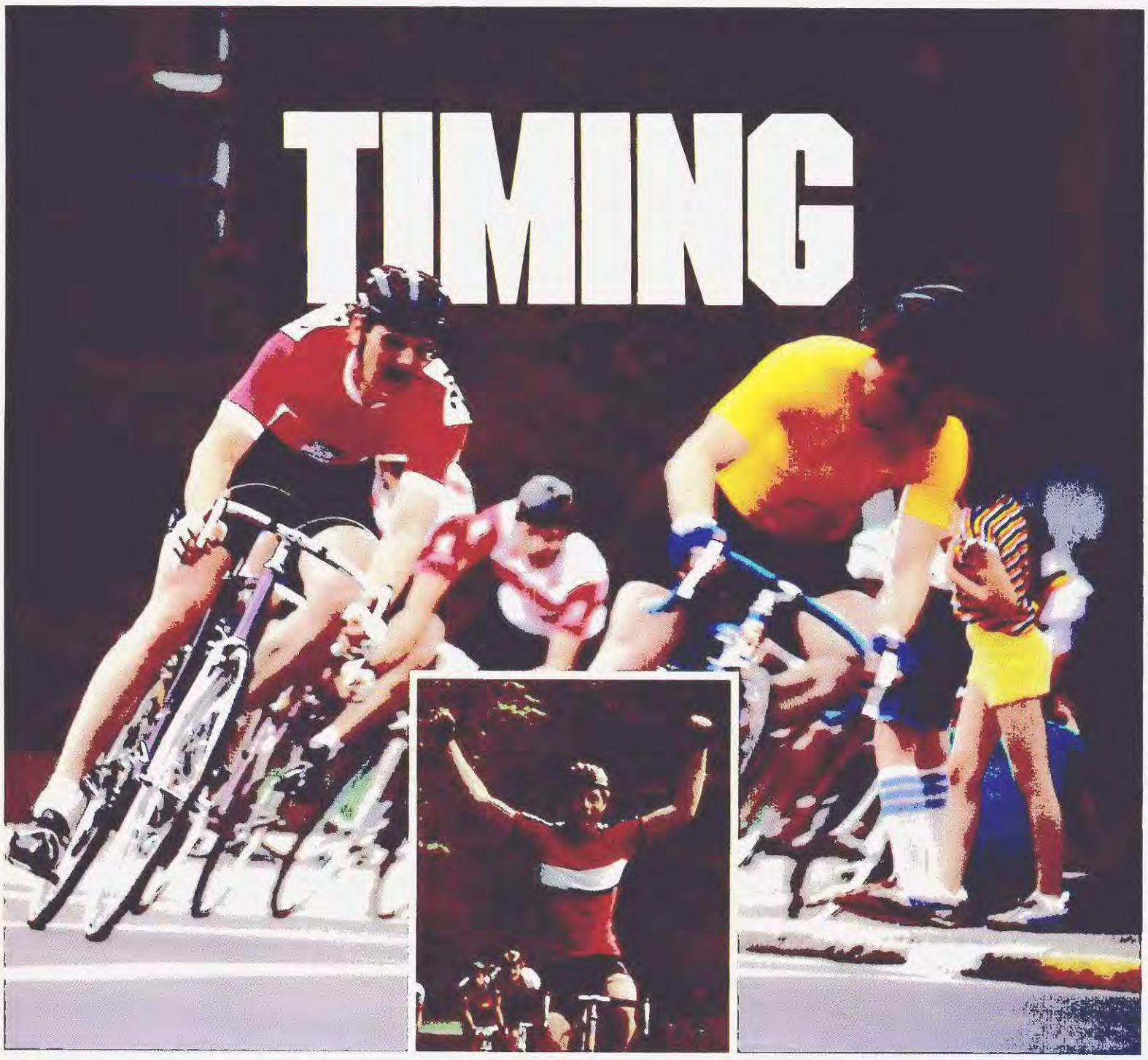

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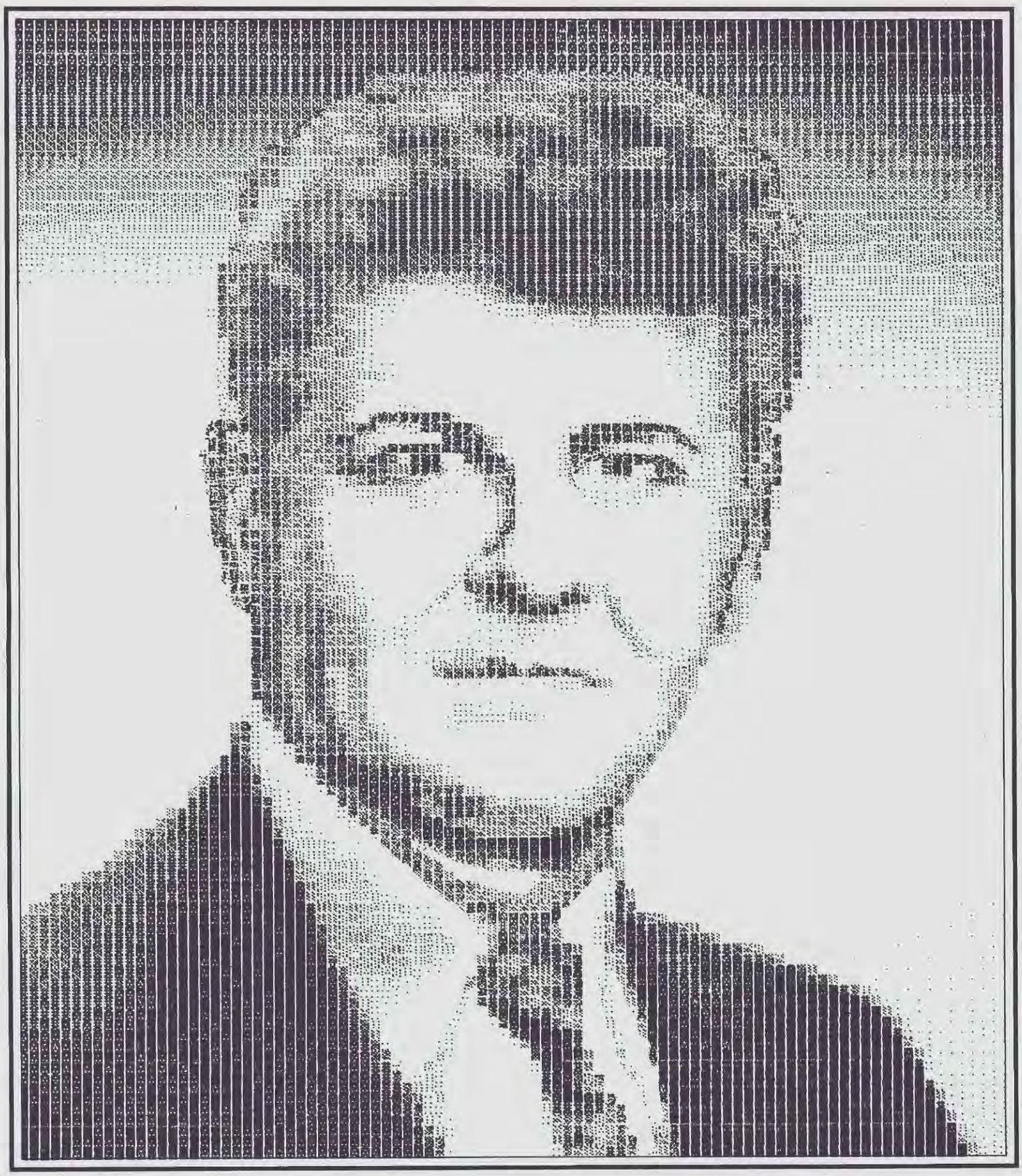

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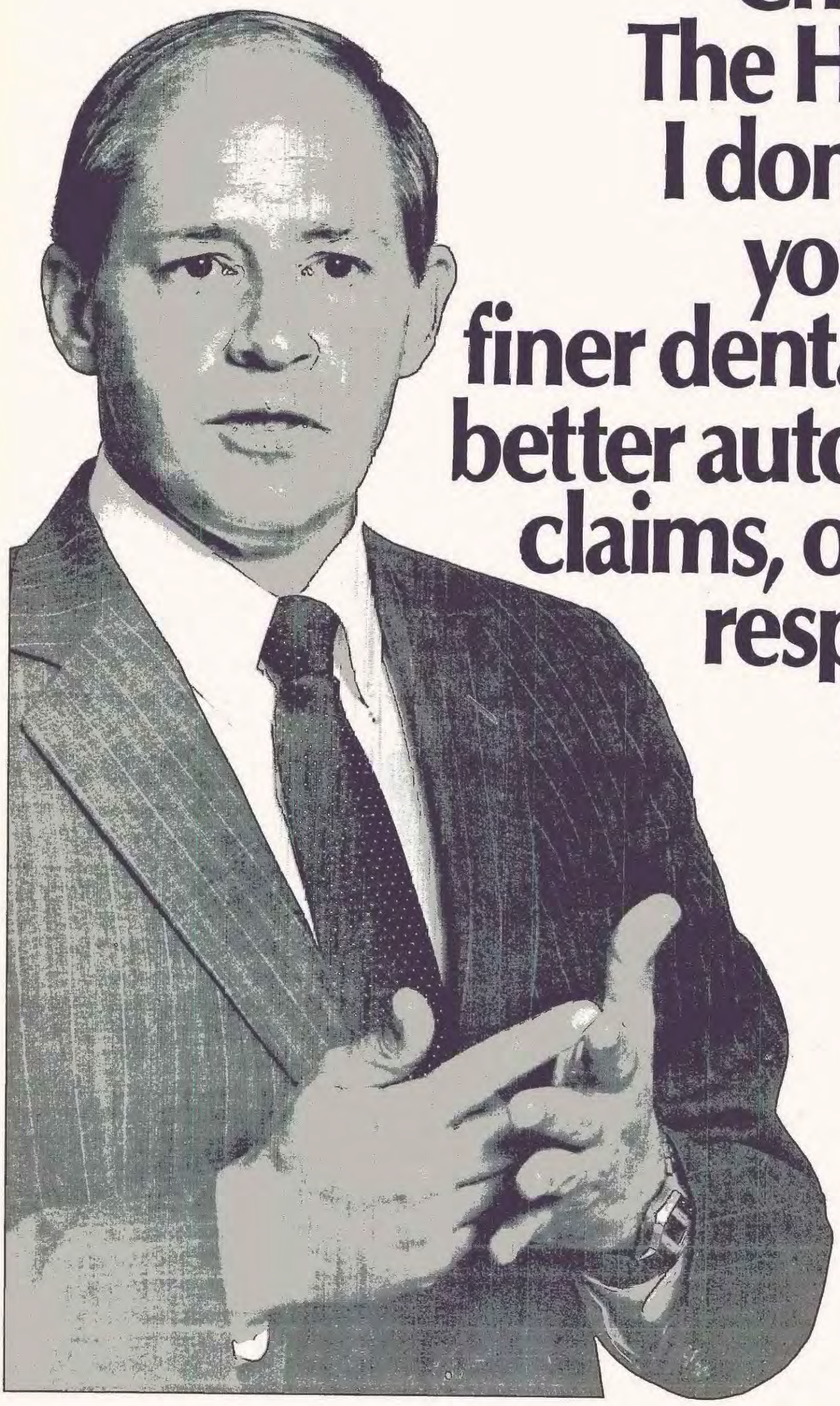

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Q. What are some of the capabilities of your automated claims system?

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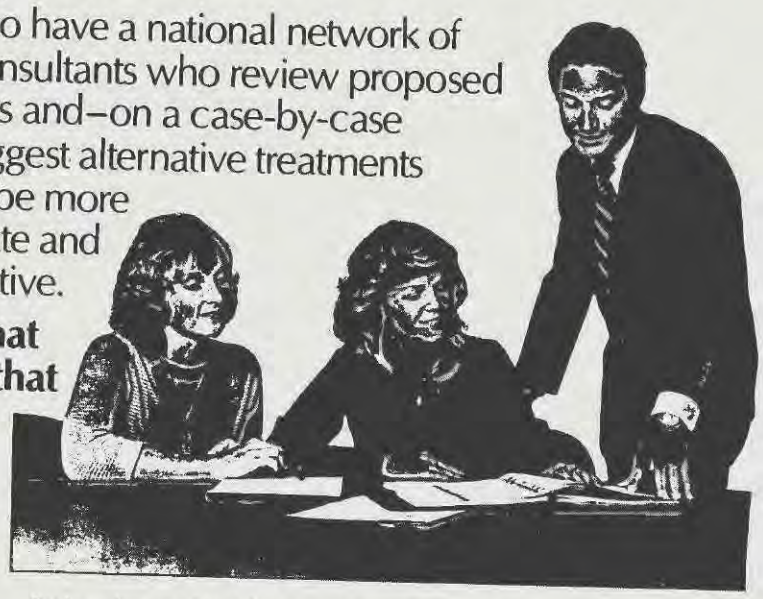

Broker, client and Hartford service rep discuss the many options available with The Hartford's dental plans. (l. to r.) Pamela Hyder, Administrative Service Rep., The Hartford; Christine W. Roberts, Director of Employee Benefits, National Medical Enterprises, Inc., and D. Keith Colwell, V.P., Employee Benefit Planning Department, Johnson & Higgins, Los Angeles.

Q. To what extent is that superior service available to small groups?

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Firms hope to offer flexible plans

Continued from page 22

Besides the current interest in salary reduction plans and IRAs and the future interest in flexible benefit plans, another new benefit generating interest is the PAYSOP or Payroll-Based Employee Stock Ownership Plan, the survey shows.

PAYSOPs were created through a provision in the Economic Recovery Tax Act of 1981 to be effective Jan. 1, 1983.

Thirty-four percent of the survey respondents said they would offer a PAYSOP in 1983. Another 12% said they would offer one in the next two or three years. Thirty-seven percent said it is unlikely they will ever establish a PAYSCP.

Among the other benefits listed in the survey—vision care, hearing care, group prepaid legal, group auto, child/dependent care, tuition reimbursement and adoption assistance—vision care and tuition reimbursement have been the most popular in the past.

Among the survey respondents, 20% began their vision care programs before 1982, while a whopping 94% of the surveyed companies offered tuition reimbursement benefits before 1982.

While neither of these two benefits nor the others listed above generated much interest in 1982 nor are expected to in 1983, some companies hope to add these benefits in two or three years.

For example, 20% said they will offer child/dependent care benefits in two or three years. Thirteen percent said vision care benefits are in the works for 1985 or 1986.

In two or three years, hearing care benefits will be offered by 9%; adoption assistance benefits by 12%; group prepaid legal by 6%; group auto by 8%; and tuition reimbursement by an additional 1%.

Perhaps more interesting is the number of employers that say they probably will never offer certain benefits. For example, 90% of the respondents have no plans to ever offer group prepaid legal benefits. Eighty-one percent say no to group auto benefits and 80% turn thumbs down on hearing care programs.

Adoption assistance programs and child/dependent care programs have been rejected by 77% and 72% of the employers respectively.

As employers add or hold back on new benefits, health care cost containment continues to be a major concern, the survey shows.

A final question asked companies to list the "single, most consequential" employee benefit plan issue facing their company. More than 60% of the respondents answered health care cost containment. ■

Health care coalitions use varying methods to hold lid on costs

By LAURENCE H. GROSS

The city of Kettering, Ohio, doesn't sound like a likely place for a business coalition to prove it is serious about holding down health care costs.

But, the small community of Kettering, a suburb of industrial Dayton, is the home of employees of big companies like NCR Corp., Monsanto Co. and General Motors Corp.

Dayton's employers, through the Miami Valley Coalition, took their fight against rising health c costs to this community.

The coalition of businesses a health care providers was drawn nearby Kettering to try to prev an expansion of hospital beds.

Kettering's only hospital, Kett ing Medical Center, was maintai ing a 93% occupancy rate, and h pital administrators had plann an extensive expansion program alleviate periodic overcrowding.

The Miami Valley Coalition, a employers elsewhere, say an ove supply of hospital beds drives u hospital rates and general medic costs associated with a hospital sta The Miami Valley Coalition est mates that the Kettering additio would increase hospital rates i Kettering Medical Center's tw hospitals more than $25 per da from $440.

Health care experts also say th an oversupply of beds encourage hospitals to fill them throug longer hospital stays or unneces sary admissions.

The battle over the 40 new hospi tal beds in Kettering is being fough in zoning commission board rooms and city hall, placing the co alition in an adversarial role with Kettering Medical Center.

Although the confrontation be tween providers—physicians and hospitals—and business coalitions across the nation was a rare occurrence in 1981, the Miami Valley group is demonstrating a new aggressive posture taken by more than a dozen of the cost containment groups in the past year.

The Miami Valley conflict may be just a leading edge in potential disputes between health care buyers and providers.

"I would not necessarily call the attitude of business coalitions one of militancy, but health care buyers want a move to the free-market environment among providers," says Andrew Webber, vp of the Washington Business Group on Health. "Business has been asleep too long, and now we're starting to wake up. Let me say we're going to ruffle some feathers."

The coalitions, which come in all shapes and sizes from ad hoc groups to non-profit corporations, have more than doubled in size in the past year. While last year, the U.S. Chamber of Commerce estimated there were 50 such groups—about half of which barred providers as members while the other half were made up of businesses, health care providers and labor—there are now about 100 coalitions. Some coalitions are just organizing, like ones in West Palm Beach, Fla., and Fort Worth, Texas.

James Blain, chairman of the Miami Valley coalition and managing partner for Arthur Andersen & Co. in Dayton, says the confrontation with Kettering Medical Center began after the coalition asked seven area hospitals to participate in a moratorium on hospital bed expansion.

"A study by A.T. Kearney Inc. (of Chicago) was conducted to determine what was going on in the Dayton community," Mr. Blain says. "It determined that before we proceed with the expansion of any in-patient facilities, a study group should be formed to look at what things are happening to Dayton that will have an impact on the need for new beds."

Not all the hospitals that are members of the coalition agreed to the moratorium.

Continued on page 28

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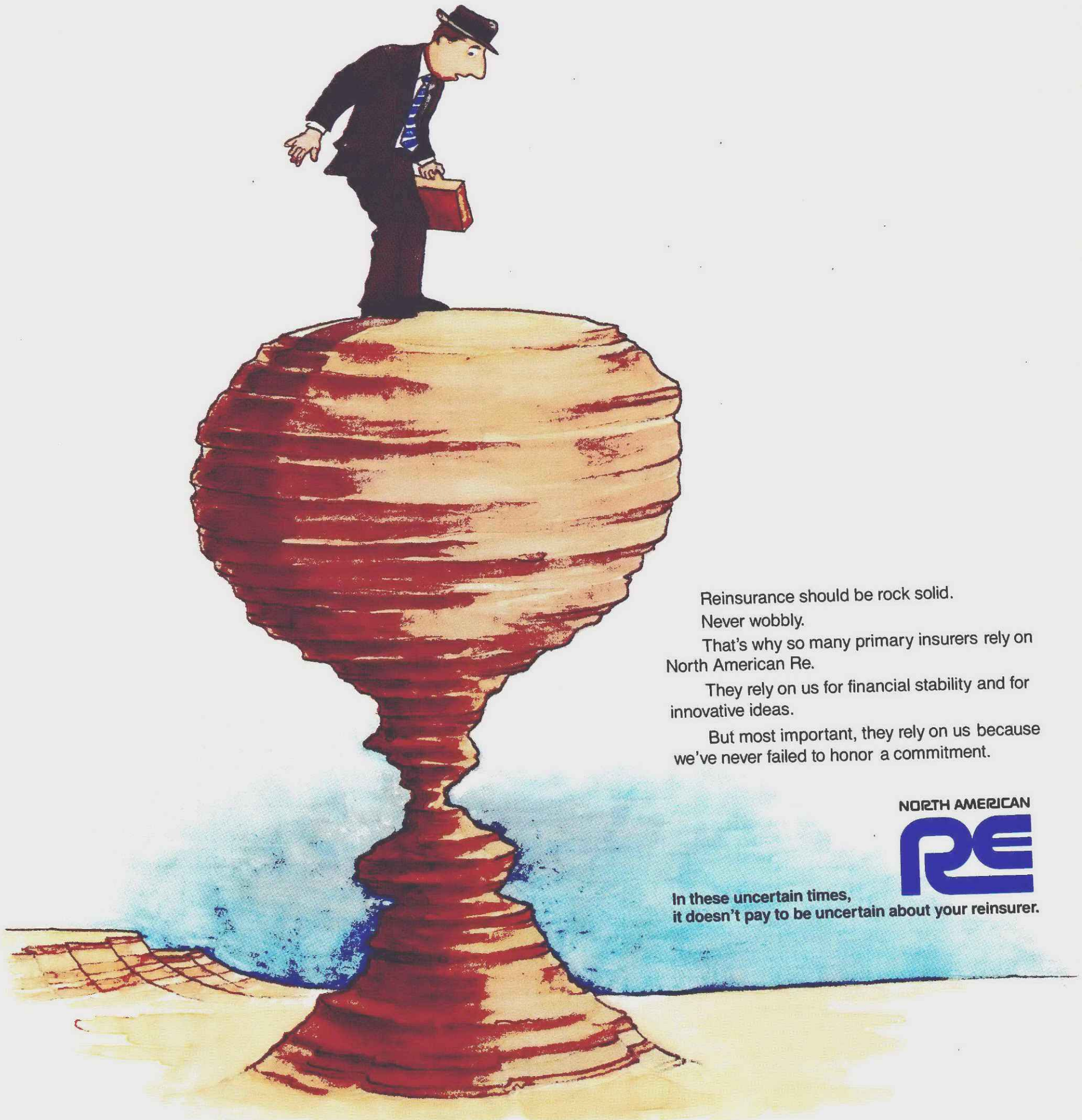

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Coalition tries to block hospital expansion

Continued from page 26

Kettering Medical had already planned for a 112-bed expansion at two facilities, one in Kettering and the other in nearby Miamisburg. Grandview Hospital in Dayton was working on a $44 million renovation plan that would not add new beds.

A third facility, St. Elizabeth's Hospital, planned a 47-bed expansion.

St. Elizabeth's shelved its expansion plans, but neither Kettering nor Grandview did.

Mr. Blain and other coalition members said they less vigorously opposed Grandview's plan for renovation because it did not involve new beds.

"It's unfortunate everybody is pointing the finger at Kettering," said Mr. Blain. "The moratorium was not directed at Kettering. The coalition didn't want to get involved in a shouting match with the hospital."

> 'The groups just can't act without better access to hospital records and better systems to distinguish utilization and pricing patterns,' Mr. Webber of the Washington Business Group on Health says.

Kettering officials say they agree with the coalition's motive to control costs, but contend that the group's methods are not feasible.

"Hospital providers such as Kettering Medical Center. . .are predicting the most-needed hospitalizations will continue and even increase with the aging population, regardless of whether or not local businesses decide to cut back on hospital benefits (to employees)," says a hospital spokesman. "Businesses are disagreeing with that conclusion, and that is the crux of the disagreement."

The Kettering Zoning Commission had approved Kettering Medical's 40-bed addition to its Kettering facility, but the commission reversed its position after the coalition made what it called a "neutral, factual" presentation to the board. The hospital has appealed the zoning board's ruling against construction to the City Council, which is scheduled to issue its opinion this week.

Although the coalition probably will not challenge the City Council decision if it grants a go-ahead to Kettering Medical, according to Mr. Blain, a hospital spokesman said the conflict between the coalition and the hospital has clearly defined the adversarial role between the groups.

"This moves health planning in the traditional American advocac system instead of the idealistic joi health care planning concept earlier health planning systems says the hospital spokesman.

Earlier systems were based o the use of health systems agencie federally funded groups of healt care providers and concerned cit zens whose decisions are later re viewed by state agencies.

Noting the recent elimination o the state's regional health plannin agencies, the Kettering Medica spokesman said the coalition ha focused more on cost control tha the planning agency had.

In other parts of the country, coalitions are growing in size and number.

"Many of the groups are still organizing, figuring out how to incorporate themselves, gathering members or devoting time to data collection," says Mr. Webber. "The groups just can't act without better access to hospital records and better systems to distinguish utilization and pricing patterns."

But even the simple collection of data has been blocked by some physicians and hospitals.

Patrick Renaud, chairman of the Maryland Health Care Coalition and group insurance manager for Bethlehem Steel Co., said medical societies throughout the state waged a campaign against legislation before the Legislature this year that would have allowed state agencies to gather physician-specific utilization data.

"We would have been able to look at each physician in the state who treated a certain illness and scan the utilization pattern," Mr. Renaud says. "If Dr. John A. was hospitalizing patients far longer than his peers for endemic heart disease, for example, he would have been subject to peer review."

Mr. Renaud said the Maryland coalition, which includes union members, providers, insurance companies and employers, is starting a quality-assurance project designed to monitor hospitals throughout the state.

"We're looking at the average length of stay in hospitals in each of the 467 diagnostic-related groups (of illness)," says Mr. Renaud. "We will determine the efficient and inefficient providers in each group."

With the backing of state health planning agencies, Mr. Renaud says the ultimate result of the assurance project may be that the most inefficient hospitals will either be purchased or closed.

While Maryland group focuses on hospital utilization, another business coalition is attacking physicians' practice patterns.

The Birmingham Coalition in Alabama this year designed a prototype health benefits plan for employers that belong to the group.

"The thrust of our committee is to change physician practice habits," says Floyd Smith, chairman of the coalition's steering committee and benefits manager for South Central Bell Telephone Co. "The reason many coalitions are not getting very far is that they are trying to change the hospitals, but we are trying to encourage physicians to change their habits in admitting patients."

Mr. Smith said 11 major Birmingham employers pooled their employee's health data, revealing:

- Patients admitted to hospials on Friday or Saturday ended up staying in the hospital an extra day, often because hospitals did not have weekend staff to perform diagnostic tests.
- Of all the city's hospitals of-

Continued on page 30

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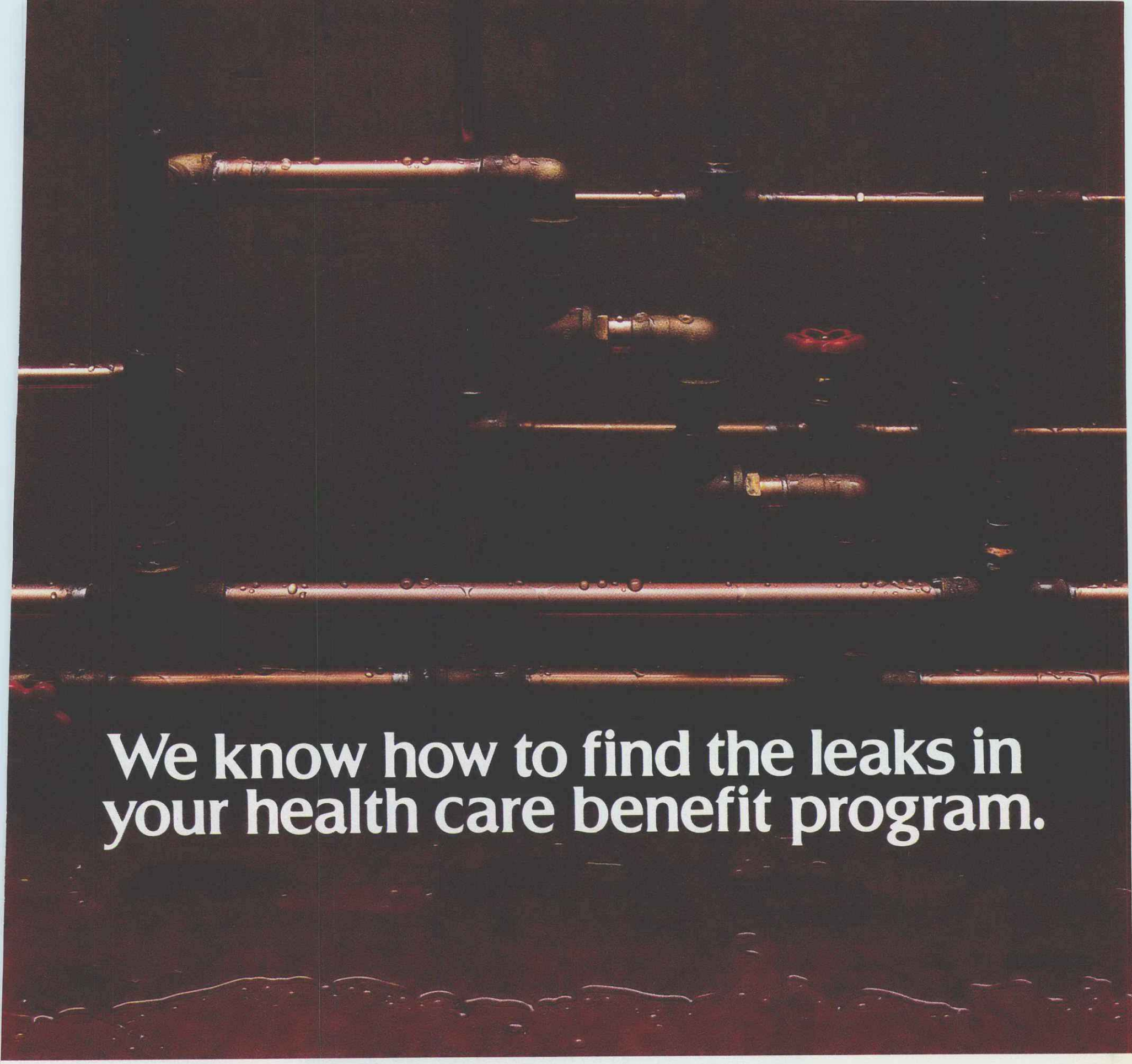

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BI 12

Coalitions may be open to antitrust suits

Continued from page 28
fering maternity care, a vast majority of the Caesarian sections were being performed at just three hospitals, possibly indicating an abuse of that procedure.

- By reviewing the number of patient days per 1,000 employees and the number of admissions per 1,000 employees, significant differences in admission patterns at hospitals were observed.

Mr. Smith said the prototype benefits plan, aimed at eliminating the abuses discovered by the 11-employer study, recommends that:

- Employees pay full room and board costs for the first day of hospitalization, and pay $25 per day for the second through 10th days. This will help reduce the number of hospital admissions for services that can be performed on an outpatient basis.
- Employees pay for all costs incurred during Friday and Saturday hospital admissions, unless the illness is an emergency or the hospital has weekend diagnostic workers.
- Outpatient diagnostic services be fully paid by the employer, but inpatient diagnostic services be only 80% covered.
- Pre-admission be required for all elective surgical procedures, with greater insurance coverages for those admitted to hospitals after pre-admission testing than for those who failed to seek the screening.

> 'To generalize, antitrust is not necessarily dependent on the end result achieved, but the means used by the group to get there,' Mr. Halper explains.

Although Alabama still uses governmental health planning agencies, the Birmingham coalition has successfully battled hospitals trying to build new beds in the south part of the city. Five hospitals applied for permission to build new facilities on Birmingham's south side this year, and the health systems agency denied all five requests after testimony by coalition members.

Mr. Smith said despite the coalition's short history, there has been a visible measure of success in containing health care costs. He said that in 1978, members of the 11-employer data group averaged 186 hospital admissions per 1,000 employees, while the national average was only 156 admissions.

Mr. Smith said for the first six months of 1982, some of the employers have shown reductions in admissions as great as 18%. And although hospital costs have historically risen in Birmingham at 15% per year, the rate of increase has fallen 5% for some medical specialties.

Business coalitions do face ch lenges in their efforts to hold do rising health care costs.

One of the obstacles is the thr of antitrust action by hospitals physicians who are identified as i efficient providers of health care.

Mr. Renaud said the Maryla group was the first in the nati that requested a letter from t U.S. Department of Justice promi ing not to litigate against the coal tion on antitrust grounds for t group's activites in amassing conf dential employee health data.

"The Justice Department's mai concern was that we did not act as group and boycott the inefficier providers," says Mr. Renaud. "Bu if Bethlehem Steel, for exampl looks at this mass of accumulate data, we can individually mak recommendations to our own em ployees about the hospitals or phy sicians we'd encourage them t use."

Mr. Smith of the Birmingha group said his group should be im mune from antitrust action becaus it does not require coalition mem bers to use the prototype health plan; it only made details of the plan available.

Several organizers of business coalitions say it is only a matter of time before a physician or hospital files an antitrust action against a coalition. A majority of the coalitions interviewed by *Business Insurance* indicated they had purchased or were shopping for directors and officers liability insurance to protect their board of directors in the event of lawsuits.

To help coalitions avoid antitrust litigation, the John A. Hartford Foundation, a $125 million private New York foundation, awarded a grant to George Washington University's National Health Policy Forum to develop a handbook for coalitions on antitrust problems.

H. Robert Halper, an antitrust attorney with the Washington law firm of O'Connor & Hannan, said he expects to complete the handbook by spring.

"This project was originally conceived because of yelling from the rooftops by hospitals and physicians about antitrust activity," says Mr. Halper. "The yelling itself could chill some very permissible activities by the companies trying to reduce costs."

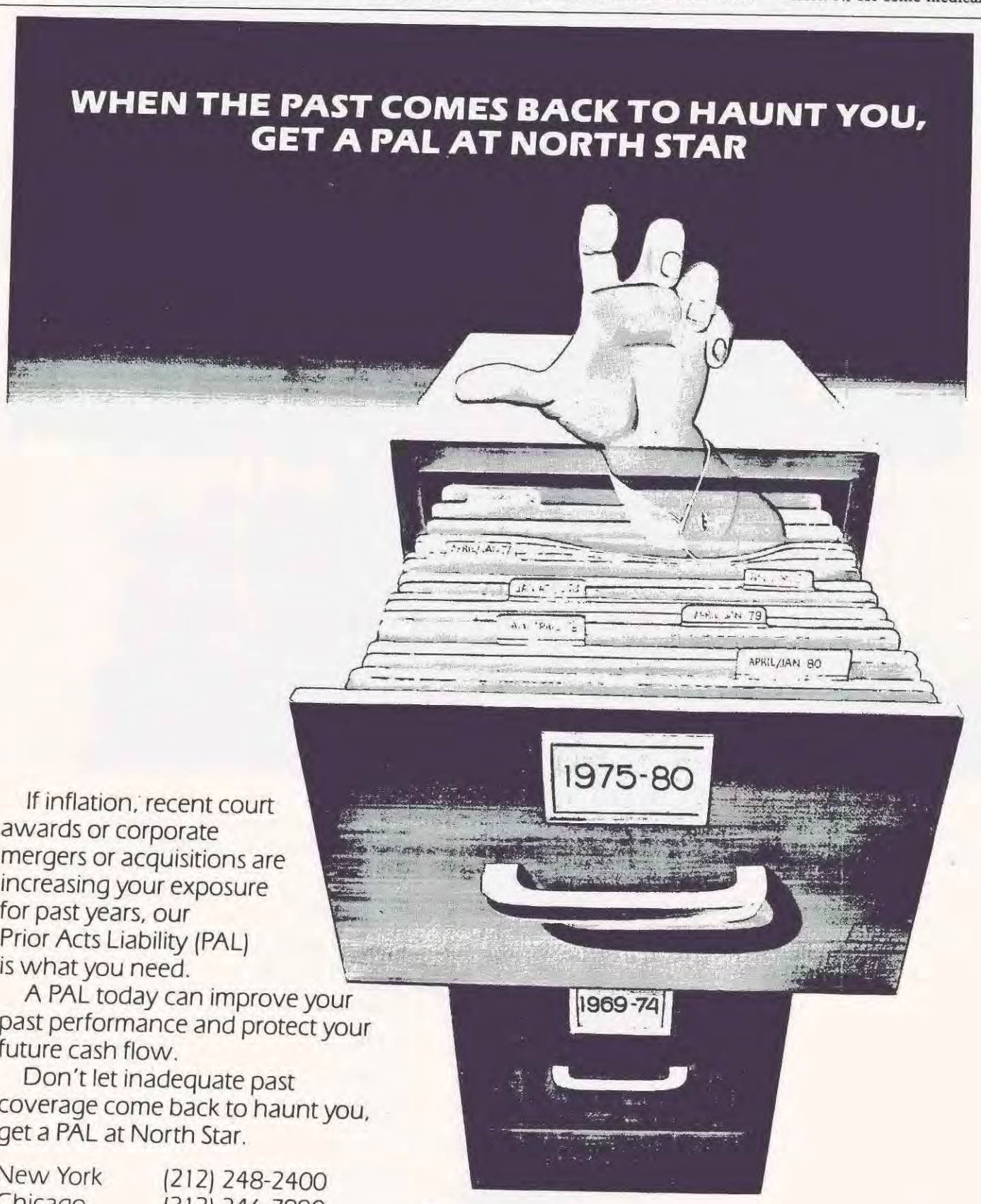
Mr. Halper requested information from dozens of business coalitions, and occasionally found activities by groups that could expose the coalition to lawsuits. He would not specify the groups or their possibly illegal action.

"Opposition to capital improvement projects (such as the Kettering situation) is fairly common," Mr. Halper says. "To generalize, antitrust is not necessarily dependent on the end result achieved, but the means used by the group to get there."

Another challenge coalitions face was identified by the chairman of one of the nation's oldest and among the most active business coalitions on health care costs, the San Diego Employers Health Cost Coalition, founded in 1977.

Chairman Robert Colasanto, insurance manager for Pacific Southwest Airlines, said he is concerned that newer coalitions may become too bogged down in data collection, only to prove ineffective in addressing problems indicated by the data.

"The coalitions must work with the community—hospitals, consumers and physicians—but cannot be afraid of confronting providers," says Mr. Colasanto. "Reducing costs won't happen overnight, but it will happen." ■



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Most companies not examining utilization: Study

By CAROL CAIN

Employers are tapping a variety of measures in an attempt to contain soaring health care costs, a recent survey of Fortune 500 corporations reveals.

In particular, the preliminary results of the survey show that:

- Second surgical opinion programs are becoming more prevalent and are now used by about half of the responding employers.
- However, corporations are not closely examining the hospital utilization patterns of their employees, patterns that can have a great bearing on health care cost increases.

"As we begin the 1980s, it is clear that the most important lesson learned in the 1970s is that the problem of escalating health care costs is a complicated one not likely to be solved with simple solutions," said Helen Lewis-Wistner, manager of employee insurance at W.R. Grace & Co. in New York and president of the National Assn. of Employers on Health Care Alternatives Foundation, which conducted the survey.

Not only is containing costs a complex issue, but it's part of a slow movement, Ms. Lewis-Wistner said. Reducing health care cost inflation takes time: "There's a lot of learning going on," she added.

The NAEHCA survey was intended to examine cost-containment activities at 308 of the nation's largest employers. One-third of the questionnaires were sent to NAEHCA members, while the remainder were sent to a random sample of about 200 other Fortune 500 corporations.

More than 60% of NAEHCA members have responded to the survey and 38% of the nonmembers. Through follow-up letters and telephone calls, NAEHCA hopes to increase the response rate to have enough numbers to further analyze the effectiveness of the health care cost-containment measures being taken by the companies.

A smaller sample size and response rate in earlier surveys conducted by NAEHCA in 1978 and 1979 limited the amount of analysis that could be done.

The analysis from this survey, plus detailed data, is expected to be included in the final report, due to be released in January.

Although additional responses may change results in the final report, preliminary information supports some trends already reported by health care experts.

One surprising statistic, according to Ms. Lewis-Wistner, was the large proportion of respondents that indicated their company had implemented a second surgical opinion program. About 61% of NAEHCA member companies and 45% of non-member respondents said they now have some sort of second surgical opinion program in place.

Data from a previous survey showed that only 37.5% of the responding companies had implemented a second surgical opinion program.

"One of the reasons for the popularity of this approach is that it does not appear administratively difficult to implement," Ms. Lewis-Wistner said.

Conversely, the preliminary data show that the proportion of companies that conduct hospital utilization reviews is small: 33% for NAEHCA member companies and 30% for non-members.

"Here, it appears that the in-

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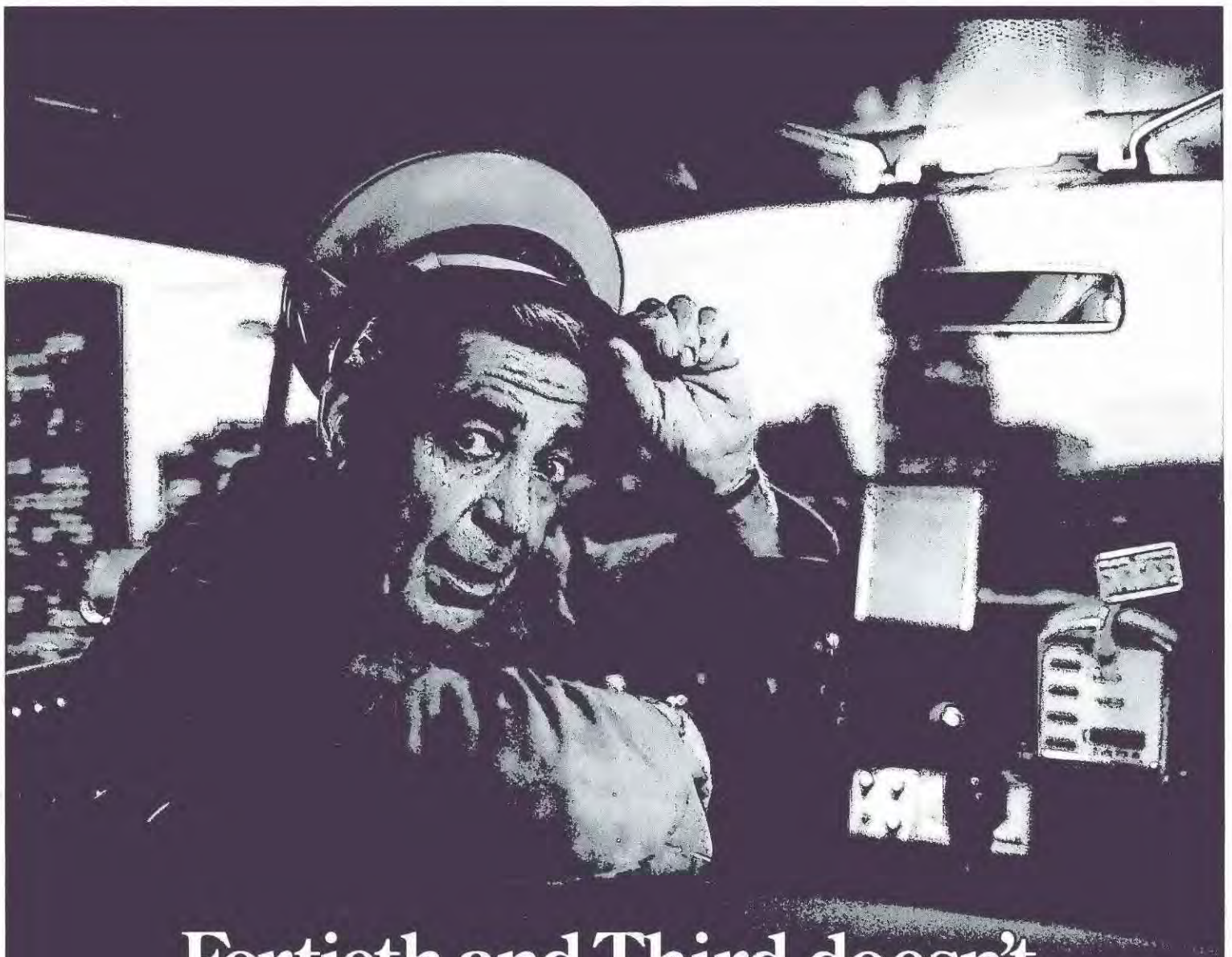

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Continued from facing page
creased administrative complexity of conducting utilization reviews may account for the lower popularity of this approach," Ms. Lewis-Wistner said.

Most companies reported they were lacking information about their employees' hospital admissions and the number of days they spend in the hospital.

"It was our expectation that the growing concern associated with rapidly escalating hospital costs would prompt most large companies to be familiar with the hospital utilization patterns of their company," said Ms. Lewis-Wistner. "Unfortunately, data relating to hospital utilization was not provided by a substantial proportion of the respondents to our survey."

Utilization reports are not an absolute necessity to contain rising health costs, she said, but, "I think it's a very valuable tool to be used when adjusting benefit features that have to be more cost contained.

"The basic problem is that we don't have a handle on utilization patterns," she said, adding that some large companies are using statistics from other companies, reasoning that their utilization patterns would be the same as others'.

Less than 31% of the companies that responded to NAEHCA's survey provided specific information on their employees' hospital utilization. The companies that did supply that information reported an average annual hospital utilization rate of 148 admissions and 858 hospital days per 1,000 employees.

This number compares with an average annual rate of 300 to 400 hospital days per 1,000 employees at companies that stress use of health maintenance organizations, said Ruth Stack, NAEHCA's executive director.

Some of the companies that responded to the survey reported annual utilization rates of 2,000 days per 1,000 employees, she said, adding that employers should set a goal of reducing their utilization rate to 650 days per 1,000 employees.

The limited data generated through NAEHCA's survey is puzzling based on the size of the companies that participated, said Ms. Lewis-Wistner.

"Clearly companies with the largest numbers of employees participating in a health plan stand to realize substantial dollar returns if hospital utilization can be reduced to their employees.

"However, it is unlikely that thoughtful approaches to constraining cost of utilization increases can be developed by large employers without a better understanding of the current use patterns experienced by their employees," she said.

The survey also questioned employers about the HMO options they offered to their employees. Some 93% of NAEHCA member companies and 89.5% of the non-member companies surveyed said they offered their employees a health maintenance organization option along with traditional health insurance plans. In the 1979 survey, only 85% of member companies and 83% of non-members offered such an option.

The increase, according to Ms. Lewis-Wistner, probably is related to the increase in the number of federally qualified and state-certified HMOs.

The average number of HMOs offered by each corporation differed noticeably between member and non-member companies. NAEHCA members offered an average of 20.5 different HMO options to their employees, while non-members offered an average of nine.

"That shows our members are more positive towards HMOs," Ms. Stack said.

Other statistics compiled from preliminary data show:

- All of the NAEHCA member companies that responded and almost 98% of the non-members require that health benefits provided under their plan be coordinated with any other health benefits that employees are eligible for.
- 46% of the members and 29% of the non-members review employee's health insurance claims.
- 51% of NAEHCA member companies and 43% of non-members offer some sort of health promotion or wellness plan.
- None of the members and only 5.8% of the other respondents have preferred provider arrangements.
- 68% of the member companies and 52% of non-members review employee disability cases.

About 50% of both the member and non-member companies said they had redesigned their health benefit program as part of a cost-containment effort.

NAEHCA, a 6-year-old organization, attempts to assist employers and others to understand and develop alternative health care systems.

NAEHCA self-funded the surveys it conducted in 1978 and 1979, but was forced to curtail the projects because of time and money restaints. The current survey is conducted under a grant from the Atlantic Richfield Foundation. Atlantic Richfield is one NAEHCA's 100 member companies.

"These surveys were directed at determining the extent to which the nation's largest employers are involved in providing coverage for health care and the level of effort they are expending in the development and implementation of programs to constrain health care cost increases," Ms. Lewis-Wistner said last month in Miami at NAEHCA's sixth annual meeting.

"It is important to identify and evaluate corporate activity in this regard, since the collective implementation of effective programs by the nation's largest employers could produce dramatic results in health cost containment," she said.

For more information on the organization, contact NAEHCA, 1134 Chamber of Commerce Building, 15 S. Fifth St., Minneapolis, Minn. 55402; 612-338-4823. ■

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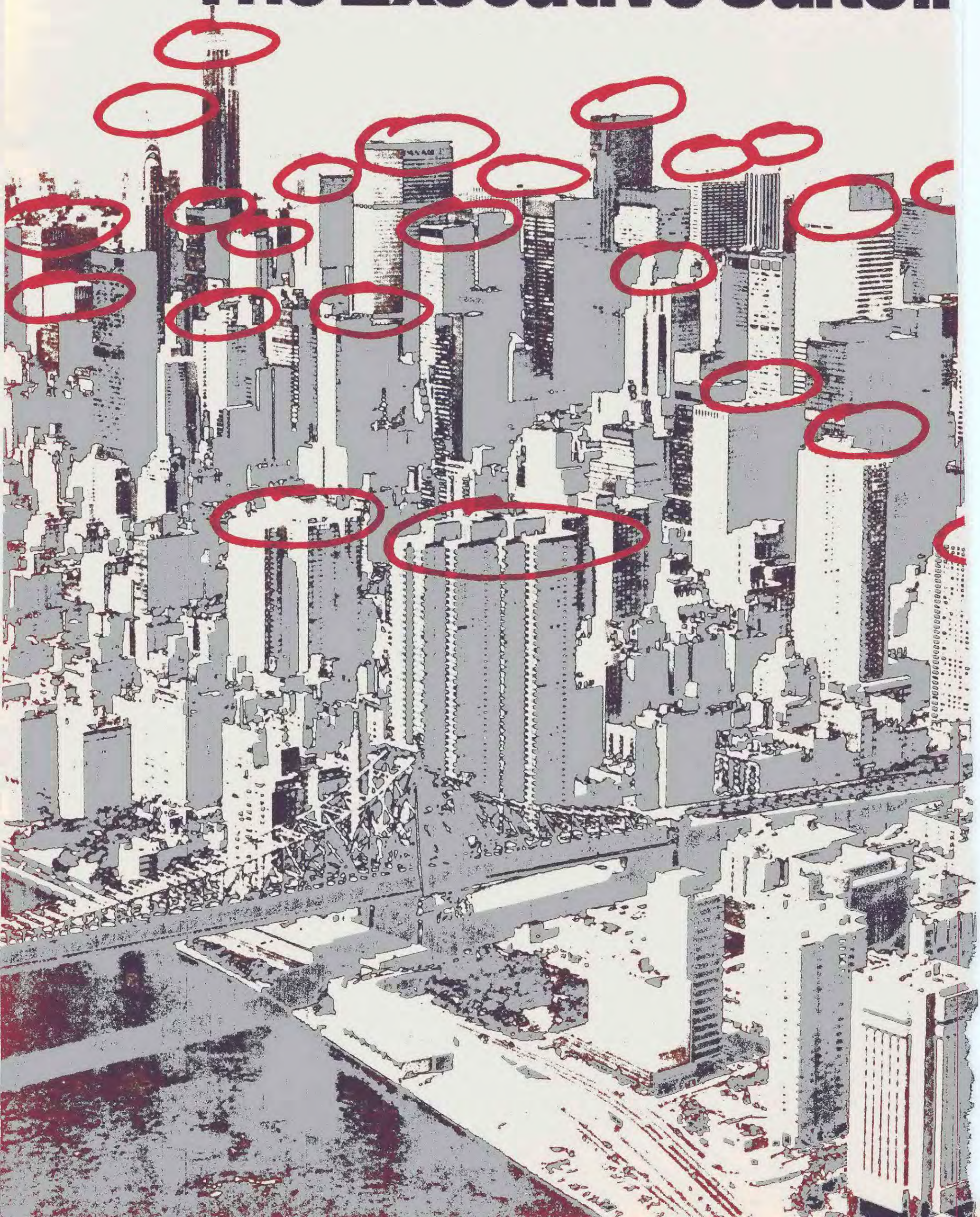

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BI-12/13

Multiemployer act raises employer awareness

By JERRY GEISEL

WASHINGTON—Employers are learning how to play by the new rules laid down by the Multiemployer Pension Plan Amendments Act of 1980.

Prior to this law, which created huge pension liabilities for employers leaving the plans, many companies often couldn't even name the multiemployer pension plans to which they belonged. Now, they are taking crash courses to find out their responsibilities to them.

"There is a much more heightened awareness among employers that they are contributing to these plans," says pension expert Robert Ridley, an attorney with Forster, Gemmill & Farmer in Los Angeles. "Employers want to know what the liabilities of the plans are and what it will cost them if they leave the plans," he said.

Other employers, which previously paid scant attention to how multiemployer plans invested assets, now are taking a much more active role in the management and investment of plan assets.

"A plan that increases assets through wise investments reduces employers' liabilities," Mr. Ridley notes.

In addition, employers are resisting benefit improvements if those increases create new unfunded vested benefits.

For example, last year Borden Inc. of Columbus, Ohio, went to federal court in a successful bid to prevent trustees of a dairy multiemployer plan from increasing monthly benefits for participants by about $1 a month for each year of service. That increase would have created about $1 million in unfunded vested benefits (*BI*, Aug. 23, 1981).

Some employers are taking other approaches to protect themselves from potentially huge liabilities. NAS Ltd., a Chicago-based excess/surplus lines broker, has sold 50 to 100 Lloyd's of London policies that provide up to $1.1 million of insurance to cover employers' liabilities and legal expenses if they are forced to withdraw from multiemployer plans (*BI*, Aug. 30).

"The companies that have purchased the policy are small to medium size, frequently in the coal, lumber or trucking industries, that feel that they can't predict the future," said NAS President Thomas Cath.

Other employers want new multiemployer pension rules.

For example, more than two dozen trade associations have banded together to support legislation, H.R. 7233, that would allow employers to escape paying a share of a multiemployer plan's unfunded vested benefits if a company's operations cease because of a natural disaster or the loss of a service contract or lease.

Finally, some companies want to scrap the new multiemployer rules. At last count, some 127 suits have been filed in federal courts challenging the constitutionality of the act.

But, the suits haven't gotten very far. "The courts have resoundingly sustained the constitutionality the multiemployer law," sa Baruch Fellner, associate gener counsel at the Pension Benef Guaranty Corp., the federal agen that guarantees workers' pensic benefits if their pension plans fail.

Some firms, however, still dor understand the new rules lai down by the Multiemploye Amendments Act.

"You'd be amazed at the numbe of employers that still do not ur derstand the impact this law ca have," said Mr. Ridley, the Los An geles attorney and pension expert.

Those firms better begin learnin their multiemployer lessons soor Signed into law on Sept. 26, 198(by former President Carter, th Multiemployer Amendments Ac was overwhelmingly approved by Congress to shore up the financia stability of the nation's 2,000 multiemployer plans.

Prior to the 1980 law, an employer's liability was limited to a negotiated contribution rate hammered out among union and employer representatives at the collective bargaining table.

Unless the multiemployer pension plan collapsed within five years of the employer's exit, the employer would not have to contribute to the benefits promised to the plan's workers and retirees.

Since employers' liabilities were limited to a fixed contribution, employers had an interest in keeping contributions low, while union representatives fought for lucrative benefits.

Because employers' contributions often failed to match the benefits promised, many multiemployer plans amassed enormous unfunded vested benefits. The Central States, Southeast and Southwest Areas Teamsters pension fund, for example, has about $3.5 billion in unfunded vested benefits.

In the late 1970s, large employers, the PBGC and unions began to worry about these huge liabilities. Big companies, which were committed to multiemployer plans, were concerned that they would get stuck paying for the liabilities of smaller firms that left the plans.

The PBGC was especially concerned about plans that were headed for financial problems because the PBGC would have to guarantee billions of dollars in pension benefits to multiemployer plan participants if the plans failed.

To pay for the benefits, the PBGC would have had to increase the annual multiemployer pension plan premium paid by employers to as much as $80 per plan participant from 50 cents per plan participant.

This huge premium increase could have forced more employers to withdraw from the plans, leading to more pension failures and yet further pension premium increases.

This cycle of pension failures leading to higher premiums followed by more pension collapses would have continued until the PBGC multiemployer pension program went belly up. That would have left workers and retirees without federal insurance to guarantee vested benefits, a prospect feared by unions.

Congress' answer to these problems was the Multiemployer Amendments Act. To discourage employers from leaving the plans, the law made withdrawing employers liable for a share of the plan's unfunded vested benefits.

Under the act, a withdrawing employer can be assessed a liability of more than its net worth to cover its share of the plan's unfunded vested benefits.

Congress hoped that the fear of having to pay for a share of the

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ıs' huge unfunded vested bene-
would not only encourage em-
yers to stay in the plans but also
keep contributions more in line
h promised benefits.
This already may be happening.
example, the Central Pennsyl-
nia Teamsters Pension Fund
ging the last year has reduced its
funded vested benefits to $204
llion from $239 million. More de-
ases are expected as the plan's
ding continues to improve, said
rry Dower, of Dower & Dunn,
Allentown, Pa., law firm that
presents the Pennsylvania plan.
"Employers are becoming more
terested in multiemployer plans,
rticularly about improving the
nding of the plans," added Theo-
re Bernstein, director of the New
ork-based International Ladies
arment Workers National Retire-
ent Trust.
But some employers, particularly
ose that were hit with huge with-
rawal liability claims after they
ft the plans, want no part of the
lultiemployer Amendments Act.
To show their disdain, they have
iled 127 suits asking courts to de-
lare the act unconstitutional.
A federal judge in California did
eclare unconstitutional a retroac-
ive provision in the law that
llows plans to collect withdrawal
iability payments from employers
hat left the plans before the law was signed, but after its effective date (*BI*, May 3).

But Judge Irving Hill's decision, which the PBGC is appealing, only affects firms in his Central California district that withdrew between April 29, 1980, the law's effective date, and Sept. 26, 1980, the day the law was signed.

But elsewhere, the law's constitutionality has been affirmed. "Courts are sending a message to employers that they will have to learn to live with the law," said the PBGC's Mr. Fellner.

Some employers, though, believe they can convince Congress to alter provisions of the act that they believe are most unfair.

A number of business trade groups next year will lobby for legislation that will exempt employers from withdrawal liability if they are forced to leave multiemployer plans because of events beyond their control such as a natural disaster.

"Withdrawal liability was designed to prevent abuses like a mass withdrawal of employers from the plans," said Steve Sacher, a partner in the Washington office of Pepper, Hamilton & Scheetz. "It wasn't meant to apply to events beyond an employer's control."

Mr. Sacher believes Congress will pass some kind of multiemployer withdrawal liability relief legislation during the next session, which begins in January.

"The cries of anguish are being heard. There is a strong grassroots effort for legislation," he added.

Meanwhile, multiemployer plans themselves want to give participating employers some relief. Five plans have asked the PBGC for permission to adopt a withdrawal liability exemption rule similar to the one covering employers in the construction and entertainment industries.

Under the construction and entertainment rule, companies in those industries that go out of business or leave a particular area can't be slapped with withdrawal liability claims.

Without the special exemption, new employers might be gun-shy of joining a multiemployer plan, said Mr. Bernstein of the ladies' garment workers' pension fund, which has requested the rule.

Indeed, some experts contend that the Multiemployer Amendments Act ultimately could backfire. By imposing tough withdrawal liability rules, new employers won't join the plans, ultimately destroying the plans.

But others say that once employers learn how to live with withdrawal liability, the plans will thrive. "Multiemployer plans are viable," one pension expert said, noting that they equalize benefit costs in competitive industries. ■

PBGC overburdened by plan terminations

By JERRY GEISEL

WASHINGTON—Everyone agrees the Pension Benefit Guaranty Corp.'s insurance program must be made watertight, but no one is sure whether Congress will act in time to save the agency from drowning in claims.

Congress may wait for business to unite on a set of reforms, including possibly rewarding employers that fully fund their pension plans.

Congress this year could not hammer out the reforms needed to buoy the PBGC, the federal agency that guarantees workers' pension benefits.

And while legislators fiddle, the PBGC is sinking.

During the fiscal year that ended in Sept. 30, the PBGC incurred a whopping $200 million in new claims from employers that folded their pension plans, usually after going out of business.

That $200 million is almost three times the amount of claims incurred by the PBGC in 1981 or 1980 (see chart).

The $49.2 million claim the PBGC incurred this year when Braniff International Corp. collapsed is larger than all the claims the PBGC absorbed during any of the agency's first three years. Braniff, which closed down in May, asked to terminate its underfunded pension plans.

And the claims that the PBGC were forced to swallow this year may only be a taste of what is to come.

The PBGC warned earlier this year in an internal report that it could be swamped with billions of dollars in pension bills as the weak economy threatens the future of several major corporations with large underfunded pension plans.

If all 34 of the companies labeled as financially ailing by the PBGC were to collapse, the PBGC would have to pay out $4.4 billion in guaranteed pension benefits to vested workers and retirees of those companies (*BI*, April 19).

To pay for those benefits, the PBGC would have to seek a series of premium increases until the premium paid by each employer would reach $40 to $60 per plan participant. The current annual premium is $2.60 per plan participant for all employers with pension plans.

But there is some doubt whether Congress would approve such large premium increases. Employers resent paying for the failures of other companies through higher PBGC premiums and have opposed legislation that would raise the premium to $6, unless the entire

Continued on next page

Pension liability claims incurred by the PBGC

Year	Net Claims
1974-75	$ 34.5 million
1975-76 (15 months)	15.7 million
1976-77	24.5 million
1977-78	73.9 million
1978-79	48.4 million
1979-80	70.7 million
1980-81	77.3 million
1981-82	200.0 million*

* Estimate

Source: 1981 Pension Benefit Guaranty Corp. Annual Report

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HYBRID PENSION PLANS

A combination of ideas makes a better retirement package

By Dale B. Grant

PROFIT-SHARING plans are frequently the only source of retirement income available to employees in smaller companies and companies not yet mature enough to take on the long-term obligation of a pension plan. But for retirement, profit-sharing plans are not perfect and new techniques are constantly being tested to make them even more acceptable to employees.

Profit-sharing plans generally provide that some percentage of pretax profits be contributed to a trust fund for the benefit of covered employees. The amount contributed is allocated to individual accounts for each employee, usually in the same proportion as each employee's salary to total salaries. The contributions are invested during the employee's working career and at retirement, the total accumulation is converted to a lump-sum pension or monthly income installments for life.

Chart I illustrates what a contribution to a profit-sharing plan equal to 5%, 7.5% and 10% of pay accumulated to over various periods. While these sums look impressive, their real purpose is to replace pre-retirement income. Chart II shows what these sums translate to as a percent of final pay.

Employees need, on average, about 40% of final pay from their company-sponsored retirement plan to maintain their pre-retirement standard of living. This percentage takes into account the lower taxes in retirement, the elimination of work-related expenses and the roles played by Social Security for lower-paid employees and by Social Security and personal savings for more highly-paid employees.

Generally speaking, a contribution of 7.5% of pay will produce retirement income that will match that 40% of final earnings standard, provided:

- Contributions have been made for the employee for 30 or more years.
- The salary progress of the employee has been fairly uniform and has not had sudden bumps because of promotions.
- The company's profitability has been sufficiently steady to allow a contribution that averages 7.5% for each year.
- Market values of securities are not severely depressed in the year the employee retires.

There is probably an even chance that most of these conditions will work out favorably for the employee. But the 30-year contribution requirement means that there is almost no chance that an employee who is well into a career when a profit-sharing plan is established can accumulate enough to meet the 40% of final salary benefit standard. Accordingly, although profit-sharing plans are popular and well-received during the working career, they sometimes lead to disappointment at retirement.

Various solutions have been tried to improve the profit-sharing plan as a retirement income vehicle.

As people leave an employer before they have rights to their account balance, the forfeited portion of their account is redistributed to those who remain. This redistribution of forfeitures increases the size of the account balance of long-service employees and hence, their retirement income.

The account balance at retirement can be spread out over a 10-year period to avoid the worst effects of a low-market value at retirement.

Employee contributions can be permitted as a hedge against the possibility that the company's profits will not permit annual contributions of at least 7.5% of pay.

However, none of these solutions provide the security an employee is seeking—namely, a guarantee of a fixed level of retirement income defined as a known percent of final pay level. A solution did become possible when the Internal Revenue Service again approved floor pension plans. Those pension plans guarantee a minimum retirement income in combination with profit sharing. More recently, a new plan design has been developed that makes it possible to add that floor of pension protection directly to the profit-sharing plan, without any significant increase in cost.

This new plan, involving the best features of profit-sharing and pension plans, is called a hybrid plan. Here is how it works:

A profit-sharing plan is adopted along the lines already described. It anticipates that the company will be able to make contributions that average 7.5% of pay, but that will vary up and down around the average, depending on the company's profits.

The plan also provides that at retirement, the employee gets a pension of 1% of final five-year average pay for each year of service, if the profit-sharing account balance will not provide at least that much. And all service is counted, not just years when profit-sharing contributions were made.

For example, suppose an employee who now makes $25,000 has 10 years of service and is 20 years away from retirement. If a profit-sharing plan is established now, only 20 years of contributions will be made for the employee. Referring to charts I and II, we see that the lump sum will amount to $142,800 and that this will replace 21% of the final pay. However, the employee will have 30 years of service at retirement, 10 years before profit-sharing contributions began and 20 after. Under the hybrid plan's terms, there will be guaranteed a minimum of 30% of final five-year's pay or 1% for 30 years. So, the profit-sharing account balance will pay for part of the retirement income and the pension-plan-guarantee part of the hybrid plan will pay the rest.

Obviously, that additional benefit provided as a pension guarantee costs something. Where does the money come from to pay for it? Largely or entirely from forfeitures arising when people leave the company before they have earned full rights to their account balance.

This involves a departure from the treatment of forfeitures under the more traditional profit sharing plans. In traditional plans, forfeitures are generally added to active employee account balances. Under the hybrid plan, they are set aside and used to pay for the pension guarantee.

The stricter the rules are for earning the right to profit-sharing accounts, the more is forfeited when employees leave. It follows that the stricter the rules, the more money is available to finance a pension guarantee. If a full 10 years of service is required before an employee has any rights to the account,

Continued on next page

Chart 1
Amount accumulated in profit-sharing account over various periods

Years of contributions under plan	Annual contribution	Current salary			
		$15,000	$25,000	$40,000	$75,000
10	5%	$ 14,625	$24,375	$ 39,000	$ 73,125
20		58,305	96,200	153,920	288,600
30		171,420	285,700	457,120	857,100
40		453,750	756,250	1,210,000	2,268,750
10	7½%	$ 21,930	$ 35,550	$ 58,480	$ 109,650
20		87,467	142,818	228,508	428,450
30		257,115	428,525	685,640	1,285,575
40		680,640	1,134,400	1,815,040	3,403,200
10	10%	$292,350	$ 48,725	$ 77,960	$ 146,175
20		116,624	192,423	307,876	577,268
30		342,825	571,375	914,200	1,714,125
40		907,515	1,512,525	2,420,040	4,537,757

Assumptions: Salary increase — 6% per year
Investment return — 7% per year

Chart 2
Lifetime income supported by profit-sharing account
(as a percent of final earnings)

Years of contributions under plan	Annual contribution		
	5%	7½%	10%
10	7%	10%	13%
20	14%	21%	28%
30	24%	37%	49%
40	36%	54%	72%

Assumptions: Investment return — 7%
Mortality — 1971 Group annuity mortality table for males

Dale Grant is senior vp and actuary at Martin E. Segal Co. in New York.

PERSPECTIVE

Tax law calls for new pension strategies

By Robert J. Hansman

speaking out

THE HARSHER new rules for qualified pensions mean employers must rethink their strategies.

Social Security seems to argue for increased private-sector retirement funding. At the very least, FICA benefits no doubt will be less, will flatten to favor the lowest-income levels and will be directed to increasingly older retirement ages. On the other hand, a pinch develops from the increasing obligatory "equalization" of private benefits. This change addresses Internal Revenue Service concerns about highly paid employees taking advantage of qualified plans, as they have been. This advantage will be reduced by a kind of enforced "trickling down," pushing more benefits through to lower-level employees.

Yet, employers may resist putting more funds into the top of the press as personal incentives shrink away. The seeding of private-sector pension plans with tax deductions has been an unqualified success. But the old tactics that allowed generous benefits for bosses, the highly paid and long-service employees are substantially eroded. For example:

- Vesting must start in the second year or be a full 100% by the third.
- The maximum benefits and contributions to plans are rolled back, and cost of living escalations are stripped out.
- "Top-heavy" plans are more rigorously defied and may be disqualified.
- Offsetting against Social Security is weakened as it is upscaled to capture income by taxing the more highly paid.

At some point in the equation, the value of the tax leverage and the benefit of an all-employee plan turns into a negative.

The new Tax Equity and Fiscal Responsibility Act affected 84% of the respondents to a *Business Insurance* survey published in the Oct. 18 issue. More important is the fact that those affected are generally the movers and shakers who will decide how their firms approach this issue.

The alternative is a non-qualified plan under the generic name of deferred compensation. These plans are already widely used, but seldom discussed, since they have most often been applied to employees in the top echelon. Their major advantage has been that they allow an employer to pick and choose benefits consistent with an employee's importance to the firm and to provide incentives for quality employees to come and stay. It may deter the very transient nature of employment commitments that the new act seeks to address, but seems to encourage.

The principal objection to deferred compensation plans arises from the bias of traditional benefit planners. They cite the fact that benefits are no better than the credit-worthiness of the firm, whereas in qualified plans the funding is transferred into "sanctuaries" and further insured by the Pension Benefit Guaranty Corp. They point to large, seemingly prosperous firms like Braniff International Corp. as evidence that the mighty can topple, carrying with them any retirement funding.

This view is not shared by most owners and executives. They see the internalization of retirement funding as ballast to the balance sheet that will help the firm optimize opportunity and survive adversity. The new act further tightens the inaccessibility of the funds in its rules on loans from a qualified plan.

The second major objection to deferred compensation, the apparent loss of tax leverage, also dissolves upon inspection. Though the funding of deferred compensation is not tax deductible in the current period, later tax advantages more than offset this fact. Using a mortality-funded plan, the funds accumulate tax free during the lifetime of the employee without fear of an excess accumulation of surplus tax. Then a large tax-free gain is dropped to the employer's bottom line upon the employee's death.

Payments by the employer to the recipients are deductible business expenses. The firm gets a tax advantage during the surplus accumulation period, a second one at the death of the participant and a third for any payments made to the participant or the beneficiaries. In fact, the tax leverage may be greater for most employers than in qualified plans and the freedom from the Employee Retirement Income Security Act, flexible funding, elastic benefit design and legal simplicity for smaller employers represents huge savings.

The *BI* survey on the new tax act indicated that a layer of additional non-qualified benefits would be applied by most respondents to keep their executives from suffering any loss. In a start-up situation, like a new airline or a computer equipment manufacturer, unencumbered by the problems of trying to become extricated from a qualified plan, a non-qualified, internally funded deferred compensation plan might be the answer.

If it were thought to be necessary, the plan could be supplemented with a thrift or 401(k) plan in which most of the cost, all of the risks of investment success, inflation erosion and simply a late start are absorbed by the employee. ■

Robert J. Hansman is president of Hansman, McAvoy & Co., an insurance agency in Hingham, Mass.

Hybrid pension plans: A better retirement idea

Continued from previous page

the forfeitures are substantial. They are used for:

- Past service.
- Market fluctuations.
- Investment income variations.
- Fluctuations in the level of profit-sharing contributions.

The amount available from forfeiture dollars depends on a number of variables in addition to the rules for earning rights to accounts: the contribution level, the age distribution of employees, the level of employee turnover and when it takes place. But models used to test this approach show that with a 7.5% contribution and the usual level of turnover for a young growing company, forfeitures can frequently pay for nearly all of a competitive pension guarantee.

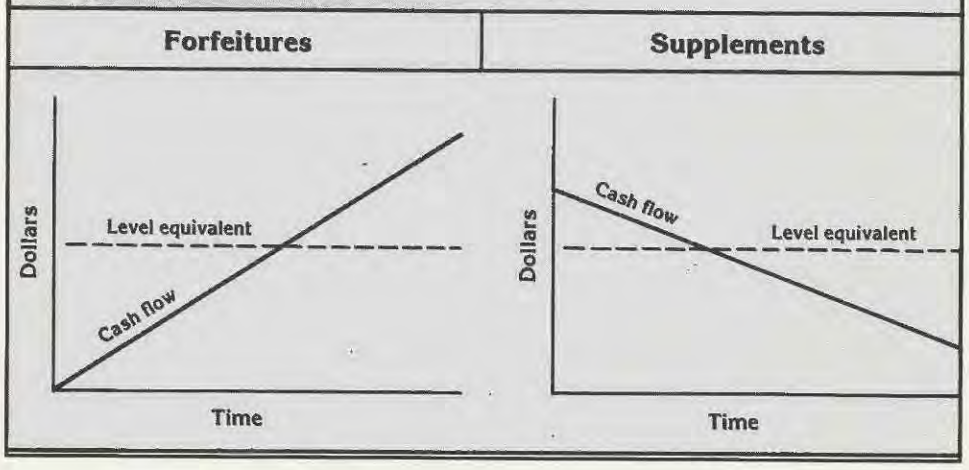
The reason forfeitures go so far is that the guarantee of a minimum floor pension is needed mostly for those who are nearest retirement. New employees hired at age 30 or younger normally accumulate an adequate account balance to buy the guaranteed benefit. The figures in chart II bear this out.

A company with fluctuating profits that can contribute, for example, 5% of pay to the profit-sharing plan one year, 10% the next, 12% the next, 3% the next, and so on, but averages 7.5% over a 30-year span, can probably finance a pension guarantee of 1% of final five-year average pay by just using the forfeitures from the profit-sharing plan to pay for it. If not, the marginal cost over and above the profit-sharing contributions will probably be under 1% of payroll.

This is a relatively modest cost for the ability to promise employees a competitive pension guarantee in addition to the advantages profit sharing offers a young workforce that likes individual account balances.

Chart 3

Comparable cash flow of forfeitures and pension supplements



As the company matures, the pension promise can be enlarged. The guarantee can be raised from 1% of final five-year pay per year of service or it can be coordinated with Social Security to provide a higher replacement rate for that part of salary that Social Security benefits are not intended to replace.

The cash-flow differences between guaranteed pension benefit payments and forfeitures under a hybrid plan is interesting. Guaranteed benefits to supplement profit sharing are largest at the beginning of the program because the accounts of retiring employees are relatively small. The pension supplement required is reduced continuously over time until ultimately virtually no supplement is required.

Forfeitures work in the opposite direction. The initial amount of forfeitures resulting from employees who leave is low because the profit-sharing accounts themselves are small. With the accumulation of contributions and investment earnings over a period of years, forfeitures can become quite significant. The forfeiture cash flow is thus an increasing stream of income.

The cash income generated by forfeitures is, at the outset, not nearly enough to pay for the high pension supplements needed. However, through pension-funding techniques, the total amount of forfeitures over time is smoothed into an amount that is higher than actual forfeitures at first and lower than actual forfeitures later on. The total amount of pension supplements over time is likewise equalized. The result is level forfeiture income and level pension cost, despite dramatically curved cash flows. This phenomenon is shown in the graphs on Chart III.

Calculating the additional cost of the guarantee over and above the profit-sharing contribution can be difficult. It depends on a full array of actuarial assumptions that project the amount and timing of benefits to be paid and forfeitures to be collected. If, once the plan is in operation, experience turns out to be better than projected by the assumptions, the company gets a reduction on its costs. If it is worse than projected, an additional pension plan cost develops. Choosing the right assumptions is critical if the original contribution levels are to be maintained.

It is obvious from this that, like a pension plan, a hybrid plan involves some level of risk. Promised benefits have to be paid for. But, unlike a pension plan, contributions can vary from year to year with profits.

Hybrid plans are a new packaging of retirement benefits that permit companies to provide a floor of pension protection under a profit-sharing plan at little or no additional cost. The attractiveness of the arrangement is clear and when it becomes more widely known, it will spread to many companies involved in profit-sharing plans. ■

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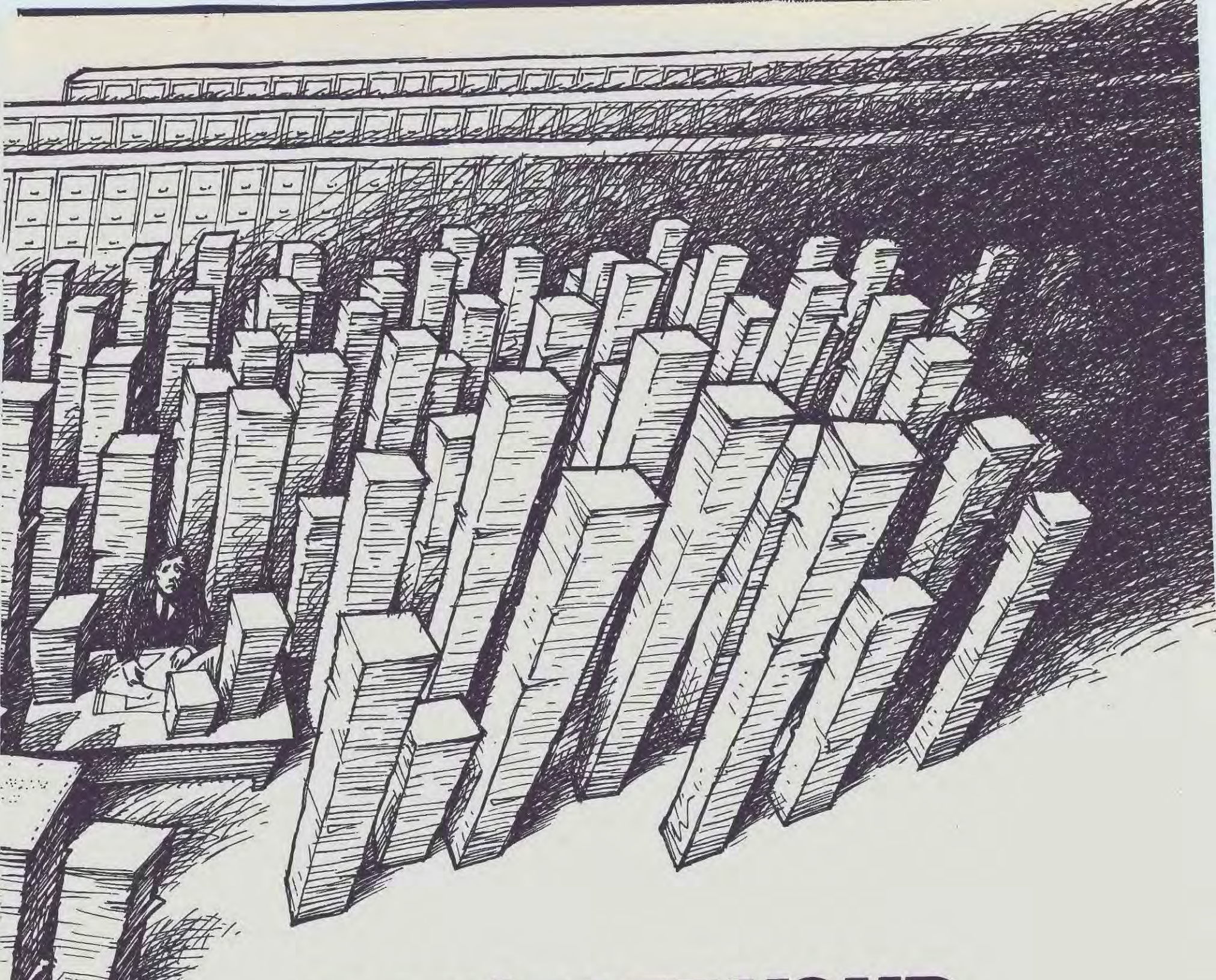

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Employers' attention turns from IRAs to 401(k)s

By DOUGLAS McLEOD

NEW YORK—Ever-increasing numbers of employers are adding 401(k) salary reduction plans to their benefit programs, while interest in payroll-deduction Individual Retirement Accounts appears to be waning.

Several benefits experts agree that 401(k)s have become the hot topic in retirement plans, eclipsing the IRAs that enjoyed popularity among many benefit managers earlier in the year.

"401(k)s took any steam there might have been at all out of IRAs," says Susan Velleman, a principal with the benefit consulting firm of William M. Mercer Inc. in Boston.

The flurry of activity in IRAs early this year "has kind of died," according to Richard W. Hutson, a partner in the Lincolnshire, Ill., consulting firm of Hewitt Associates. Seventy-five Hewitt clients will add 401(k) plans as of Jan. 1, and another 50 are in the process of designing plans for later implementation, Mr. Hutson said.

This is only the "tip of the iceberg," Mr. Hutson says, adding that he expects "a second wave of employers going to 401(k)s" after the first of the year.

NL Industries Inc., a petroleum services and equipment supplier based in Heightstown, N.J., considered an IRA plan, but decided that a 401(k) would be "far more beneficial," says Peter Gudicello, manager of benefit planning.

A November survey of 264 employers conducted by consultants Towers, Perrin, Forster & Crosby found that 16% of the responding companies already had a 401(k) plan in place or would add one by Jan. 1, and that another 52% planned to add a 401(k) plan within the next three years.

Thirty percent said they were not likely to add a 401(k) at all, and 2% did not respond to the question.

A slightly higher number of employers have payroll-deduction IRAs already in place, but the potential for IRA growth appears limited among the companies TPF&C surveyed.

Twenty-two percent said they had already established a payroll-deduction system to forward employee contributions to an outside IRA, or will establish one by Jan. 1. Only 4%, however, plan to add this benefit over the next three years, and 72% said they are not likely to add the benefit at all. Two percent did not answer the question.

Similar responses were received to a question on IRAs established as Qualified Voluntary Employee Contribution (QVEC) plans, under which a company sponsors and administers its own IRA rather than forwarding employee contributions to an independent vendor.

Of the surveyed companies, 18% said they have already established a QVEC plan or will have set one up by Jan. 1. Three percent said they hope to establish a QVEC within the next three years, while 78% said they are not likely to establish such a plan at all. Three employers, or 1%, did not respond.

Most of the employers contacted by *Business Insurance* cited the clear tax advantages of 401(k) plans over IRAs as their reason for installing the plans.

A 401(k) plan allows employees to defer a percentage of their pretax income to a company profit-sharing or savings plan, where it accumulates interest tax free until the employee reaches age 59½. The money is then distributed in a lump sum and is subject to 10-year forward averaging for income tax purposes, as opposed to the maximum five-year averaging available for IRA payouts.

Since regular contributions under 401(k) plans are made from an employee's pretax salary, they are considered employer contributions and are not treated as part of the employee's taxable income.

Higher contributions are possible under a 401(k) than under an IRA, which limits an individual's tax-deductible contributions to $2,000 per year.

"You can have it both ways," Allied Corp. told its employees when it announced its new plan: Employees can save more toward retirement and also take home more of their pay each week because of the reduction in taxes.

The growth of 401(k)s is continuing even though final Internal Revenue Service regulations for the plans—originally expected by the end of this year—will probably not arrive on schedule.

Many employers were waiting to see those final rules before making a decision on adopting a 401(k) plan, but "they are now realizing they may have quite a wait (for the rules) and so many of them are going ahead," Mercer's Ms. Velleman said.

The problems created by the lack of final rules and by ambiguities in some of the proposed rules have not changed in the past year.

One of the biggest unresolved questions is whether an employee's gross salary—rather than salary after 401(k) deferrals—may be used to calculate pension benefits. If the W-2 or post-deferral salary is used, pension benefits would be reduced.

IRS rules indicate that pension calculations can be based on gross salary, but a problem arises from a difference in IRS discrimination tests applied to 401(k) plans and traditional pension plans, according to Kevin T. O'Brien, counsel to the Employers' Council on Flexible Compensation based in Washington.

Two "safe harbor" tests applied to 401(k)s are designed to prevent discrimination against lower-paid employees.

The first test limits the average percentage of income contributed by the higher-paid one-third of employees to a maximum of 1.5 times the average percentage deferred by the lower-paid two-thirds. For example, if the lower-paid employees defer an average of 6% of their salaries, the maximum that can be deferred by the higher-paid sector is 9%.

The second test limits deferrals from the higher-paid employees to 2.5 times those of lower-paid employees, as long

Continued on page 50

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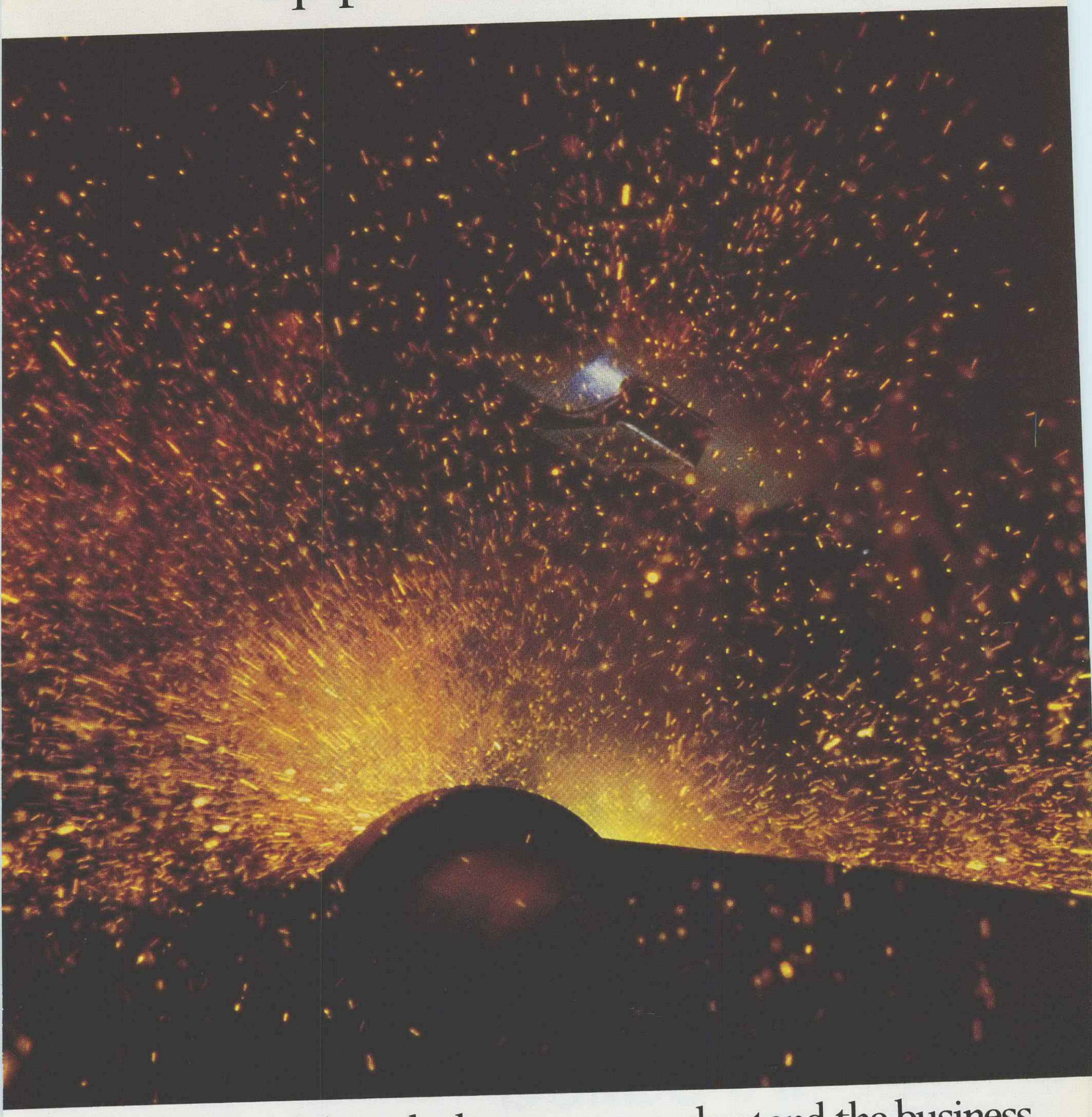

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401(k) plans grow in popularity

Continued from page 48

as the difference does not exceed 3% of pay. For example, if the lower-paid employees defer an average of 3% of income, the higher-paid would only be limited to a maximum 6% deferral since 2.5 times 3% exceeds the maximum allowable difference of 3%.

These tests are causing headaches for benefit managers who must balance the contributions of lower- and higher-paid employees to keep the plan from being disqualified (in which case all contributions would become taxable).

Most employers with 401(k) plans conduct regular computer checks of their employee contributions to make sure they are within the IRS guidelines. Weyerhaeuser Co. of Tacoma, Wash., conducts the checks with every biweekly pay period; Central National Bank of Cleveland checks its contributions quarterly.

But these tests can cause additional headaches for benefit managers, since they allow for a greater difference between contributions of higher-paid and lower-paid employees than is allowed under the general IRS anti-discrimination rules applied to pension plans, according to Mr. O'Brien. Under the general anti-discrimination governing pensions, deferrals made by the lower-paid employees would have to be equal to or greater than those made by the higher-paid employees.

It is theoretically possible, then, for an employer plan to meet the 401(k) discrimination tests and fail the general anti-discrimination rule, Mr. O'Brien suggested.

Most employers contacted are proceeding on the assumption that gross salaries can be used for pension purposes, but some are taking precautions.

NL Industries is considering two alternatives, according to its benefits director, Richard J. Farrell.

One possibility is simply to adjust the formula used to figure pension contributions to compensate for the employees' reduced salaries, Mr. Farrell said. But employees not participating in the 401(k) program would be receiving higher pension benefits than they should under this alternative, he added.

Another possibility would be for NL to calculate how much each employee loses in pension benefits as a result of the 401(k) salary reduction and make up the loss with a regular lump-sum contribution to the employee's pension account. This approach would be "messy," requiring a good deal of extra administrative work, Mr. Farrell said.

The best solution would be for the IRS to rule that 410(k) deferrals not be subject to the general anti-discrimination rule that applies to pensions, suggests Paul Lew, an attorney with consultant The Wyatt Co. in Washington.

A further problem related to the 401(k) discrimination rules is that the IRS has not addressed "recharacterization" of excess contributions to a plan. If the higher-paid one-third of employees, for example, is found to have contributed too much to the plan, it is unclear whether the IRS would allow an employer to take out the excess amount and reclassify it as a taxable voluntary contribution to a savings plan. If the IRS does not, it could disqualify the plan, making it taxable.

The result is that to remain within the bounds set by the IRS, employers will have to to know in advance that they will be able to offset the contributions of the higher-paid workers with contributions from lower-paid employees, says David A. Vaughn, a Wyatt consultant in Chicago.

Employers adding a 401(k) option to an existing savings plan have an advantage, since they already know how employees have contributed in the past, Mr. Vaughn said. He added, however, that the patterns of contribution to the old plan might not necessarily hold true after a 401(k) is added.

There is one other area of ambiguity in present IRS regulations: How will "hardship" be defined for early withdrawal of 401(k) contributions?

Right now, employees can withdraw 401(k) funds only at age 59½, upon termination of service or death, or upon proof of hardship. The only hardships that have received firm IRS approval thus far are purchase of a "primary residence," payment of educational expenses and payment of extraordinary medical expenses.

Different employers deal with this problem in different ways.

Centronics Data Computer Corp., a Hudson, N.H., computer equipment manufacturer, will not allow hardship withdrawals from the 401(k) plan that it has set up for its 2,000 employees.

"We didn't get into (the hardship question) and we don't intend to," said Diane Riel, corporate benefits manager for Centronics.

Other employers—like Allied Corp. and Weyerhaeuser—will set up "hardship review boards" to evaluate employee withdrawal requests on a case-by-case basis.

Certain drawbacks to 401(k)s are not related to problems with federal regulation, however.

One such drawback involves state or municipal taxation of 401(k) deferrals (see story, page 53).

Another is that 401(k) deferrals are not subject to FICA taxes, which means an eventual reduction of the Social Security benefits employees will receive upon retirement.

Most companies contacted, however, said they explained the situation to employees and do not consider it a major problem.

Weyerhaeuser estimates that in the worst case, an employee might lose 1% of eventual Social Security benefits but that this loss will be made up by the matching contributions made by the company to the 401(k) plan.

"The company match will more than offset (the loss of Social Security benefits)," said Ardys Harvlie, Weyerhaeuser's administrator of employee stock plans.

Other drawbacks involve limits imposed by the Tax Equity and Fiscal Responsiblity Act of 1982 on the amount of benefits an employee may receive and the amount and conditions of loans possible under 401(k), points out Deborah Marx, a partner with consultant Kwasha Lipton of Fort Lee, N.J.

Loans are limited by TEFRA to the lesser of $50,000 or 50% of the money vested in a particular account, while the maximum term a loan cannot exceed five years (unless the loan is for the purchase of a house). These limits—and especially the five-year maximum term—make loans from 401(k)s less attractive, Ms. Marx said.

Other consultants point out that loans may be the only way employees can draw on 401(k) funds, since the withdrawal rules are much stricter for 401(k)s than for IRAs.

TEFRA also amended the Internal Revenue Code to reduce the maximum amount that an employer can contribute annually to a defined benefit plan from $45,47 to $30,000. Companies that already contribute generously to such plans may find that addition of a 401(k) will be too rich for their more highly compensated employees, Ms Marx suggested.

"The (new) limits are making people look at how much more

Continued on facing page

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can provide their higher-paid loyees," she said.
ıese and other difficulties have npted some companies to hold ɔn deciding to add a 401(k) pro- ɔn to their benefit programs.
Vestinghouse Electric Corp. ries about getting enough par- ɔation from lower-paid employ- to meet the 401(k) discrimina- ı tests, according to Leonard aver, assistant director of bene- plans for the Pittsburgh-based ıpany.
We're still studying the situa- ı, but have not done anything ," Mr. Weaver said.
Another Pittsburgh company, G Industries Inc., has been de- red by the costs of setting up a .(k) plan and by the lack of final S regulations, but is "virtually tain" to add one in the future, cording to Robert R. Esler, direc- of compensation and benefits.
"We're hoping it's going to be a fact in 1983," Mr. Esler said.

Other companies have decided to go ahead with a 401(k) right away.

Allied Corp. added a provision to an existing savings plan effective Oct. 1. The company matches 40% to 60% of the first 6% of salary an employee defers. Employees can contribute up to an additional 10% of salary without a company match, says William R. Springer, Allied's manager of special compensation programs.

Employees are 100% vested for company contributions after four years and have their choice of three investment vehicles: a fixed income fund managed by Metropolitan Life Insurance Co.; a diversified common stock fund; and an Allied stock fund.

Allied plans to add a loan provision to its 401(k) plan next July, Mr. Springer said.

About 18,000 Allied employees are eligible for the plan, and participation is already running at about 85%, though Mr. Springer said he hopes to increase that rate.

Weyerhaeuser will replace its current savings plan with a 401(k) effective Jan. 1. The company will match 70% of the first 5% of salary an employee defers and 50% of the next 5%, which means that an amount equal to 16% of an employee's pay can be contributed to the plan annually, according to Ms. Harvlie. No loan provision will be included in the plan.

Weyerhaeuser expects particpation by the 10,000 salaried employees eligible for the plan to increase from the 70% participation rate under the old program, she said.

NL Industries will also add its 401(k) to its existing savings plan effective Jan. 1. In either plan, the company will match 100% of the first 3% of pay contributed by employees, and 50% of the next 3%. Under the 401(k) plan, employees can also contribute an additional 14% of pay on a non-matching basis, while those participating in the regular savings plan can contribute only an additional 10%, Mr. Farrell explains.

Paticipation among the 10,000 NL workers eligible for the old savings plan has been about 70%, and NL hopes to improve this with the addition of the 401(k) option, Mr. Farrell said.

Other companies that have added 401(k) plans include:

- Central National Bank of Cleveland, which added the 401(k) to its savings plan last July 1. The bank matches 75% of the first 6% of pay deferred and allows employees to contribute an additional 10% of pay on a non-matching basis. Participation among 16,000 employees has been about 63%, according to Barbara Richmond, the bank's benefits administrator.
- Freeport-McMoran Inc., a New York-based oil and minerals company, which added a 401(k) option to its Employee Capital Accumulation Plan last July 1. The company matches 100% of the first 5% of pay contributed by employees and allows employees to contribute an additional 10% of pay. Among 2,500 eligible employees, participation is running at 91%, with just less than half half contributing at the 5% level, according to Vp Thomas L. Vandergrift.
- Centronics Computer Data Corp., which established its plan last June. Employees may contribute 2% of the first $32,400 of pay and 4% of any pay over that amount. The company does not match any employee contributions, says Ms. Riel, who added that the 401(k) plan was set up in addition to a defined benefit plan that fully funded by the company.

Participation among the 2,000 eligible employees has been about 60% in New Hampshire, where most of Centronics' employees are located, and 95% among the company's Detroit-area employees.

All of these companies considered adding IRAs to their benefit packages, but decided the 401(k) offered greater advantages to employees. Most felt that if employees wanted to open an IRA, they could do better on their own than through a company plan.

Several employers that established IRAs earlier this year, however, plan to continue their programs, although most report relatively low employee participation.

Bankers Trust Co. of New York established a payroll-deduction QVEC plan as part of its pension plan last Jan. 1. The Deductible Employee Contribution Retirement Account, as the bank calls it, allows employees to invest in either a money market or mixed equity fund. Participation among Bankers Trust's 9,000 employees has been less than 10%, according to Assistant Vp Elizabeth Pare.

"We thought we would have 50% participation, but it never happened," she said.

She added that the bank is considering adding a 401(k) provision to its thrift plan, where participation is running 95%.

Kemper Group, based in Long Grove, Ill., is also considering a 401(k) plan, but has held off because of the absence of clear IRS regulations, according to Jeff Emans, director of employee compensation.

Kemper now has a payroll-deduction QVEC managed by an affiliate, Kemper Financial Services, that allows employees to choose among 13 mutual fund investments. Mr. Emans said he did not have exact participation figures, but added that participation has been "pretty meager."

Employee participation in QVEC plans is typically better than in payroll-deduction plans where contributions are forwarded to an outside IRA vendor, according to Michael Epstein, a vp in the employee benefit trust department of New York's Citibank.

Participation in QVECs averages between 10% and 30%, while participation in other payroll-deduction plans may be only 2% to 4%, he said. The reason for the higher participation in QVECs is that employees may have greater faith in a plan administered by the employee's own company.

"A payroll-deduction plan (IRA) is not company-sponsored. Without that company backing of the plan, the individual employees do not feel that confident in it," Mr. Epstein said.

Citibank maintains a QVEC plan in conjunction with a qualified cash/deferred profit-sharing plan, Mr. Epstein said, adding that he didn't know how many Citibank employees participate in the QVEC plan.

The bank is considering adding a 401(k) option, possibly by next year, Mr. Epstein said. ■

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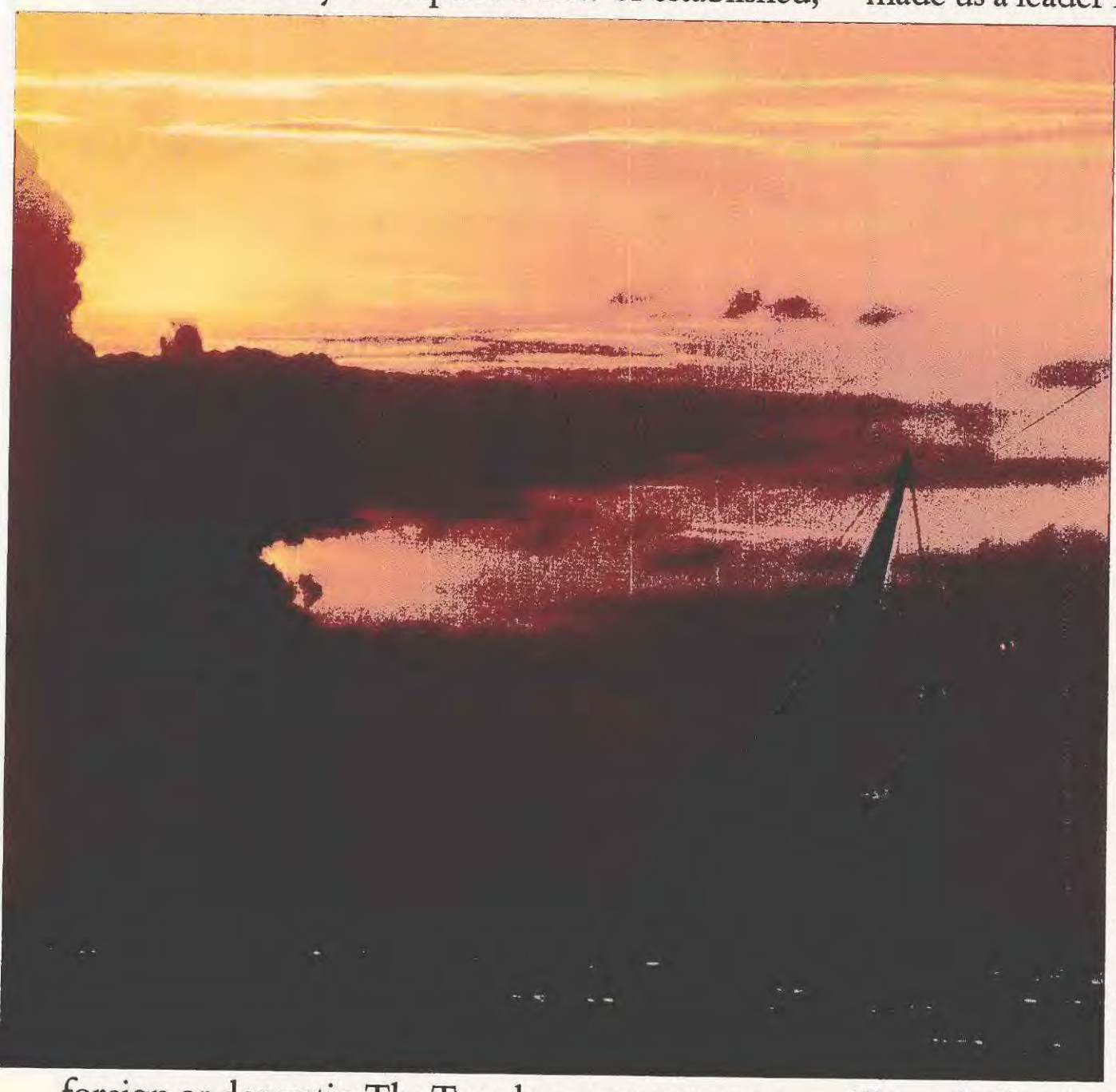

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ome states may tax 01(k) contributions

NEW YORK—Although the Inal Revenue Service grants taxerred status to contributions to (k) plans, some state and local ing bodies aren't following suit. About 10 states and the District Columbia do not automatically low federal tax rules, and these tes may elect to tax 401(k) conbutions as ordinary income, acrding to John Hoos, a partner th the Lincolnshire, Ill., consultg firm of Hewitt Associates.

The states where tax-deferred atus for contributions is in ques-on include Alabama, Arkansas, alifornia, Mississippi, New Hampire, New Jersey, North Carolina, ennsylvania, South Carolina and ennessee, Mr. Hoos said.

Revenue departments in most of nese states have not specifically uled that 401(k) contributions are axable, Mr. Hoos said. But since ne states do not necessarily follow ederal law and since they have not pecifically granted the contribuons tax-deferred status, "there is n issue," he said.

Taxing bodies in other states, owever, have made it clearer vhere they stand on the issue.

New Jersey's division of taxation as issued several opinion letters tating that the New Jersey tax ode has no sections similar to the ederal code's Section 401(k), and that contributions made to a cash or deferred arrangement set up under that section of the federal code would be taxed under the New Jersey Gross Income Tax Law.

"We have ruled firmly that (a 401(k) contribution) is not deferrable or excludable for New Jersey purposes," said John Bodnar, assistant to the director of the division of taxation. He added, however, that the state tax code has not been specifically changed to deal with 401(k) contributions.

Similar opinions—though none as specific as New Jersey's—have been issued by taxing bodies in Alabama, Arkansas and Pennsylvania, Mr. Hoos said.

In addition to the states, a number of cities may subject 401(k) contributions to municipal taxes. The Philadelphia Tax Review Board ruled in June 1979 that distributions made under a cash or deferred plan were bonuses subject to city taxes, rather than tax-exempt retirement payments.

In light of this decision, the Philadelphia board may well decide to tax contributions made under a 401(k) salary reduction plan, said Kevin T. O'Brien, counsel to the Employers Council on Flexible Compensation in Washington, D.C.

Although it is unclear where state and local taxes will finally be applied, many companies with 401(k) plans are proceeding on the assumption that taxes should be withheld in certain jurisdictions.

Mobil Corp., which implemented a 401(k) plan for its 33,000 employees last July 1, is withholding state taxes for employees in Alabama, Arkansas, New Jersey and Pennsylvania, according to John Miles Evans, supervisory tax counsel for the company. Mobil is also withholding city taxes in Philadelphia, Pittsburgh and at least 15 other Pennsylvania cities, Mr. Evans said.

NL Industries Inc. has informed its New Jersey employees that state taxes will be withheld from total salary, including contributions to its 401(k) plan, which goes into effect Jan. 1, according to Benefits Director Richard J. Farrell.

LTV Corp., a Dallas-based aerospace and metals company, will withhold state taxes for its employees in Arkansas when it implements its 401(k) plan on Jan. 1, according to Steven N. Schrenzel, manager of benefit planning.

Benefits experts agreed that while the state rules present an administrative headache, they do not constitute a major drawback to the 401(k) concept.

"I don't see it as a major problem," Mr. Schrenzel said. "It's like any other tax situation that must be dealt with."

Meanwhile, pressures are also mounting in Washington to tax contributions to salary reduction plans. Rep. J.J. Pickle, D-Texas, chairman of the House Social Security subcommittee, last month introduced legislation, H.R. 7326, that would subject wages deferred under 401(k) plans to Social Security payroll taxes. ■

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Continued from previous page

Clients: 14 total clients; 28.5% with more than 500 employees, 71.5% with fewer than 500 employees; 16% corporations, 42% multiemployer plans, 42% government plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $70-$100.

1982 gross revenues: More than $300,000.

Retirement plan consulting: 5% of business. Includes plan design consulting, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by firm, marketing a wellness package and cost-containment educational materials.

Communication consulting: 5% of business. Includes general consulting, benefit statement preparation, booklet preparation, audiovisual program preparation.

Library facilities: A limited library is located in-house. Company utilizes publications and information from the International Foundation of Benefit Administrators and Society of Professional Benefit Administrators, along with other professional journals.

Computer facilities: In-house microcomputer with software for claims payment and plan administration. System includes Altos hardware and four video display terminals.

Principal officers: Jerry W. Cole, president; Larry J. Armfield, vp; Pat Bybee, secretary.

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310 W. Fourth St., Winston-Salem, N.C. 27101; 919-748-1120

Staff: 240 total employees; 75 professionals, including nine FSAs, three ASAs, 13 MBAs, four CEBS, seven CLUs, seven attorneys, five CDPs, four CPAs, one FCAS, one FSPA, six EAs, six CPCUs, one PE, two Ph.Ds.

Clients: More than 1,000 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 99% corporations, 1% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $75-$125; junior consultant, $45-$70; clerical, $20-$30.

1982 gross revenues: $11.1 million.

Retirement plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection cosulting, claims administration.

Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: Includes executive incentive, executive perks.

Locations: Birmingham, Ala.; Columbus, Ohio; Charlotte, N.C.

Library facilities: Comprehensive library in Winston-Salem office; limited libraries in branch offices.

Computer facilities: In-house Burroughs 6930 computer; both local and remote terminals.

Principal officers: C.M. Beardsley, chairman; S.L. Booke Jr., president; D.C. Ingram, executive vp; R.L. Vaughn, R.M. Carlisle, senior vps.

Buck Consultants Inc.

Two Pennsylvania Plaza, New York, N.Y. 10121; 212-279-4400

Staff: 675 total employees; 250 professionals, including 35 FSAs, 47 ASAs, four CEBS, 16 attorneys, three CPAs, 91 enrolled actuaries.

Clients: 750 clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 80% corporations; 20% non-profit organizations and governmental plans; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $92-$180; junior consultant, $52-$92.

1982 gross revenues: Not reported.

Retirement plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, 501(c)(9) trusts.

Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: Includes consulting from the United States.

Compensation consulting: Includes wage and salary administration, 401(k) plans, CODAs, PAY SOPs, etc.

Locations: Atlanta; Chicag Dallas; Fort Wayne, Ind.; Pitt burgh; San Francisco; Washingto Toronto.

Library facilities: Library wit several thousand volumes, variet of technical publications and per odicals; staff of two.

Computer facilities: In-hous computer and data systems terminals in branch offices.

Principal officers: Hugh Gille spie, chairman; Douglas C. Bortor senior vp/chief actuary; George T Favetta, Edward H. Davis, Vincen M. Tobin, Henry J. Anderson, vps.

Bushnell, Ducham & Co.

359 Dorset St., South Burlington, Vt. 05401; 802-862-3880

Staff: 10 total staff members five professionals, including one FSA, one CLU, one accountant, one risk manager, one programmer.

Clients: 175 clients; 100% with fewer than 500 employees; 96% corporations, 2% multiemployer plans, 2% individuals; minimum size client, 50 employees.

Compensation: By the hour, senior consultant, $85; administrative, $50; clerical, $30.

1982 gross revenues: Approximately $300,000.

Retirement plan consulting: 50% of business. Includes plan design, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, investment performance monitoring.

Welfare plan consulting: 30% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial consulting, claims system consulting, audits.

Communication consulting: 20% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Principal officers: James E. Bushnell, president; David A. Ducham, vp.

C

CCI Administrators

1601 Bethel Road, Columbus, Ohio 43220; 614-459-3933

Parent company: Compensation Consultants Inc.

Staff: Six total staff members, including one attorney.

Clients: Six clients; 17% with more than 500 employees, 83% with fewer than 500 employees; minimum size client, 50 employees.

Compensation: By the project; commissions for insurance placed with underwriters.

1982 gross revenues: $120,000.

Welfare plan consulting: 100% of business.

Principal officers: Richard Alkire, president; Michael Graham, vp; Roy T. Miller, executive vp.

CPI Inc.

2 Ridgedale Ave., Cedar Knolls, N.J. 07927; 201-267-0110

Staff: 23 total staff members; seven professionals, including three MBAs, three CLUs, one attorney.

Clients: 250 total clients; 15% with more than 500 employees, 85% with fewer than 500 employees;

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Underwriter.

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corporations, 2% individuals; imum size client, 10 employees.

ompensation: By the project; ımissions for insurance placed ı underwriters; on retainer; by hour, senior consultant, $125; ior consultant, $60; clerical, $20.

982 gross revenues: $1.3 mil-ı.

tetirement plan consulting: ; of business. Includes plan de-n consulting, plan administra-ı consulting, selection of fund-; media consulting, asset accu-ılation/investment consulting.

Welfare plan consulting: 25% business. Includes plan design nsulting, selection of funding :dia consulting, insurer/broker .ection consulting, broking the ıurance to insurers, evaluation of ıer service providers, claims ad-.nistration by firm.

Communication consulting: 5% business. Includes general con-lting on communications pro-ams, booklet preparation.

International benefits consult-ıg: 2% of business. Includes con-ılting from the United States.

Compensation consulting: 30% : business. Includes executive in-:ntive, other executive perks, sup-lemental executive pension.

Library facilities: Subscriptions) many professional publications nd reports. Uses library at local ıw firm.

Computer facilities: In-house Vang system, plus some time-shar-ng programs and interfacing with nsurers.

Principal officers: Walter P. Kilkenny, president; David L. Clark, vp; Frank L. Couch Jr., ex-ecutive vp.

Cable Consulting Corp.

3318 S. Garnsey, Santa Ana, Calif.; 714-546-8463

Staff: One professional.
Clients: New company.
Compensation: By the project; by the hour, senior consultant, $50.
1982 gross revenues: New company.
Retirement plan consulting: 100% of business. Includes pre-retirement counseling, group seminars.
Principal officers: Eldos N. Cable.

Cal/Group Dental Plan Administrators

Box 3209, 527 E. Rowland Ave., Covina, Calif. 91722; 213-967-2878

Staff: More than 30 total staff members; seven professionals, including one FSA, one MBA, one CEBS, one CLU, one attorney, one physician.
Clients: More than 350 clients; 15% with more than 500 employees, 85% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, five employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer.
1982 gross revenues: $1.2 million.
Welfare plan consulting: 100% of business is dental and vision benefits; includes plan design, evaluation of other service providers, claims administration by firm.
Locations: San Francisco.
Computer facilities: In-house Quantel computer.
Principal officers: Renny Thomas, executive vp; Betty McFarlane, administrative vp.

Coates, Herfurth & England Inc.

320 California St., Suite 501, San Francisco, Calif. 94104; 415-433-4440

Staff: 57 total staff members; 13 professionals, including four FSAs, five ASAs.
Clients: 278 total clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.
Compensation: By the project; by the hour, $25-$125.
1982 gross revenues: $3 million.
Retirement plan consulting: 85% of business. Includes plan design consulting, acutarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.
Welfare plan consulting: 7% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.
Communication consulting: 6% of business. General consulting on

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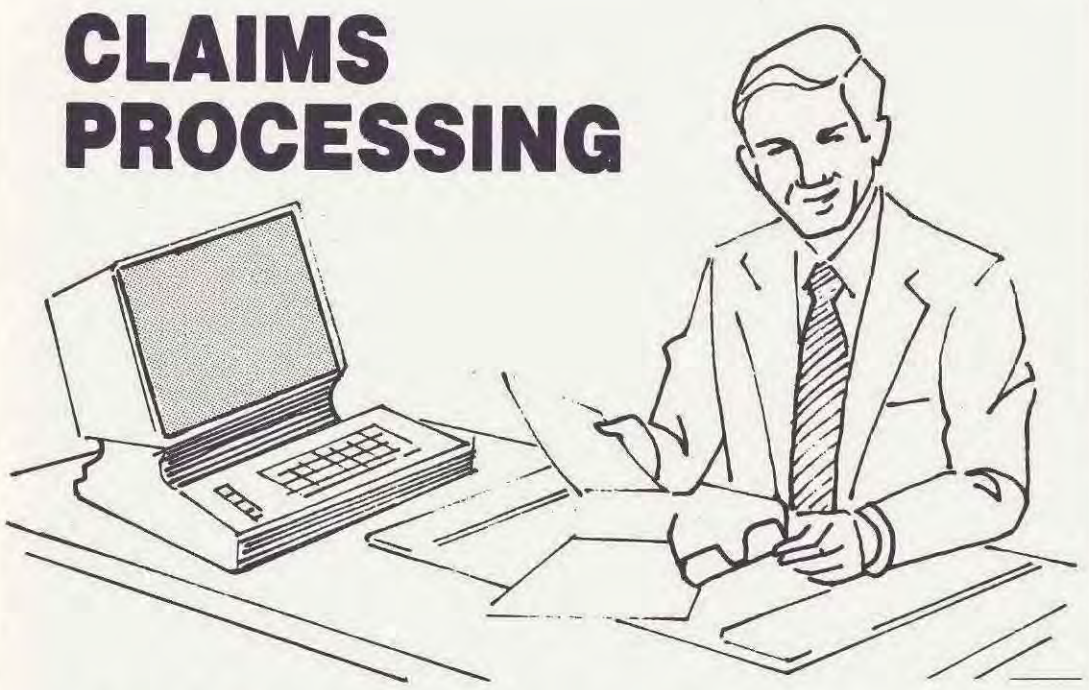

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communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 2% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Portland, Ore.

Library facilities: 1,000-volume library in home office with subscriptions to main compensation and benefits publications.

Computer facilities: In-house microcomputer; CDC Cyber 176 on a time-sharing basis.

Principal officers: John P. Carberry, president; Robert D. Drisko, Arthur W. England Jr. and Philip H. Talbert, vps.

Comprehensive Financial Planning

1850 Silas Deane Highway, Rocky Hill, Conn. 06067; 203-871-1278

Staff: Five total staff members; three professionals, including two CLUs, one attorney.

Clients: 300 total clients; 100% with fewer than 500 employees; 36% corporations, 4% multiemployer plans, 60% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $85; junior consultant, $50; clerical, $15.

1982 gross revenues: $250,000

Retirement plan consulting: 30% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plan, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 50% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.

Compensation consulting: 20% of business. Includes executive incentive and other executive perks, wage and salary administration.

Locations: Vernon, Conn.; Springfield, Mass.; Union, N.J.

Library facilities: Access to University of Connecticut's School of Insurance Library.

Computer facilities: Apple II and TRS-80 in-house, also time-sharing programs.

Principal officers: Gary P. Ruchin, president; Bruce Raiken, vp.

Corpcom Benefit Communications Inc.

112 E. 31st St., New York, N.Y. 10016; 212-689-6492

Staff: Five total staff members.

Clients: 10 total clients; 100% with more than 500 employees; 100% corporations; minimum size client, 1,000 employees.

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

1982 gross revenues: $350,000.

Communication consulting: 100% of business. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

Principal officers: Philip F. Bamforth, president.

Corroon & Black Benefits Inc.

301 Plus Park Blvd., P.O. Box 1280, Nashville, Tenn. 37202; 615-367-9707

Parent company: Corroon & Black Corp.

Staff: 434 staff members; 70 professionals, including three FSAs, five ASAs, three MBAs, 18 CLUs, seven attorneys, four FLMIs.

Clients: 20,439 total clients; 4% with more than 500 employees; 96% with fewer than 500 employees; no minimum size client, but each is considered individually.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour.

1982 gross revenues: $25.4 million.

Retirement plan consulting: 8% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, executive benefits.

Welfare plan consulting: 82% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, self-insured plans, actuarial computation, executive benefits.

Communication consulting: 9% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 1% of business. Includes consulting from the United States.

Locations: St. Louis; Los Angeles; Harrison, N.Y.; Seattle.

Principal officers: Don K. president; Frank White, Dick C penter, executive vps; John Ja son, vp, chief financial officer.

D

E.T. Danahy Co. Inc.

2525 One Marine Midland Center Buffalo, N.Y. 14203; 716-856-160

Staff: 14 total staff membe seven professionals.

Clients: 179 clients, excludi commercial property/casualty a counts; 15% with more than 5 employees, 85% with fewer th 500 employees; 85% corporatio 10% multiemployer plans, 5% inc viduals; minimum size client, employees.

Compensation: By the proje commissions for insurance plac with underwriters; by the hour, s nior consultant, $100; junior consu tant, $50.

1982 gross revenues: Not re ported.

Retirement plan consultin 3% of business. Includes plan ac ministration consulting, selectio of funding media consulting.

Welfare plan consulting: 80 of business. Includes plan desig consulting, selection of fundin media consulting, insurer/broke selection consulting, broking th insurance to insurers, evaluation o other service providers, claims ad ministration, administration anc consulting on prepaid legal servic plans, health care cost contain ment.

Communication consulting 12% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 5% of business. Includes executive incentive, other executive perks.

Locations: Albany and Rochester, N.Y.

Library facilities: 280-volume reference library; documents stored on microfilm and in computer.

Computer facilities: In-house CPT 8000 word processor system and Apple II-Plus microcomputer. Access to Wang system on time-sharing basis.

Principal officers: E. Timothy Danahy III, president; Randall K. Abbott, senior vp/treasurer; P. Jeffrey Birtch, senior vp.

Darby & Associates Inc.

Penntower, 3100 Broadway, Kansas City, Mo. 64111; 816-753-8775

Staff: 27 total employees; six professionals, including one FLMI, three HIAA, one RHU, one AEP.

Clients: 210 total clients; 30% with more than 500 employees; 70% with fewer than 500 employees; 40% corporations, 60% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour.

1982 gross revenues: Not reported.

Retirement plan consulting: 5% of business. Includes plan design consulting.

Welfare plan consulting: 70% of business. Includes plan design consulting, selection of funding media consulting, evaluation of other service providers, claims administration.

Communication consulting: 15% of business. Includes benefit

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ment preparation, booklet
ration.
ternational benefits consult-
10% of business. Includes con-
ng via overseas correspondents
rom the United States.
cations: St. Petersburg, Fla.;
er City, Calif.
incipal officers: Roy O.
y, president; Peter Cusack, ex-
ve vp; E.F. Thomas, senior vp;
le Epps, assistant vp-claims;
e League, assistant secretary-
inistration; James Marchand,
tant vp-underwriting.

E

e Emcom Group Inc.
ox 545, Newtown, Pa. 18940;
15-493-8599

taff: Seven total employees;
professionals.
lients: 85 clients; 70% with
re than 500 employees, 30% with
er than 500 employees; 80% cor-
ations, 10% government entities,
% non-profit employers; mini-
m size client, 25 employees.
Compensation: By the project.
1982 gross revenues: $450,000.
Communication consulting:
0% of business. Includes general
nsulting on communications pro-
ams, benefit statement prepara-
n, booklet preparation, audiovi-
al program preparation.
Locations: Oakland, Calif.; At-
nta.
Principal officers: John E. Ker-
y Jr., president; Linda Holloway,
estern region marketing director.

xecutive & Employee Benefit Plans Inc.
2025 Riverside Drive, Columbus,
Ohio 43221; 614-486-7188

Staff: 160 total employees; 20
rofessionals, including two CEBS,
wo CLUs, one attorney.
Clients: 140 clients; 75% with
nore than 500 employees; 25% with
ewer than 500 employees; 95 cor-
orations, 5% multiemployer plans;
ninimum size client, 50 employees.
Compensation: By administra-
ive fee.
1982 gross revenues: $5 million.
Welfare plan consulting: 90%
of business. Includes plan design
consulting, selection of funding
media consulting, insurer/broker
selection consulting, broking the
insurance to insurer, evaluation of
other service providers, claims ad-
ministration, actuarial evaluation
of self-insured plan, claims man-
agement system consulting and
claims management audits.
Communication consulting:
10% of business. Includes general
consulting on communications pro-
grams, benefit statement prepara-
tion, booklet preparation.
Locations: Atlanta; Burlington,
Mass.; Charlotte, N.C.; Cincinnati;
Cleveland; Dallas; Houston; Miami,
Orlando, Fla.
Computer facilities: In-house
Honeywell Level VI computer,
data processor and CRTs in Co-
lumbus office; on-line in Atlanta,
Cleveland, Columbus; on-line in
Cincinnati and Dallas in February
1983.
Principal officers: Carmon E.
Cobe, chairman; W.R. Perkins,
president; E.A. Hightower, vp; C.
Jeffrey Wintersteller, vp/secre-
tary; Marie Bricker, assistant vp.

F

Financial Guardian Inc.
3100 Broadway, Kansas City, Mo.
64111; 816-561-8630

Parent company: Financial Guardian Group Inc.
Staff: 72 total employees; 38 professionals, including five FSAs, four MBAs, two CEBS, four CLUs, two attorneys.
Clients: 1,350 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 85% corporations, 15% multiemployer plans.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $80-$180; junior consultant, $40-$80; clerical, $20-$40.
1982 gross revenues: $3.25 million.
Retirement plan consulting: 4% of business. Includes plan design consulting, actuarial work for defined benefit plans (provided through joint venture, Byerly-Roeder & Co.), record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.
Welfare plan consulting: 83.5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other services providers.
Communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefits consulting: 2.5% of business. Includes consulting from the United States.
Compensation consulting: 5% of business. Includes executive incentive, other executive perks.
Locations: Denver (Byerly & Co. Inc.); New York; Hinsdale, Ill.; Troy, Mich.; St. Louis; San Jose, Calif.; Wichita, Kan.; Phoenix, Ariz.; Des Moines, Iowa; Cheyenne, Wyo.
Principal officers: Lee Beets, chairman/chief executive officer; Donald R. Weber, president; Robert Byerly, executive vp/director of employee benefits division; Robert Morehead, executive vp of Byerly & Co. Inc.

First National Retirement Services Inc.
1200 N. State St., Suite 300,
Chicago, Ill. 60611; 312-751-2444

Parent company: American Heritage Investment Co.
Staff: 35 total staff members; seven professionals, including three MBAs, two CLUs and one actuary.
Clients: 106 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 75% corporations, 20% multiemployer plans, 5% individuals; minimum size client, five employees.
Compensation: By the project; commissions for insurance placed with underwriters.
1982 gross revenues: $5 million.
Retirement plan consulting: 90% of business. Includes plan design consulting, record-keeping work for defined contribution plnas, record-keeping and administrative systems consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.
Compensation consulting: 10% of business. Includes executive incentive, other executive perks, wage and salary administration.
Computer facilities: In-house IBM system.
Principal officers: William H. Righter, president; Greg Honcharevich, Frank McGrawn, vps.

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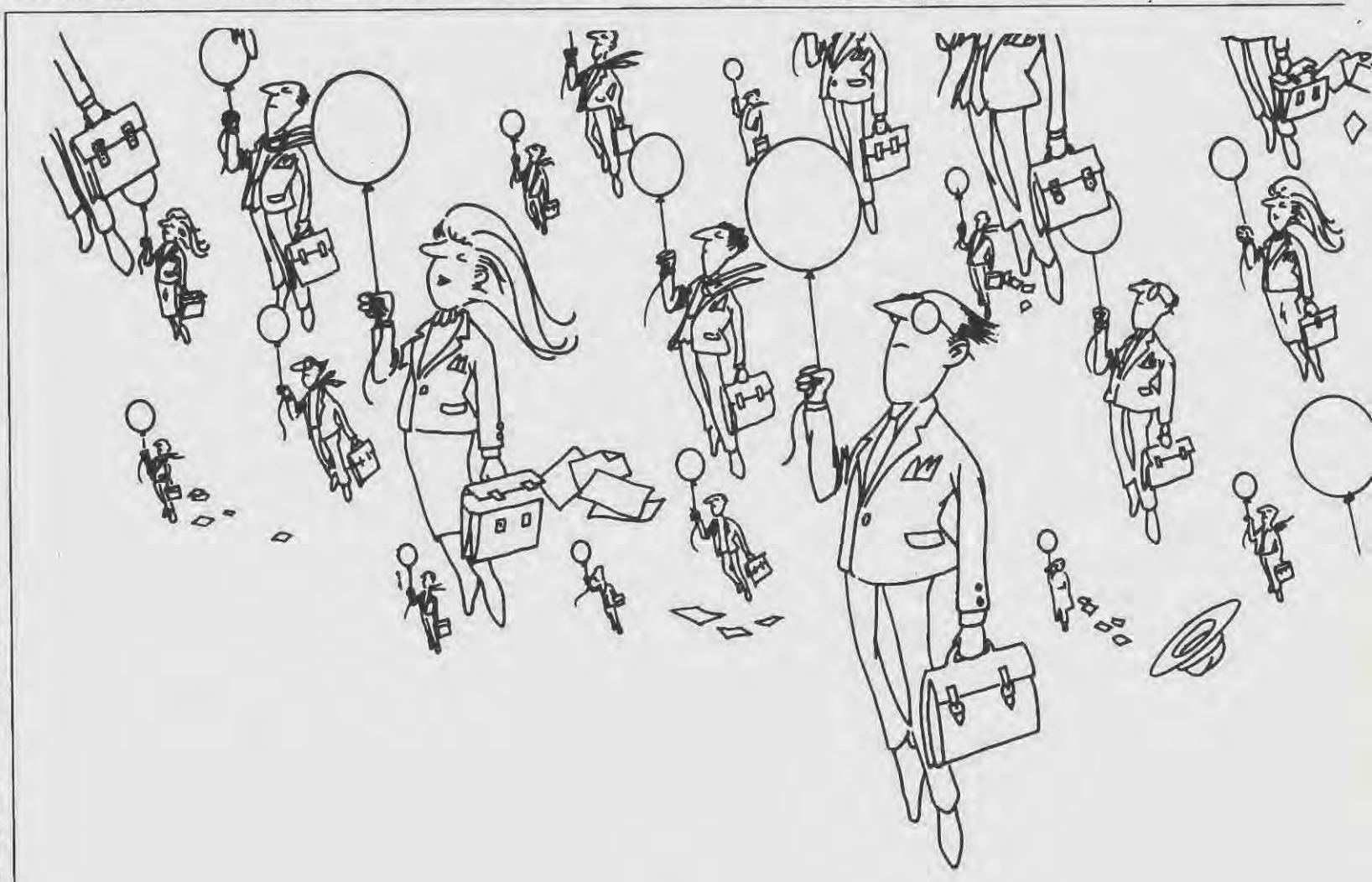

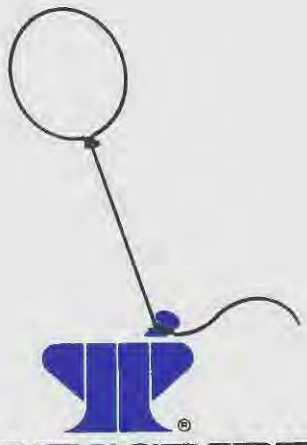

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Continued from previous page

Fitness Monitoring Inc.

Highway 50E, Lake Geneva, Wis. 53147; 414-248-8099

Parent company: Edusystems Inc.

Staff: 15 total employees; six professionals, including two MBAs, one Ph.D., two physicians, one registered nurse.

Clients: 200 clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 35% corporations, 25% multiemployer plans, 40% individuals; no minimum size client.

Compensation: Per person; by the hour, senior consultant, $50.

1981 gross revenues: $300,000.

Other consulting services: 100% of business. Health care cost-containment program design, preventive medicine, wellness and fitness assessment services.

Locations: Rolling Meadows, Ill.

Computer facilities: In-house IBM 3400. Clinical locations equipped with Data Master business computer.

Principal officers: Bill Turner, president; Barbara Turner, vp; Buck Carper, marketing director; Dr. Lavon Johnson, technical director; Marlow Garvin, clinic director.

Fortune & Co./Risk Managers Inc.

7933-A State Line Road, Box 8643, Kansas City, Mo. 64114; 816-444-6855

Staff: Four total employees; three professionals, including one CLU, one attorney, two CPCUs, one ARM.

Clients: 25 clients; 4% with more than 500 employees, 96% with fewer than 500 employees; no minimum size client.

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

1982 gross revenues: Not reported.

Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: 10% of business. Includes general consulting on communications programs.

Principal officers: David E. Fortune, Burton Selfridge Jr., Stephen King.

Robert E. French Insurance Services Inc.

15236 Transistor Lane, Huntington Beach, Calif. 92649; 714-895-4442

Staff: Five total employees; five professionals, including one CLU.

Clients: 200 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 80% corporations, 10% multiemployer plans, 10% individuals; no minimum size client.

Compensation: Commissions for insurance placed with underwriters, fees.

1982 gross revenues: Not reported.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.

Principal officers: Robert E. French, president; Timothy Beck, vp.

Fringe Benefit Review Inc.

Box 221169, Charlotte, N.C. 28222; 704-366-7453

Staff: Sixteen total employees; three professionals, includes two CLUs, one registered nurse.

Clients: 130 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; by the hour, senior consultant, $75; junior consultant, $50; clerical, $30.

1982 gross revenues: $550,000.

Retirement plan consulting: 3% of business. Includes selection of funding media consulting.

Welfare plan consulting: 95% of business. Includes plan design consulting, selection of funding media consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, health awareness/cost containment program.

Compensation consulting: 2% of business. Includes executive incentive, other executive perks.

Principal officers: F. Richard Atkinson, W. James Michelsen, senior partners.

G

Glenn, Nyhan & Associates

55 New Montgomery St., San Francisco, Calif. 94105; 415-777-2341

Parent company: BEA Associates.

Staff: 14 total staff members; seven professionals, includes one MBA, one CLU, two attorneys, one CPA, one CPCU.

Clients: 35% with more than 500 employees, 65% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; no minimum size client, 50 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $100-$125; junior consultant, $65-$85.

1982 gross revenues: Not ported.

Retirement plan consulti 10% of business. Includes plan sign consulting, plan/trust l document drafting, plan admi tration consulting, selection funding media consulting, asset cumulation/investment consulti

Welfare plan consulting: of business. Includes plan des consulting, selection of fund media consulting, insurer/bro selection consulting, broking insurance to insurers, evaluatio other service providers, clai management system consulting claims management audits.

Communication consulting: of business. Includes general c sulting on communications p grams, benefit statement prepa tion, booklet preparation.

Compensation consulting: of business. Includes executi perks.

Other consulting services: K man, non-qualified plans.

Principal officers: Paul E. D roh, vice chairman/chief executi officer; Bartholomew G. Nyha president; Ronald W. Shepher Rich E. Glenn Jr., executive v A.B. Fowler III, vp/counsel.

H

Frank B. Hall Consulting Co.

261 Madison Ave., New York, N.Y 10016; 212-922-1300

Parent company: Frank B. Ha & Co.

Staff: 400 total professional sta (overseas personnel excluded); 1 FSAs, 10 ASAs, 12 MBAs, fiv CEBS, 40 CLUs, nine attorney one Ph.D., two FSPAs, one MSF two CPAs, four MPHs, 20 enrolle actuaries.

Continued on facing pcg

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'lients: 4,000 total clients; 60% h more than 500 employees, 40% h fewer than 500 employees; % corporations, 5% multiemyer plans, 5% individuals; no ıimum size client.

Compensation: By the project; nmissions for insurance placed :h underwriters; on retainer; by : hour, senior consultant, $130-35; junior consultant; $70-$95; rical, $30-$50.

1982 gross revenues: $30 mil-n, excludes overseas business.

Retirement plan consulting: % of business. Includes plan de-ın consulting, actuarial work for fined benefit plans, record-keep-g work for defined contribution ans, record-keeping and adminis-ation systems consulting, an/trust legal document drafting, an administration consulting, se-ction of funding media consult-g, asset accumulation/investment ınsulting.

Welfare plan consulting: 45% i business. Includes plan design ɔnsulting, selection of funding ıedia consulting, insurer/broker ɛlection consulting, broking the ısurance to insurers, evaluation of ther service providers, claims ad-ıinistration.

Communication consulting: 0% of business. Includes general onsulting on communications pro-rams, benefit statement prepara-ion, booklet preparation, audiovi-ual program preparation.

International benefits consult-ng: 10% of business. Includes con-ulting via overseas branch offices, via overseas correspondents, from the United States.

Compensation consulting: 5% of business. Includes executive in-centive, other executive perks, wage and salary administration.

Locations: Montgomery, Ala.; Anchorage and Fairbanks, Alaska; Fresno, Los Angeles, Newport Beach, Oakland, Salinas, San Francisco, Walnut Creek, Calif.; Denver; Hartford, Conn.; Jacksonville, Coral Gables, Miami Shores, Orlando, Fla.; Atlanta; Honolulu; Chicago, Des Plaines and Oak Brook, Ill.; Cedar Rapids, Iowa; New Orleans; Boston; Detroit; St. Louis; Las Vegas, Nev.; Morristown, N.J.; Garden City, New York and White Plains, N.Y.; Cleveland, Columbus and Youngstown, Ohio; Tulsa, Okla.; Portland, Ore.; Philadelphia; Pittsburgh; Providence, R.I.; Dallas; Houston; San Antonio, Texas; Salt Lake City; Seattle; Milwaukee; San Juan, Puerto Rico.

Library facilities: Research library staffed with attorneys and support staff.

Computer facilities: IBM 370145, IBM 3031 in-house with full-time programmers.

Principal officers: Peter T. Pruitt, chairman; Robert M. Adams, president; M. Daniel Andrain, William R. Bucher, David F. Burkstaller, Jack W. Giddens, Michael J. Reynolds, John E. Vaught, executive vps.

A.S. Hansen Inc.

1080 Green Bay Road, Lake Bluff, Ill. 60044; 312-234-4000

Staff: 400 total employees; 200 professionals.

Clients: 2,500 total clients.

Compensation: By the hour, from $35 to $195; average billing rate, $70.

1982 gross revenues: Not reported.

Retirement plan consulting: 74% of business is basic consulting and actuarial work; 2% of business is executive plans. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, pension investment policy, manager selection, performance measurement.

Welfare plan consulting: 74% of business is basic consulting and actuarial work; 2% of business is executive plans. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims administration, health care cost containment.

Communication consulting: 14% of business is communications. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation..

International benefits consulting: Includes consulting via overseas branch offices, overseas correspondents and from the United States.

Compensation consulting: 10% of business is compensation programs. Includes executive incentive, other executive perks, wage and salary adminstration, sales incentive programs.

Locations: Atlanta, Columbus, Ga.; Dallas; Denver; Fort Worth, Texas; Houston; Chicago, Los Angeles; Memphis, Tenn.; Milwaukee; New Orleans; New York; San Francisco; Tampa, Fla.; Washington; Wichita, Kan.; White Plains, N.Y.; Toronto.

Principal officers: William Bret, chairman; Larry M. Fisher, president.

Hay-Huggins

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2300

Parent company: Hay Associates.

Staff: 125 total employees; 50 professionals, including 25 FSAs, five ASAs, 10 MBAs, five CEBS, five CLUs, two attorneys.

Clients: 1,000 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant, $110-$150; junior consultant, $75-$100; clerical, $30-$60.

1981 gross revenues: $10 million.

Retirement plan consulting: 55% of business. Includes plan design consulting, actuarial work for defined benefit plans, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 20% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 5% of business. Includes consulting from the United States.

Compensation consulting: 10% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Boston; New York; Washington; Atlanta; San Francisco; Dallas; Kansas City, Mo.; Chicago; St. Louis.

Library facilities: Centralized and regional libraries.

Principal officers: Kenneth P. Shapiro.

Herget & Co. Inc.

204 E. Lombard St., Baltimore, Md. 21202; 301-539-3500

Staff: 72 total employees; 32 professional staff, includes five FSAs, one ASA, one MBA, one CEBS, one CLU, six actuaries.

Continued on next page

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Continued from previous page

Clients: 1,500 clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 99% corporations, 1% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant, $125; junior consultant, $65; clerical, $25.

1982 gross revenues: $3.5 million.

Retirement plan consulting: 78% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 15% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans.

Communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 2% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Philadelphia; Pittsburgh; Fort Lauderdale, Fla.

Library facilities: Main facility in Baltimore has subscriptions to more than 75 trade publications, newspapers, technical reports and tax services.

Computer facilities: In-house IBM System 34 with printers and CRTs.

Principal officers: Charles E. Herget Jr., president; Thomas J. Egan Jr., executive vp; C. Richard Donovan, senior vp/senior consultant; Morton A. Kesler, vp/controller.

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Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000

Staff: 850 total employees; 520 professionals, includes 61 FSAs, 49 ASAs, 83 MBAs, 23 attorneys.

Clients: 2,400 clients; 90% with more than 500 employees, 10% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant, $200; junior consultant, $44.

1982 gross revenues: $51 million.

Retirement plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: Consulting via overseas correspondents, from the United States.

Compensation consulting: Includes executive incentive, other executive perks, wage and salary administration.

Locations: Atlanta; Chicago; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Newport Beach, Calif.; Rowayton, Conn.; San Francisco; Toronto.

Library facilities: Main library contains more than 5,000 books, 7,800 proxy statements, 800 sub files on compensation and ben and more than 500 magazines updating services.

Computer facilities: Burrou IBM and Hewlett-Packard syst service all centers.

Principal officers: Peter Friedes, chief executive officer.

Human Resources Management Group

1211 Ave. of the Americas, New York, N.Y. 10036; 212-840-8500

Parent company: Alexander Alexander Services Inc.

Staff: More than 850 total e ployees, includes 30 FSAs, 30 AS seven CEBS.

Clients: More than 5,000 clien 20% with more than 500 employe 80% with fewer than 500 emplo ees; 95% or more corporations, or less multiemployer plans; minimum size client.

Compensation: By the proje commissions for insurance plac with underwriters; on retainer; the hour, senior consultant, $20 junior consultant, $60.

1982 gross revenues: More tha $50 million.

Retirement plan consultin 25% of business. Includes plan d sign consulting, actuarial work fo defined benefit plans, record-keep ing work for defined contributio plans, record-keeping and adminis tration systems consulting plan/trust legal document drafting plan administration consulting, se lection of funding media consult ing, record keeping for define benefit plans, consulting on setting investment objectives, long-range forecasting.

Welfare plan consulting: 45% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans.

Communication consulting: 20% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 2% of business. Includes consulting via overseas branch offices, via overseas correspondents, from the United States.

Compensation consulting: 8% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Throughout the United States.

Principal officers: J.J. Stahl II, director of Human Resource Management; A.M. D'Alessandro, J. Wilkinson, J.R. Zatto, division managers.

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J

James Group Service

230 W. Monroe St., Chicago, Ill. 60606; 312-236-0220

Parent company: Fred S. James & Co. Inc.

Staff: 50 total employees; 21 professionals, includes one MBA, three CEBS, one CLU, one attorney.

Clients: 1,500 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 80% corporations, 15% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters, on retainer.

1982 gross reveneues: Approximately $5 million.

Retirement plan consulting: 5% of business. Includes plan design consulting, actuarial work for defined benefit plans.

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elfare plan consulting: 88.5% usiness. Includes plan design sulting, selection of funding lia consulting, insurer/broker ction consulting, broking the rance to insurers, evaluation of er service providers, claims adistration.

ommunication consulting: 1% usiness. Includes general conting on communications proms.

nternational benefits consult-: 1% of business. Includes conting via overseas branch offices, m the United States.

ompensation consulting: 5% business. Includes executive intive.

rincipal officers: Douglas J. llay, president; Douglas Ander-, executive vp; Norma Janich, -administration; John Aggen, .

ohnson & Higgins

95 Wall St., New York, N.Y. 10005; 212-701-7500

Staff: 692 total employees; includes 47 FSAs, 39 ASAs, 80 MBAs, CEBS, 33 CLUs, 14 attorneys.

Clients: Not reported.

Compensation: By the project; ommissions for insurance placed ith underwriters; on retainer; by e hour.

1982 gross revenues: Not reorted.

Retirement plan consulting: ncludes plan design consulting, acuarial work for defined benefit lans, record-keeping work for deined contribution plans, recordeeping and administration systems consulting, plan/trust legal ocument drafting, plan administration consulting, selection of unding media consulting, asset accumulation/investment consulting, re-retirement planning, employee surveys.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits, employee surveys.

Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: Includes consulting via overseas branch offices, via overseas correspondents, from the United States.

Compensation consulting: Done through Sibson & Co. Inc. Includes executive incentive, other executive perks.

Locations: 36 offices throughout the United States; eight in Canada.

Library facilities: Centralized, benefits-oriented library includes a benefit "hot line."

Computer facilities: In-house IBM 370-148 system; also on timesharing basis with a large national computer company.

Principal officers: Kenneth K. Keene, senior vp; Thomas G. Patzau, senior vp.

Johnson Insurance Associates

Box 6043, 14 Dronningens Gade, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00801; 809-776-3176/775-1581

Staff: Three total employees; two professionals.

Clients: 250 clients; 100% with fewer than 500 employees; 10% corporations, 65% multiemployer plans, 25% individuals; minimum size client, two employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $50-$75; junior consultant, $30-$50; clerical, $20-$25.

1982 gross revenues: Less than $200,000.

Retirement plan consulting: 25% of business. Includes plan design consulting, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 65% of business. Plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.

International benefit consulting: 5% of business. Includes consulting from U.S. Virgin Islands.

Communication consulting: 5% of business. Includes general consulting on communications programs.

Locations: Cowpet Bay West, St. Thomas, Virgin Islands.

Principal officers: James W. Johnson, JoAnne Johnson, principals.

Albert C. Jones, New England, Inc.

Box 281, 35 S. Main St., Hanover, N.H. 03755; 603-643-3904

Staff: Six total employees; four professionals, includes one MBA, three CLUs, one ARM, one CIC and one CFC.

Clients: 65 clients; 70% with more than 500 employees, 30% with fewer than 500 employees; 99% corporations, 1% individuals; minimum size client, 50 employees.

Compensation: By the hour, senior consultant, $80-$100; junior consultant, $40-$50; clerical, $15-$20.

1982 gross revenues: $250,000.

Retirement plan consulting: 20% of business. Includes plan de-

Continued on next page

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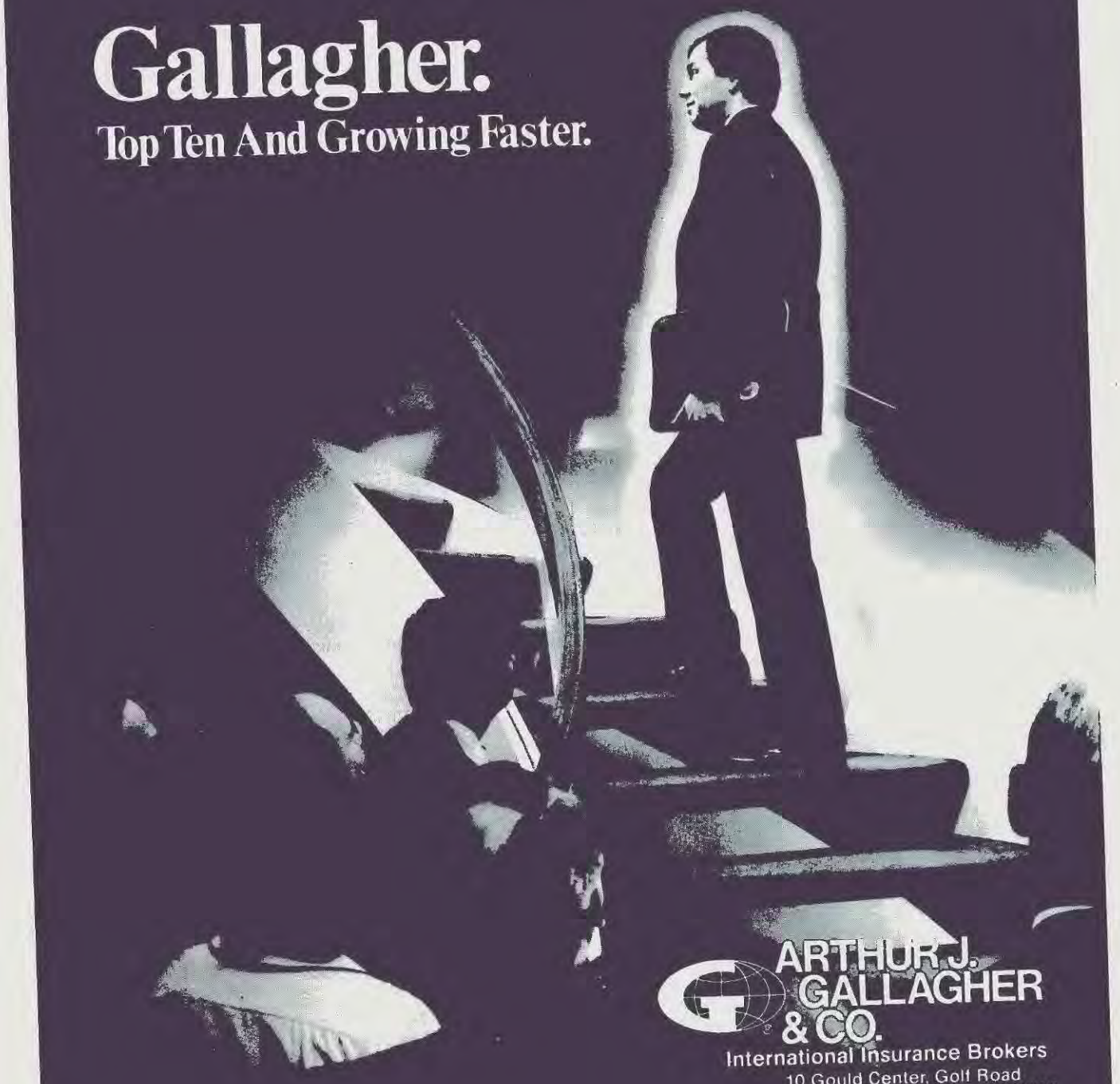

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Rolling Meadows, Illinois 60008
312/640-8500

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sign consulting, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 60% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, cost-reduction negotiations with health care providers.

Communication consulting: 1% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 4% of business. Includes consulting from the United States

Compensation consulting 15% of business. Includes executive incentive, other executive perks

Library facilities: Insurance library maintained.

Computer facilities: Time-sharing basis with Dartmouth College on Honeywell system.

Principal officers: Jane Y. Rastallis, president; Albert C. Jones, treasurer.

K

The Kooper Group

666 Fifth Ave., New York, N.Y. 10019; 212-246-2138

Staff: Nine total employees; three professionals, including one attorney.

Clients: 200 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; minimum size client, two employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer.

1982 gross revenues: $750,000.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, claims administration by The NBA Group.

Principal officers: Michael Kooper, president; Michael D. Rockman, vp.

Kwasha Lipton

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

Staff: 240 total employees; 190 professionals, including 25 FSAs, 22 ASAs, six MBAs, three attorneys, three FCIAs, 12 FCAs, 13 MCAs, 32 MAAAs, one ACAS.

Clients: 425 clients; 95% with more than 500 employees, 5% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour.

1982 gross revenues: Not reported.

Retirement plan consulting: 70% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement prep tion, booklet preparation, audi sual program preparation.

International benefits cons ing: 5% of business. Includes sulting via overseas corresp dents, from the United States.

Compensation consulting: of business. Includes executive centive, other executive pe wage and salary administration, evaluation, performance apprais

Library facilities: Centrali library with 2,500 volumes and ious trade and legal publications

Computer facilities: In-ho IBM 4341-Group 2 with an M system.

Principal officers: John C nors, Dick Sears, David Skovr policy committee members; total 30 partners.

M

Maury, Donnelly & Parr Inc.

Commerce and Water Streets, Baltimore, Md. 21202; 301-685-4625

Staff: 14 total employees.

Clients: 15 clients; 20% wit more than 500 employees, 80% wit fewer than 500 employees; 90% co porations, 8% multiemployer plan 2% individuals; no minimum siz client.

Compensation: By project.

1982 gross revenues: $400,00 (for employee benefits division).

Retirement plan consulting 3% of business. Includes plan desig consulting, record-keeping worl for defined contribution plans plan/trust legal document drafting plan administration consulting.

Welfare plan consulting: 95% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, claims administration.

Communicating consulting: 2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Library facilities: In-house medical library with reference materials and subscriptions.

Computer facilities: In-house minicomputer with printer.

Principal officers: Thomas D.R. Parr, president; John J. Connelly, vp-employee benefits; Henry A. Parr IV, senior vp; Mary C. Pross, assistant vp-employee benefits.

Meidinger Inc.

2600 Meidinger Tower, Louisville, Ky. 40202; 502-561-4500.

Staff: 571 total employees; 292 professionals, including 31 FSAs, 37 ASAs, six CEBS, 16 CLUs, 21 attorneys, five CPAs, four Ph.D.s.

Clients: 2,500 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no mimimum size client.

Compensation: By the project; by the hour.

1982 gross revenues: Not reported.

Retirement plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution systems, record-keeping and administrative systems consulting, plan/trust legal document drafting, selection of funding media consulting, asset accumulation/investment consulting, actuarial modeling.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims ad-

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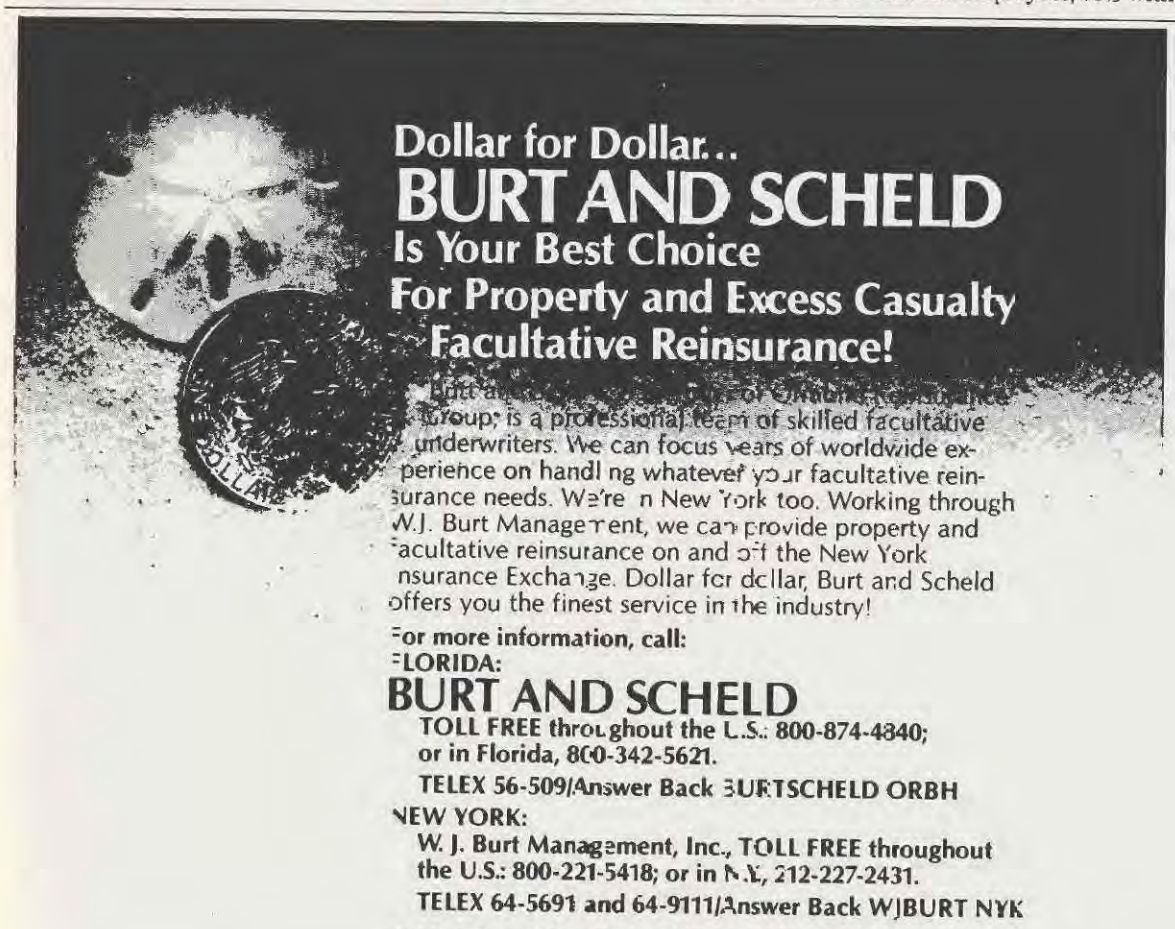

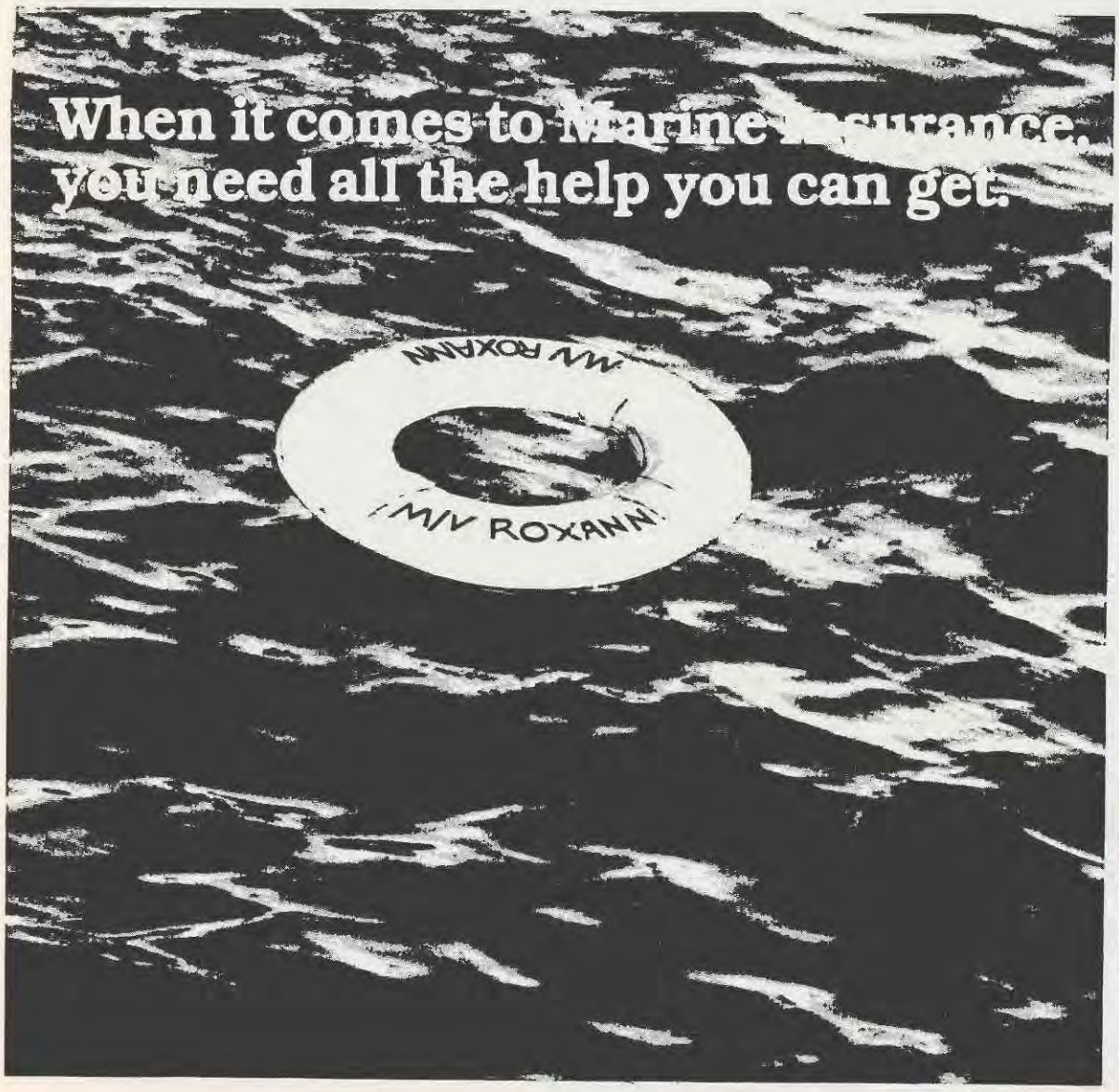

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Telex: 807049

Branch Offices:
New York, NY • Encino, CA

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istration by Meidinger in reland, actuarial administration lf-insured plans.

ommunication consulting: of business. Includes general ulting on communications pro- ns, benefit statement prepara- , booklet preparation, audiovi- l program preparation, em- ee attitude surveys.

nternational consulting: 3% of iness. Includes consulting via rseas correspondents, from the ited States.

ompensation consulting: 10% usiness. Includes executive in- tives, other executive perks, ge and salary administration.

Other consulting services: 5% business. Includes health risk nagement.

Locations: Atlanta; Baltimore; mingham, Ala.; Boston; Char- te, N.C.; Chicago; Cincinnati; eveland; Dallas; Erie, Pa.; Hous- n; Indianapolis; Kansas City, Mo.; mphis, Tenn.; New York; Mil- ukee; Minneapolis; Philadel- ia; Pittsburgh; Richmond, Va.; wayton, Conn.; Washington, C.

Library facilities: Extensive in- use library of pertinent material th a staff of five.

Computer facilities: In-house nivac 1100/60 computer with 75 rminals; on-line access in divi- onal offices.

Principal officers: Douglas D. tenger, chairman; Frank Peabody I, president; Timothy Lynch, Wil- am B. Alexander, executive vps.

William M. Mercer Inc.

1211 Ave. of the Americas, New York, N.Y. 10036; 212-997-7171

Parent company: Marsh & McLennan Cos. Inc.

Staff: 1,912 total employees; 850 professionals, including 151 FSAs, 109 ASAs, 25 attorneys.

Clients: 8,500 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 95% corporations, 5% multiemployer plans, less than 1% individuals; no minimum size client.

Compensation: By the project; commission for insurance placed with underwriters; by the hour, from $50-$200.

1982 gross revenues: $143 million (1981).

Retirement plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administrative systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, retirement education program consulting.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plans, claims management systems consulting and claims management audits.

Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: Includes consulting via overseas branch offices, overseas correspondents and from the United States.

Compensation consulting: Includes executive incentive, other executive perks, wage and salary administration.

Locations: 84 locations in the United States, Canada and overseas.

Library facilities: Library/information network consisting of eight facilities with professional librarians.

Computer facilities: Variety of computer facilities; centralized computer "resource center"; some offices have in-house computers, others use time-sharing arrangements.

Principal officers: John G. Ireland, chairman; Diljit S. Juneja, president; Barnet N. Berin, Ronald M. Walker, Carson E. Beadle, managing directors.

Miller Mason & Dickenson inc.

2227 Bryn Mawr Ave., Philadelphia, Pa. 19104; 215-879-6300

Staff: 100 total staff members; including 11 FSAs, four ASAs, four MBAs.

Clients: 450 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $60-$175; junior consultant, $30-$50; clerical, $20-$30.

1982 gross revenues: $5 million.

Retirement plan consulting: 55% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, in-house on-line computerized defined benefit calculation system.

Welfare plan consulting: 32% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, measurement/comparison of overall benefit.

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 1% of business. Includes consulting via overseas correspondents, from the United States.

Compensation consulting: 2% of business. Includes executive incentive, other executive perks.

Locations: Chicago; Dallas; Albuquerque, N.M.

Library facilities: In-house at headquarters, contains professional publications and reports.

Computer facilities: In-house DEC 1010 with high-speed printer and 18 terminals.

Principal officers: M.P. Dickenson, chairman; R.A. Scott, president; E.M. Thompson, Roger Mariett, vps; Harvey Kesselman, James Callahan, actuaries; John McCue, senior consultant.

H.D. Morgan & Associates

2 N. Riverside Plaza, Suite 840, Chicago, Ill. 60606; 312-648-7433

Staff: One professional, an FSA; affiliations with other firms expands total staff to 12.

Clients: Total number not reported; 10% with more than 500 employees, 90% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $100-$125; junior consultant, $50-$75.

1982 gross revenues: Not reported.

Retirement plan consulting: 90% of business. Includes plan design consulting, actuarial work for

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defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, technical support for affiliated consultants.

Welfare plan consulting: 3% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, actuarial evaluation of self-funded plans.

Communication consulting: 7% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Library facilities: Library includes various periodicals and actuarial journals.

Computer facilities: In-house Prime 250 II computer available.

Principal officer: Harry D. Morgan.

O

Olliver/Pilcher Insurance Inc.

6150 N. 16th St., Phoenix, Ariz. 85016; 602-277-5703

Staff: Eight total employees (in employee benefits); 3 professionals, including one CLU.

Clients: 400 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $120; junior consultant, $90; clerical, $40.

1982 gross revenues: Not reported.

Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.

Communication consulting: 5% of business. Includes general consulting on communications programs.

Compensation consulting: 5% of business. Includes executive incentive, other executive perks.

Locations: 10 branches in Arizona.

Principal officers: Steve Lindstrom, vp; Jim Atkinson, account executive.

P

Pension Planning Co. Inc.

355 Lexington Ave., New York, N.Y. 10017; 212-867-4100

Staff: 40 total employees; 23 professionals, including one FSA, four ASAs, two MBAs, one attorney.

Clients: 400 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 95% corporations, 4% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $100-$165; junior consultant, $80-$100; clerical, $20.

1982 gross revenues: More than $2.5 million.

Retirement plan consulting: 80% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims management system consulting and claims management audits, actuarial evaluation of self-insured plans.

Communication consulting: 5% of business. General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 3% of business. Includes consulting via overseas correspondents.

Compensation consulting: 2% of business. Includes executive incentive, other executive perks.

Computer facilities: In-house computer system with data processing staff.

Principal officers: James Kahn, president; Donald A. Lockwood, executive vp/actuary; Robert Hruska and Paul D. Robinson, vps/actuaries.

R

Reed Stenhouse

Box 250, Toronto-Dominion Ce
Toronto, Ontario M5K 1J5;
416-868-5500

Parent company: Reed St
house Cos. Ltd.

Staff: 529 total benefits emp
ees; 210 professionals, includin
FSAs, seven ASAs, one attorney

Clients: Number of clients
reported; 86% corporations,
multiemployer plans, 10% indivi
als; no minimum size client.

Compensation: By the proj
commissions for insurance pla
with underwriters; on retainer;
the hour.

1982 gross revenues: Appro
mately $27 million.

Retirement plan consulti
38% of business. Includes plan
sign consulting, actuarial work
defined benefit plans, record-ke
ing work for defined contributi
plans, record-keeping and admin
tration systems consultin
plan/trust legal document draftin
plan administration consulting,
lection of funding media consu
ing, asset accumulation/investme
cousulting.

Welfare plan consulting: 4
of business. Includes plan desi
consulting, selection of fundi
media consulting, insurer/brok
selection consulting, broking t
insurance to insurers, evaluation

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service providers, claims administration.
mmunication consulting: 1% usiness. Includes general consng on communications pros, benefit statement preparabooklet preparation, audiovisprogram preparation.
ternational benefits consult- 10% of business. Includes conng via overseas branch offices, the United States.
ompensation consulting: 9% usiness. Includes executive inive, other executive perks.
ocations: More than 180 offices ldwide.
ibrary facilities: Substantial tralized libraries in the United es, Canada and Great Britain.
omputer facilities: Computer ems in various offices around world.
rincipal officers: William M. lson, president/chief executive cer.

sk Planning Group Inc.
22 Post Road, Darien, Conn. 06820; 203-655-9791

Staff: 24 total employees; 12 prossionals, including eight MBAs, e CLU, one CPA, one enrolled uary.
Clients: 110 clients; 85% with ore than 500 employees, 15% with wer than 500 employees; 99% corrations, 1% individuals; minium size client, 10 employees.
Compensation: By the project; retainer; by the hour, senior nsultant, $100-$175; junior conltant, $60-$90.
1982 gross revenues: More than million.
Retirement plan consulting: % of business. Includes plan degn consulting, plan administraon consulting, selection of fundng media consulting, asset accuulation/investment consulting, econd opinions with actuarial asumptions, valuation reports.
Welfare plan consulting: 67% f business. Includes plan design consulting, selection of funding media consulting, insurer/broker election consulting, evaluation of other service providers, assistance with cost containment in health care programs, governmental pooling studies.
Communication consulting: Service available through associate consultant.
International benefits consulting: 3% of business. Includes assistance in feasibility analysis, design and development of captive insurance company-funded employee benefit programs.
Library facilities: In-house library with 100 books and periodicals.
Computer facilities: In-house Wang OIS 140 computer.
Principal officers: H. Felix Kloman, B.M. Brown, M.J. Cole, D.H. Rosenbaum, R.D. Preston, W.R. Smith.

S

Martin E. Segal Co.
730 Fifth Ave., New York, N.Y. 10019; 212-586-5600

Staff: 460 total employees; 340 professionals, including 11 FSAs, 17 ASAs, 20 MBAs, nine attorneys.
Clients: 3,200 clients; 85% with more than 500 employees, 15% with fewer than 500 employees; 45% corporations, 55% multiemployer plans; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour.
1982 gross revenues: Not reported.
Retirement plan consulting: 50% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.
Welfare plan consulting: 40% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, analysis of investment performance.
Communication consulting, international consulting and compensation consulting: 10% of business.
Locations: Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; Phoenix, Ariz.; San Francisco; Washington, D.C.; Toronto.
Library facilities: Research library with full-time librarian in New York office; services of library open to all offices; each office subscribes to its own periodicals.
Computer facilities: Prime 750 and several GA 1830 computers in-house; HP3000 system is used on time-sharing basis for certain projects.
Principal officers: Martin E. Segal, chairman; Robert D. Krinsky, president; Robert D. Paul, Vincent F. O'Hara, vice chairmen; John F. Gentleman, Berton Jacobson, executive vps.

Donald Shaffer Associates Inc.
11 Grace Ave., Great Neck, N.Y. 11021; 516-466-4642

Staff: 15 total employees, including two CLUs.
Clients: 100 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 85% corporations, 10% multiemployer plans, 5% individuals; no minimum size client.
Compensation: Commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $60; junior consultant, $40; clerical, $20.
1982 gross revenues: $750,000.
Retirement plan consulting: 20% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, employee benefit statements and communication.
Welfare plan consulting: 65% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, employee communications and meetings with employees and union members.
Communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Compensation consulting: 10% of business. Includes executive incentive, other executive perks.
Principal officers: Donald Shaffer, president; Arlene Resnick, manager-life and employee benefits; Dan Siefert, manager-property/casualty underwriters; Olive Reed, office manager/controller.

E.W. Siver & Associates Inc.
9400 Fourth St. N., St. Petersburg, Fla. 33702; 813-577-2780

Staff: 14 total employees; eight professionals, including three CLUs, one AIU, one CIC, two attorneys.
Clients: Not reported.
Compensation: By the project; on retainer; by the hour, senior

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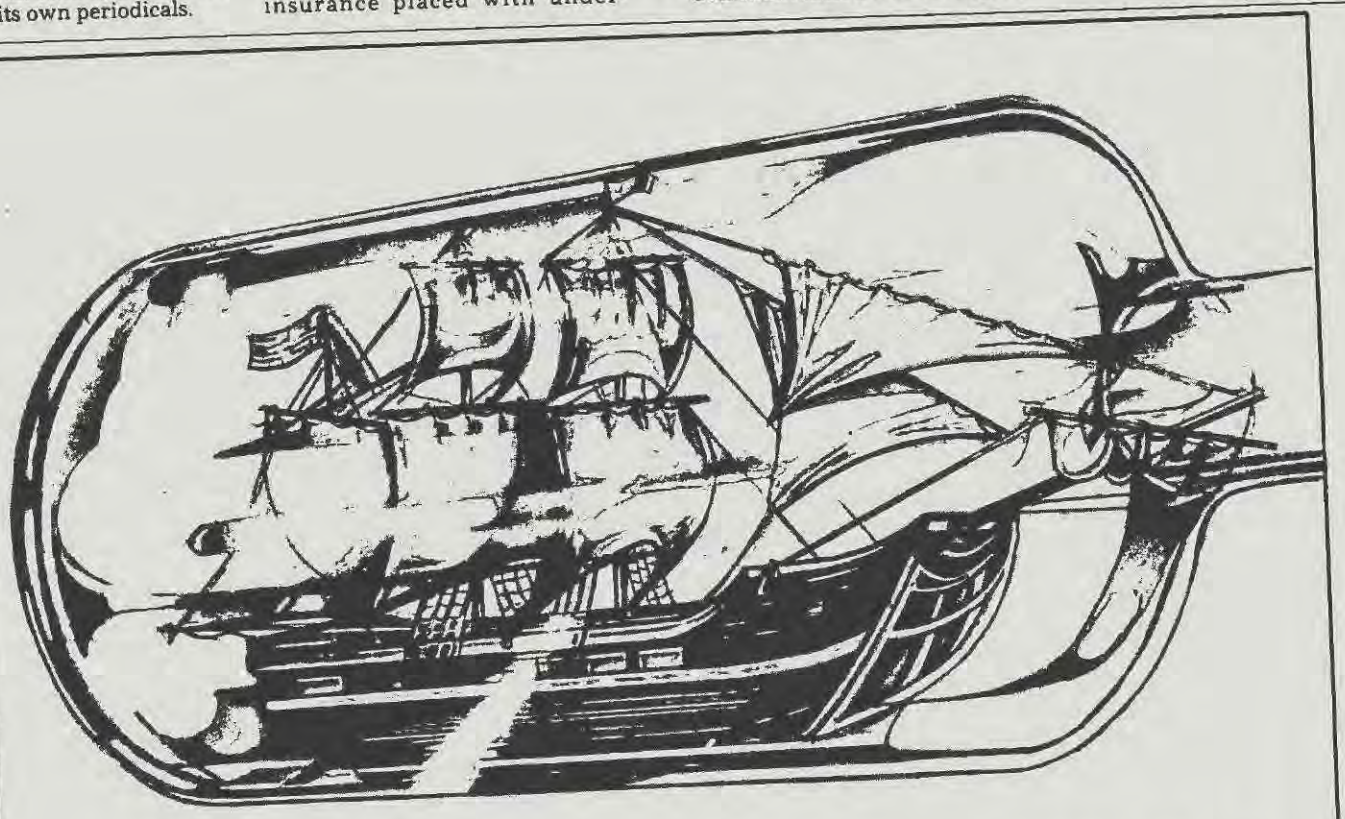

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Detail in **ClaimFacts,** the on-line health claims processing system, offering automatic eligibility verification, automatic adjudication, COB, correspondence and payment for Corporations, Insurance Carriers, Blue Cross/Blue Shield plans, Third Party Administrators and Taft Hartley plans. Detail featuring user-oriented and easy to use displays, complete financial control and meaningful cost containment of health reporting benefit expenditures. Detail in **ImpleFacts,** the deferred benefits recordkeeping system offering video display terminals, faster payouts, eligibility monitoring, activity monitoring and special feature support for Thrift/Savings, Profit Sharing, TRASOP, ESOP, Stock Option, IRA's and 401(K) salary reduction plans — for Corporations, Banks, Insurance Carriers and Consultants.

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That's why so many companies agree with Erisco that the beauty is in the detail!

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Continued from previous page

consultant, $60-$100; junior consultant, $36-$60; clerical, $12-$15.

1982 gross revenues: $700,000.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans.

International benefits consulting: Small portion of business. Includes consulting from the United States.

Library facilities: Library has approximately 500 volumes with subscriptions to trade and technical publications.

Computer facilities: Three CRTs used for information retrieval and word processing.

Principal officers: Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall, vp.

Southern Employee Communications

Box 7683-A, Birmingham, Ala. 35253; 205-870-3999

Parent company: Southern Production Cos. Inc.

Staff: Six total staff members, including two professionals.

Clients: 24 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $100; junior consultant, $50; clerical, $20.

1982 gross revenues: Not reported.

Welfare plan consulting: 25% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting.

Communication consulting: 75% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Principal officers: R. Craig Fulford, president; Kate C. Hawthorne, secretary/treasurer.

T

TIC International Corp.

3901 N. Meridian St., Suite 500, Indianapolis, Ind. 46208; 317-924-5311

Staff: 250 total employees; nine professionals, including three FSAs, two ASAs, one attorney, one Ph.D., two CPAs.

Clients: 275 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 90% multiemployer plans, 10% others; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour.

1982 gross revenues: $11.1 million.

Retirement plan consulting: 40% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 50% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Locations: Akron, Cleveland, Columbus, Dayton and Mentor, Ohio; Birmingham, East Lansing and Southfield, Mich.; Indianapolis; Louisville, Ky.; Milwaukee; New York City; Washington, D.C.

Library facilities: Centralized library in Milwaukee office.

Computer facilities: Burroughs 6800 in-house.

Principal officers: Ronald B. Woodard, president/chairman; Stephen E. Kraabel, executive vp/chief operating officer; John M. Meyer, vp/chief financial officer and secretary/treasurer.

Tierney Associates Inc.

855 Worcester Road, Framingham, Mass. 01701; 617-872-1773

Staff: One full-time staff member, four part-time; one professional, including one FSA.

Clients: Number of clients not reported.

Compensation: By the project; by the hour, senior consultant, $120; junior consultant, $60; clerical, $30.

1982 gross revenues: Not reported.

Retirement plan consulting: 80% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, limited service on selection of funding media consulting, asset accumulation and some investing consulting, pension and profit-sharing plan consulting, benefit program communications programs, benefit statement preparation, booklet preparation and audiovisual program preparation.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluatio other service providers.

Compensation consulti Small portion of business. Inclu executive incentive and other e utive perks.

Other consulting services: of business. Includes actuarial c sulting.

Principal officers: Thomas Tierney, consulting actuary.

Tillinghast, Nelson & Warren Inc.

Tower Place, 3340 Peachtree Road, Atlanta, Ga. 30326; 404-261-5420

Staff: 300 total employees; professionals, including 57 FSAs, ASAs, 10 MBAs, four CLUs, thr attorneys, 17 FCAS, two CPCUs.

Clients: 2,500 clients; 75% wi more than 500 employees, 25% wi fewer than 500 employees; 70% c porations, 10% multiemploy plans, 20% individuals; no mir mum size client.

Compensation: By the proje by the hour; senior consultant, $7 $200; junior consultant, $40-$7 secretarial, $30-$40.

1982 gross revenues: $25 mi lion.

Retirement plan consultin 60% of business. Includes plan d sign consulting, actuarial work fc defined benefit plans, record-keep ing work for defined contributio plans, record-keeping and adminis tration systems consulting plan/trust legal document drafting plan administration consulting, se lection of funding media consult ing, asset accumulation/investmen consulting.

Welfare plan consulting: 20% of business. Includes plan desigr consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation o other service providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 5% of business. Includes consulting via overseas branch offices, from the United States.

Compensation consulting: 5% of business. Includes executive incentive, other executive perks.

Locations: Newtown and Boston, Mass.; Chicago; Dallas; San Antonio and Fort Worth, Texas; Denver; Hartford, Conn.; Jacksonville, Fla.; Kansas City, Kan.; Los Angeles; New Orleans; New York; St. Louis; Hamilton, Bermuda; Toronto; London.

Library facilities: Central library in Atlanta office with full-time librarian; smaller facilities in local offices.

Computer facilities: Two in-house DEC System 2060s based in Atlanta; available on a time-sharing basis with other company offices.

Principal officers: William A. Ferguson, chairman; James C.H. Anderson, president; J. Russell Southworth, W. James MacGinnitie, Thomas P. Cerneka, vps/principals.

Towers, Perrin, Forster & Crosby

600 Third Ave., New York, N.Y. 10016; 212-309-3400

Staff: 1,800 total employees, including 170 FSAs, 80 ASAs.

Clients: 4,500 clients; 100% corporations; no minimum size client.

Compensation: By the hour.

1982 gross revenues: $140 million.

Retirement plan consulting: 54% of business. Includes plan de-

Continued on facing page

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consulting, actuarial work for ed benefit plans, record-keep- and administration systems ulting, plan administration ilting, asset accumulation/in- nent consulting.
elfare plan consulting: 7% of ness. Includes plan design con- g, selection of funding media ulting, insurer/broker selec- consulting, evaluation of other ice providers, HMO actuarial uation for self-funded plans.
ommunication consulting: of business. Includes general ulting on communications pro- ns, benefit statement prepara- , booklet preparation, audiovi- program preparation.
nternational benefits consult- 13% of business. Includes con- ing via overseas branch offices from the United States.
ompensation consulting: 16% usiness. Includes executive in- tive, other executive perks, e and salary administration.
ocations: Atlanta; Boston; Chi- o; Cleveland; Dallas; Detroit; uston; Los Angeles; Milwaukee; neapolis; New York; Philadel- ia; Pittsburgh; St. Louis; San ancisco; Seattle; Stamford, nn.; Tampa, Fla.; Washington, C.; Calgary, Alberta; Montreal; ronto; Vancouver, British Co- nbia. Ten other offices through- t the world.
Library facilities: Central li- ary staffed by librarians in cor- rate office; regional offices have ıaller facilities.
Computer facilities: IBM com- ıters used in-house with some ne-sharing use outside company.
Principal officers: Q.I. Smith, ıairman/chief executive officer; E. Kielley, president; D.E. Sulli- an, vp-employee benefits; L.N. largel, chief actuary; C.F. Fretz, p-human resource services.

W

Vaidelich & Associates of Wausau Inc.

2424 Stewart Square, Wausau, Wis. 54401; 715-842-4681

Staff: Five total employees; two professionals, including one attor- ney and one CPA.
Clients: 300 total clients; 100% with fewer than 500 employees; 55% corporations, 20% multiem- ployer plans, 15% individuals; min- mum size client, five employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $85; ju- nior consultant, $40; clerical, $25.
1982 gross revenues: $620,000.
Retirement plan consulting: 15% of business. Includes plan de- sign consulting, actuarial work for defined benefit plans, record-keep- ing work for defined contribution plans, record-keeping and adminis- tration systems consulting, plan/trust legal document drafting, plan administration consulting, se- lection of funding media consult- ing, asset accumulation/investment consulting.
Welfare plan consulting: 60% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims ad- ministration, negotiation of third- party claims administration.
Communication consulting: 10% of business. Includes general consulting on communications pro- grams, benefit statement prepara- tion, booklet preparation, audiovi- sual program preparation.
Compensation consulting: 15% of business. Includes executive in- centive, other executive perks, wage and salary administration.
Other consulting services: Ex- ecutive financial management, es- tate structuring.
Library facilities: In-house li- brary of 12 volumes.
Computer facilities: Several time-sharing programs available. Most planning policy work done on microcomputers.
Principal officers: Kenneth Buelt, president; Thomas Waide- lich, vp.

Scott Wetzel Services Inc.

P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200

Parent company: The Home Group Inc.
Staff: 415 total employees; 400 professionals, including two MBAs, four attorneys, one CPA, two CPCUs, two PEs, six CSPs, one CIH.
Clients: 320 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 95% cor- porations, 5% multiemployer plans; minimum size client, 75 employees.
Compensation: By the project.
1982 gross revenues: Not re- ported.
Welfare plan consulting: 90% of business. Includes in-house claims administration, claims man- agement system consulting and claims management audits.
Communication consulting: 10% of business. Includes booklet preparation.
Locations: Anchorage and Ju- neau, Alaska; Boise, Idaho; Boston; Chicago; Cleveland; Dallas; Eng- lewood, Colo.; Las Vegas and Reno, Nev.; Los Angeles; New York; Omaha, Neb.; Orange, Calif.; Phila- delphia; Phoenix, Ariz.; Portland, Ore.; Salt Lake City; San Francisco; Seattle; Springfield, N.J.; Spokane and Tacoma, Wash.; Tampa, Fla.; Twinsburg, Ohio; Washington, D.C.
Library facilities: Libraries with pertinent periodicals and ref- erence sources in each office.
Computer facilities: In-house IBM 34 and IBM 38 systems.
Principal officers: E. Scott Wetzel, president; D.W. Mulliner, executive vp; Robert Spratt, Ken- neth Rosser, senior vps; Myron Sol- tau, vp-corporate services.

Wittner, Hanahan & Peck Inc.

5999 Central Ave., St. Petersburg, Fla. 33710; 813-384-3000

Staff: 10 total employees; three professionals.
Clients: 38 clients; 11% with more than 500 employees, 89% with fewer than 500 employees; 100% corporations; no minimum size cli- ent.
Compensation: By the project.
1982 gross revenues: $312,000.
Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims ad- ministration.
Communication consulting: 10% of business. Includes general consulting on communications pro- grams, benefit statement prepara- tion, booklet preparation, audiovi- sual program preparation.
Principal officers: Ted P. Wittner, James L. Hanahan, John L. Peck, principals.

The Wyatt Co.

200 First National Building, Detroit, Mich. 48226; 313-961-5485

Staff: 1,300 total employees; 500 professionals, including 116 FSAs, 96 ASAs, 24 attorneys, seven CPCUs.
Clients: 3,000 clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 97% cor- porations, 2% multiemployer plans, 1% individuals; no minimum size

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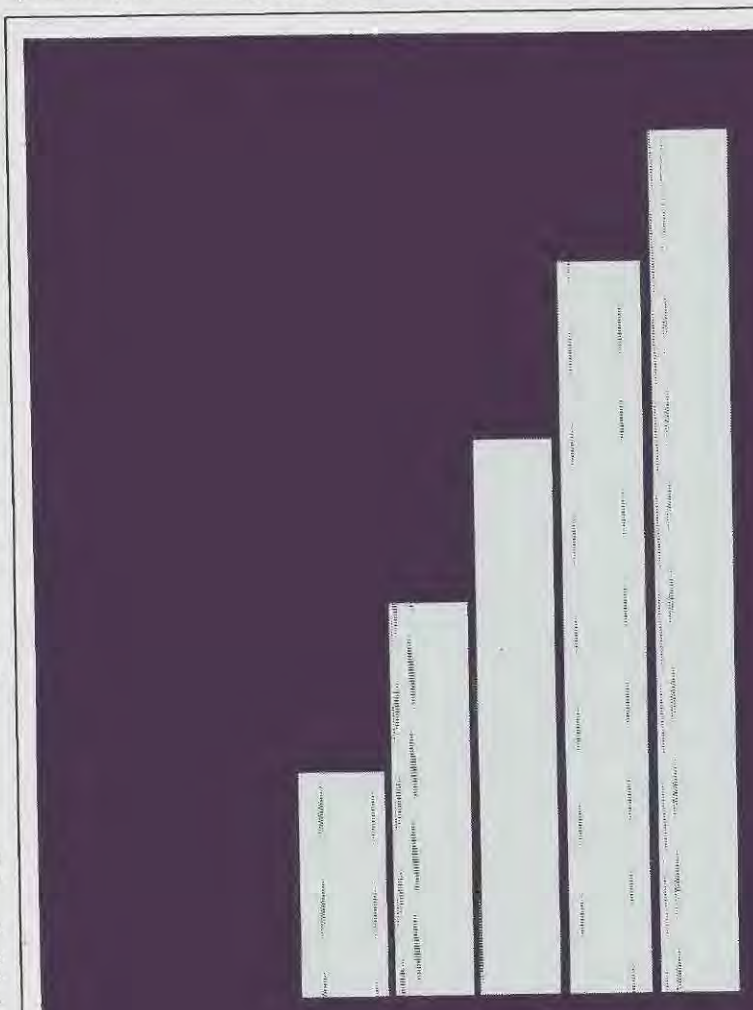

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Century Towers 720 South Colorado Boulevard
Denver, CO 80222

ARTHUR A. WATSON & CO., INC.
225 Spring Street Hartford, CT 06109

Benefit consultants listed

Continued from previous page
client.

Compensation: By the hour; senior consultant, $98-$173; junior consultant, $43-$98; clerical, $16-$32.

1982 gross revenues: $98 million.

Retirement plan consulting: 68% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, asset accumulation/investment consulting.

Welfare plan consulting: 6% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans.

Communication consulting: 8% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 7% of business. Includes consulting via overseas branch offices and from the United States.

Compensation consulting: 6% of business. Includes executive incentive, other executive perks, wage and salary administration.

Other consulting services: 5% of business. Risk management consulting.

Locations: Twenty-three offices throughout the United States, six in Canada, 14 others worldwide.

Library facilities: Centralized research department and facilities in individual branch offices.

Computer facilities: In-house IBM, DEC and Prime computers in eight offices; others on-line or use time-sharing services.

Principal officers: J.P. Stanley, president; V.C. Beaird, vp/treasurer; M.H. Davis, John Hanson, P.H. Jackson, vps.

Bill would force employers to bu health coverage for layoff victim

washington

By JERRY GEISEL

WASHINGTON—Employers would be required to extend full health insurance coverage to laid-off workers for up to one year under proposed legislation.

Under the "Health Insurance for Unemployed Workers Act of 1982," introduced by Sen. Donald W. Riegle Jr., D-Mich., an employer could not require his laid-off employees to pay more than 20% of the premium for extended coverage.

In addition, employers would have to impose an annual deductible of at least $100 but no more than $500 for laid-off employees.

Sen. Riegle said he introduced the legislation, S. 3063, because of reports that more than 400,000 Michigan workers have lost their health benefits after they lost their jobs during the current recession.

"Because these people are unemployed, they are often too worried about mere survival to meet critical health needs," Sen. Riegle said. "I think we're obligated to help them through these tough times by assuring them adequate health care will be there when they need it."

Sen. Riegle does not expect his bill to pass during the special post-election congressional session, which ends next week. But he will push for the bill's passage during the next session, which begins in January, according to aides.

Rath accord reached

The Pension Benefit Guaranty Corp. and Rath Packing Co. of Waterloo, Iowa, have reached a final agreement on a PBGC takeover of Rath's three underfunded pension plans.

The agreement requires Rath to pay the PBGC a total of $3.5 million by Sept. 15, 1983. This amount will cover minimum contributions Rath was supposed to have made to the plans in 1980. The Internal Revenue Service earlier had given Rath permission to temporarily waive the contribution because of the meatpacker's financial instability (*BI*, Oct. 11).

In addition, Rath will pay the PBGC $793,359 annually over the next 13 years. The payments will begin in 1985 and will be guaranteed by liens on Rath's property, accounts receivable and inventory.

The PBGC also will receive a percentage of Rath's pretax profits, assuming the firm turns a profit, beginning in 1984 and continuing through 1994.

The percentage the PBGC will receive will depend on how much money Rath earns. Last year, Rath lost $9.5 million; in 1980, it earned $3.3 million.

Rath proposed terminating the plans in September saying that it could no longer afford the $9 million it was spending annually to fund the plans and pay benefits to the 6,300 participants (*BI*, Sept. 1

This month's final agreem eliminates a possible legal ba between Rath and the PBGC o the termination of the plans.

Under the Employee Retirem Income Security Act, the PB has the right to collect 30% o company's net worth to pay be fits it promised to its employees didn't fund.

Motor carrier liability

The new 5-cent-a-gallon increa in gasoline taxes proposed by t Reagan administration not on will help to rebuild the natio crumbling roads and bridges, but also will ease liability insurance r quirements for motor carriers.

The gas tax bill, whose offici title is the "Surface Transportatic Act of 1982," S. 3044, would gi the Secretary of Transportation a thority to set lower liability limi for any class of vehicles if th lower limit does not "adversely a fect public safety."

Currently, under the Motor Car rier Act, the 1980 landmark la that deregulated the trucking in dustry, the liability limit for non hazardous cargo on July 1, 1983 will rise to $750,000 from $500,000 while the limit for hazardous carg leaps to $1 million from $500,000 The limit for very hazardous carg will rise to $5 million from the cur rent $1 million.

Insurance industry trade associations say they favor giving the Department of Transportation more flexibility in setting liability limits. ■

Jail fire victims' families suing county, plastics firm

By LAURENCE H. GROSS

BILOXI, Miss.—A company that installs polyurethane building materials and government officials are being sued by family members of 27 inmates who died during an early November fire at a Harrison County jail.

Attorneys representing Harrison County and plaintiffs' attorneys said the county and the plaintiffs may cooperate with each other in a third-party product liability lawsuit against the companies that were involved in the installation of polyurethane in the jail.

"One of the main thrusts of this case will be product liability," said Edmund Golden, an attorney representing inmates and families. "The denial of civil rights by county officials will be a separate cause of action."

Mr. Golden, a member of the New Orleans firm of Weidemann & Fransen, said although only 13 lawsuits seeking $200 million in damages were filed in U.S. District Court in Biloxi within a month after the fire, as many as 50 separate actions may be filed in connection with the Nov. 8 blaze.

At least one inmate remains in critical condition after suffering injuries in the fire, which is believed to have been started by an inmate who set fire to a padded cell. Preliminary autopsy reports have indicated that most of the deaths were caused by smoke inhalation, although the inhalation of polyurethane gases ultimately may be listed as the cause of death.

"Things are still somewhat confused," says Mr. Golden. "Some of the potential plaintiffs, who are still in jail, are afraid of reprisals if they come forward. As the publicity dies down and things get back to normal, we'll see more of them seeking legal representation."

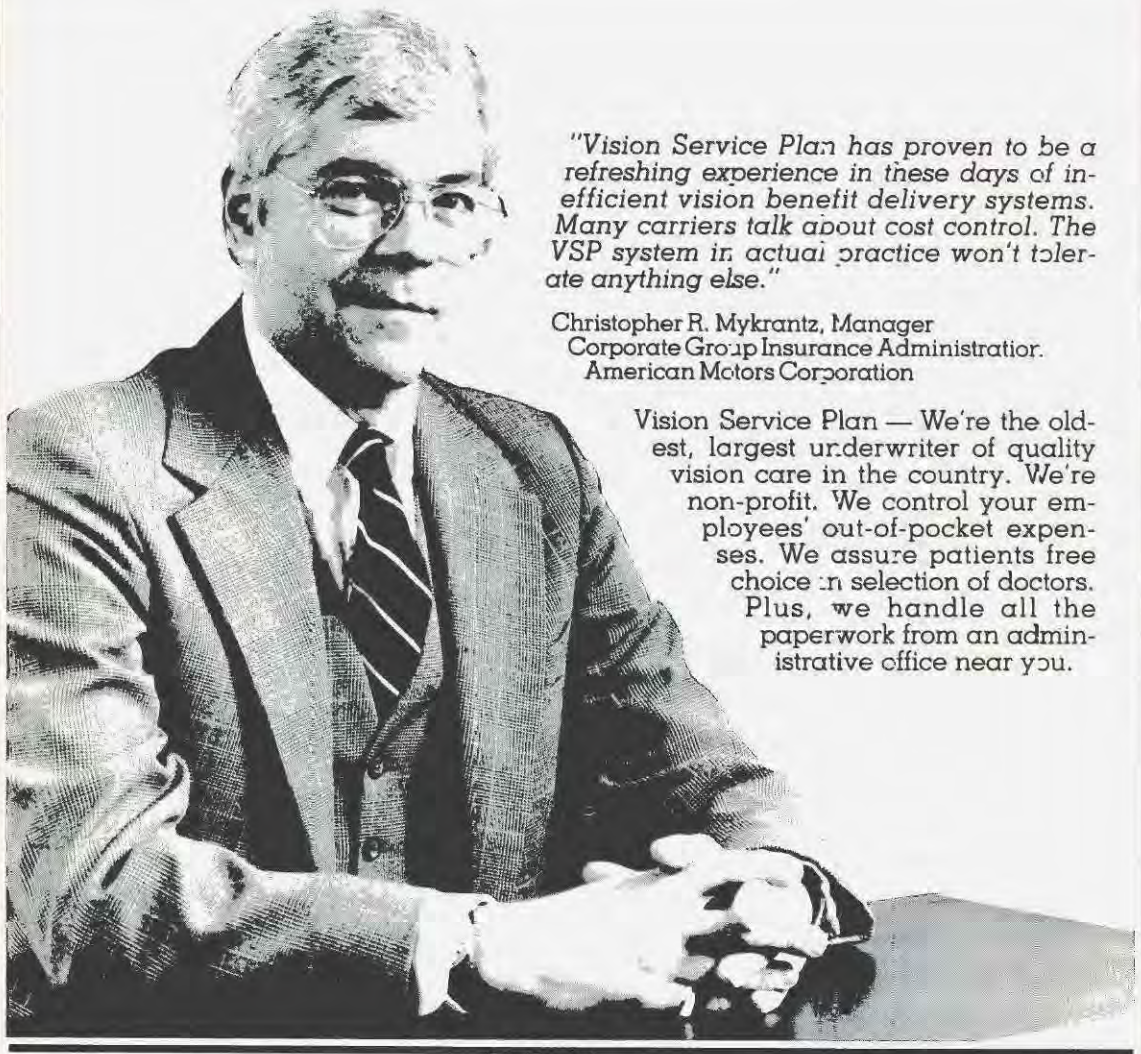
Other than the county government and its officials, only Reeves Plastic Engineering Inc. of Ocean Springs, Miss., has been named in the federal lawsuits. Reeves Engineering was the contractor that installed the polyurethane materials in the jail cells.

However, a "John Doe" manufacturer and distributor were named in the actions, and attorneys for the county and the plaintiffs said Dallas and New Orleans firms probably will be named as defendants.

Neither the county officials nor Reeves Engineering have filed responses to the federal lawsuits.

Mike Holleman, an attorney who is representing the county officials, said the county and its officials did not carry liability insurance nor did it have property coverage for the jail building. It does not maintain a self-insurance fund.

"We do not believe the county supervisors or sheriff will be personally liable," says Mr. Holleman. "The county cannot be held liable for any negligent action of its agents unless there is a custom or policy of negligent behavior. In this case, the jail personnel were well-trained, so there was no custom or policy." ■



tate regulation needs support: Olson

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r example, the Texas Insur- Department, one of the top- ed departments in the U.S., 1½-year backlog of insurance ies to be approved, he said. 'e can't keep up with it. There iew companies out there com- ig and whipping the pants off other," he added.

it he said what troubles him is 'two-faced" approach used by insurance industry to feign orting regulation at the state l.

When I've made comments it the need to support state- d regulation, I've gotten an en- iastic "Amen" from the audi- e. Some were sincere. Others e not," said Mr. Olson.

Saying in a public forum they port state regulation does not p some from working behind scenes in Congress on bills that fuse or dilute the jurisdiction of e insurance departments," he ied.

To my face some insurance in- try advocates say they believe e insurance departments should adequately funded. Then they ietly approach lawmakers to ieeze the life out of departmental dgets," he said.

There is no need, said Mr. Olson, r state agencies to be pitted ainst each other, for federal reaucracies to fight for domina- n, or for states to bicker with the deral government in battles over risdiction.

"And there is certainly no need r creation of a financial czar ised in Washington. We all serve ie master," he said.

There is a need, he said, for early defined lines of demarca- on and responsibility to avoid aps and unnecessary overlaps.

"We don't need another 'Catch- 2' such as that experienced under ie ERISA pre-emption," said Mr. lson. ERISA pre-empts state con- ol over pensions, health and other enefits plans.

"There is no reason, except jeal- usy or arrogance, to keep federal nd state regulators from working ogether.

"The issues facing us are so broad nd the needs so diverse, it will re- quire the resources, expertise and innovation of every arm of government to marshal in the coming era of financial integration."

"I only hope it can be done before a financial crisis forces us into action," he added, suggesting that the only way to avoid a crisis would be to keep the lines of communication open between states and Capitol Hill.

Plans to form an interagency to study ways to reorganize and consolidate the "crazy quilt" of federal agencies now regulating financial intermediaries poses another danger to state regulation, he warned.

"Where do we fit in? Are there some large companies with particular financial interests that would like to see us ignore such developments?"

"Everyone will lose out if state and federal regulators are played against each other simply to create confusion, to circumvent governance or to open the door to abuses in the marketplace," said Mr. Olson.

"The erosion of the mountain comes a lot of ways," he said.

Buyers of corporate insurance and individual consumers are not well served by an insurance company that meets statutory reserve requirements but engages in unacceptable or morally barren trade practices, he said.

Nor is the buyer served by companies than offer "pie-in-the-sky policies" backed by assets worth no more than the paper on which they are written, he added.

The American insurers stung over the last decade by reinsurance fraud are as "innocent as snow on top of a convent," said Mr. Olson. He said the NAIC has to create model state regulations to "weed out the bad apples" in reinsurance fraud cases.

At the NAIC meeting, insurance commissioners were told how a loosely linked group of insurance and reinsurance brokers have been bleeding insurers into insolvency for more than 10 years *(BI,* Dec. 6).

It was recommended at the NAIC meeting that state insurance departments expand their scrutiny of reinsurance transactions and increase their collection of data on reinsurance intermediaries.

New York Superintendent of Insurance Albert B. Lewis asked the NAIC to also consider developing minimum accounting standards for reinsurance transactions to help eliminate the "mingling" of premium and operating funds.

Regulation of reinsurance and financial integration of services are the two most important issues facing the NAIC today, agreed Utah Insurance Commissioner Roger C. Day, who is the newly elected NAIC president.

The NAIC plans to take up those and other issues when it meets March 27-30 in Baltimore for its Spring meeting.

In other action, Florida Insurance Commissioner William D. Gunter was named vp and chairman of the NAIC executive committee and Elmer V. Omholt, Montana insurance commissioner, was named recording secretary.

E. Benjamin Nelson, a former director of insurance for the state of Nebraska in 1975 and 1976 and more recently in private law practice, was appointed staff director of the NAIC.

The NAIC also announced it will move its 50-person support and services staff office from Brookfield, Wis., to Kansas City, Mo., to be more centrally located. ■

Lloyd's asked to seek immunity for members aiding U.S. probes

By LAURENCE H. GROSS

DALLAS—The National Assn. of Insurance Commissioners has asked Lloyd's of London to seek legislation in Great Britain granting civil immunity to its members who cooperate in U.S. insurance fraud investigations.

Albert B. Lewis, superintendent of the New York Department of Insurance, introduced a resolution at the NAIC winter meeting in Dallas urging the Committee of Lloyd's to seek the legislation from Parliament.

"We don't mean to tell Parliament or the British people what to do," said Mr. Lewis. "But again and again, we have been told by members of Lloyd's that they are plagued with problems on the transmission of information in fraud cases."

The resolution urges the Lloyd's Committee to seek an act of Parliament granting immunity from civil liability for libel, slander or other causes of action resulting from cooperation by its members in transmitting information to the U.S. government, law-enforcement agencies, state insurance regulators or the NAIC.

"We want to obviate those at Lloyd's who may or may not use this (excuse) as a crutch not to give information," Mr. Lewis said.

Despite the NAIC Special Insurance Issues Committee's unanimous approval of Mr. Lewis' motion, directed at Lloyd's and the British Parliament, the group was unable to agree on a similar motion granting immunity to U.S. insurers and regulators who transmit potentially libelous information to other state regulators or to the NAIC.

Mr. Lewis, chairman of the special issues panel, also had asked the NAIC committee to urge the Missouri Legislature to grant civil immunity from libel and slander to state regulators and insurance companies that submit investigative leads to the NAIC in its future headquarters in Kansas City.

But committee members delayed action on the resolution, saying it should be studied further by the group's new reinsurance and fraud task force.

One commissioner noted that even if Missouri granted immunity for civil action within its borders, a state regulator in another state could still be subject to libel or slander suits in his home state. ■

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NAIC bill establishes criteri for surplus lines insurers

By EILEEN NORRIS

DALLAS—After three years, a model surplus lines bill to guard against insurer insolvencies finally was adopted by the National Assn. of Insurance Commissioners.

The long-in-the-works model bill, approved at the association's annual meeting Nov. 28-Dec. 3, was passed with two objectives.

State insurance commissioners hope states will adopt uniform surplus lines laws to make it easier on buyers who have operations in different states. And, regulators want to protect buyers from insolvent surplus lines insurers.

The NAIC passed the bill with only a few minor changes:

- State regulators voted to add a new section to the bill adding insurance exchanges to its definition of what constitutes a non-admitted insurer, which is an insurer not licensed to do business in the state.
- The commissioners voted to strengthen the language in the model bill to say the annual statement of a non-admitted insurer must be provided to the insurance commissioner no later than six months after the close of the period covered by the statement.

Unlike the admitted insurance market, surplus lines insurers do not have to satisfy rate and form regulation but do have certain capital, surplus and other limited requirements they must meet.

The bill sparked little debate at the surplus lines task force meeting primarily because the insurance industry was pleased the NAIC didn't mandate state guaranty funds for surplus lines insurers. The NAIC Executive Committee approved the bill Dec. 3.

New York Insurance Superintendent Albert Lewis lobbied for the new requirement that annual statements of non-admitted insurers be provided to the insurance commissioner no later than six months after the close of the period covered by the annual statement.

He said that regulators need quick access to financial information to head off possible fraud.

To operate in a surplus lines market an insurer would have to meet minimum state capital and surplus requirements for surplus lines insurers or follow a gradual capitalization and surplus plan outlined in the model bill, depending on which is greater.

The gradual capitalization plan requires the insurer to have capital and surplus equal to $1.5 million one year after a state enacts the model law, $2.5 million after three years, $3.5 million after five years and $5 million after six years.

At the end of six years, a s insurance commissioner cc waive the $5 million capitaliza requirement if he believes the surer is financially stable. H ever, a surplus lines insurer's c tal and surplus could never be than $3.5 million after six years.

The new section in the model recognizing insurance exchange a surplus lines market was s ported by Donald Greene, an at ney with the law firm of LeBo Lamb, Leiby & MacRae and h of the advisory committee to surplus lines task force.

The bill allows the exchange function as surplus lines insurer the exchange maintains capital a surplus requirements of not l than $15 million aggregate.

For insurance exchanges tl maintain funds for the protecti of all insurance exchange polic holders, each individual syndic would have to maintain minimu capital and surplus of not less th $1.5 million.

If the insurance exchange does maintain funds for the protecti of all policyholders, each indivi ual syndicate—like other surpl lines insurers—would have to me the state minimum capital and su plus requirements or follow tl gradual capitalization plan.

The task force also decided to r tain the requirement that polic holders be notified in writing whe their insurance is placed with surplus lines insurer. Commissior ers are concerned that buyers ur derstand that a surplus lines polic is not protected by guarant funds.

NAIC suggests state pools for health insurance coverage

DALLAS—Self-insured employers may not know it, but they could be tapped to pay health benefits for individuals who can't find coverage.

A model bill passed by the National Assn. of Insurance Commissioners sets up the mechanism for state health insurance pools to provide such insurance.

But whether self-insured employers could be required to contribute to a state pool along with commercial insurers and multiple employer trusts is not clear.

Self-insured employers didn't oppose the bill at the NAIC state and federal health insurance legislative policy task force meeting during the group's winter meeting Nov. 28-Dec. 3. But, there's a strong possibility they didn't know about it, says task force member Linda Lanam, an attorney with the Pennsylvania Insurance Department.

She said states may not be able to enforce such a pooling law because self-insured plans may successfully claim that state regulation of benefit plans is pre-empted by the federal Employee Retirement Income Security Act, which regulates pension and other benefit plans.

The Conference of Insurance Legislators, a group of state legislators that monitors insurance regulation and oppose federal intervention, worked on the model bill with an NAIC task force, which adopted it with the caveat that the NAIC wasn't endorsing it but only offering the proposal as a mechanism for states to consider.

William P. Daves, chairman of the Texas State Board of Insurance, said while he understood why COIL supported the bill, he didn't think the NAIC should get into what he called a "social issue."

"If we're going to have social in surance, it should be spread to al and not just the health insurance carriers," said Mr. Daves, a member of the task force.

A motion by Mr. Daves to delay adoption of the NAIC bill to give the insurance industry advisory group to the task force an opportunity to work with the task force was defeated 7-3.

Under the model bill, any state resident (and his or her spouse and dependents) who is rejected by two insurers for health coverage would be eligible for coverage through the State Comprehensive Health Insurance Pool, with all self-insured employers, insurers, multiple employer trusts and other health insurance vehicles contributing.

The deductible paid by each individual covered by the pool would be $1,000 a year with a $500,000 lifetime policy limit.

Only seven states have pools to provide coverage to those who can't find insurance: Wisconsin, Minnesota, North Dakota, Connecticut, Indiana, Florida and Ohio.

Health insurers fear adoption of the model bill by states could drive up their costs and send more employers into self-insured plans governed by ERISA.

The Health Insurance Assn. of America asked the task force to consider supporting a federal bill that would "create a comprehensive health pooling bill that would meet everyone's concerns."

The HIAA is looking for a sponsor to a federal bill it is supporting that would amend the Internal Revenue Code to deny self-funded employers the right to deduct the cost of their benefit plans as a business expense if they refuse to participate in a state pool. ■

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ig Kaiser Cement loss raises coverage issues

inued from page 1

1.5 million rather than the 000 it has already paid for one rrence. It also could mean that er would have to pay as many 0 deductibles of $50,000, or $6.5 on.

ch a determination also could n that certain excess insurers have to contribute less to de- e costs, if the court rules they ave to contribute.

ne attorney said a holding for tiple occurrences stemming n the incident would be signifi- in itself.

f the court holds for multiple rrences, it will be significant use it will be a decision against best interest of insureds."

aiser considers the occurrence e is "an 11th-hour last-gasp ef- by the insurance companies," ording to Kaiser's outside coun- James Hendrick. Since October 980, when the first claims were sted, the brokers and insurers e been treating the losses as one urrence, Mr. Hendrick said.

n one of the briefs filed by an ess insurer, however, two prece- nts are cited from somewhat sim- cases in which the court ruled ere had been multiple occur- nces. One involved contaminated d seed sold at numerous stores d the other involved the widely blicized PCB contamination of ttle feed in Michigan.

Based on the theory of one oc- rrence, Truck has paid out the 00,000 limits of its policy and has so paid about $2.7 million in de- nse and adjustment costs under a servation of rights. It believes aiser's excess carriers should con- ibute to the defense costs, too.

However, two of the excess in- rers say defense costs were in- uded within the limits of policies ey wrote so they are not liable for ny additional costs, and two others re saying they are not liable be- ause Kaiser breached essential erms of its policies with them.

In addition, two others are taking "more neutral position," accord- ng to their attorney, contending hat excess insurers may be liable or defense costs in the future but hat the policies do not require hem to provide a defense.

Some attorneys involved in the ase believe its outcome could fur- her delineate the rights and duties of primary and excess insurers in California with respect to defense costs, especially if the case moves to the appellate court as expected.

Two California appellate courts already have ruled that excess in- surers must share defense costs.

Defense costs and exhaustion of policy limits have been "totally un- clear" in a number of situations, said Jay Schnack, an attorney for first-layer excess insurer Transcon- tinental Insurance Co. with the Oakland firm of Moore, Clifford, Wolfe, Larson & Trutner. "There are a lot of unanswered questions that may be resolved," he said.

Kaiser had excess insurance of $100 million at the time of the loss and bought $50 million in retroac- tive coverage for $387,000 through Lloyd's of London broker C.T. Bowring because it was afraid claims from the kiln brick incident would exceed its insurance, accord- ing to one source.

Excess insurers named as defen- dants in the suit are Transcontinen- tal of New York, part of CNA Fi- nancial Corp.; Northbrook Excess & Surplus Insurance Co. of North- brook, Ill.; Lexington Insurance Co. of Boston, part of American Inter- national Group Inc.; American Ex- cess Insurance Co. of Wilmington, Del., a subsidiary of American Re- Insurance Co.; Allianz Un- derwriters Inc. of Los Angeles; Pine Top Insurance Co. of Phoenix, Ariz.; and Fireman's Fund Insur- ance Co. of San Francisco.

Of the $100 million in excess in- surance, Transcontinental wrote the first layer, a $10 million per oc- currence and aggregate excess of the $500,000 primary policy. North- brook wrote a $15 million policy excess of $10.5 million.

The next insurer, Lexington, wrote a policy for $20 million, part of a $25 million excess of $25.5 mil- lion layer. American Excess wrote the last $5 million in that layer.

Allianz Underwriters followed with a $15 million quota-share pol- icy, part of a $25 million excess of $50.5 million layer. Pine Top wrote the last $10 million in that layer, also on a quota-share basis.

Fireman's Fund wrote the final $25 million layer excess of $75.5 million.

Kaiser's premiums for the insur- ance was about $101,000 a year for Transcontinental's $10 million pol- icy; $26,000 for Northbrook's $15 million; $24,000 for Lexington's $20 million; and $6,000 for American Excess' $5 million or $30,000 for the single layer.

Kaiser paid another $15,000 an- nually for Allianz's $15 million pol- icy; $13,600 for Pine Top's $10 mil- lion; and $18,750 minimum for Fireman's Fund's $25 million. Truck's primary policy was retro- spectively rated.

So far about $59.7 million has been paid out by the insurers. Truck has paid out $573,000 on the primary policy for Kaiser. Trans- continental, Northbrook, Lexing- ton and American Excess have paid out the limits of their policies. Al- lianz has paid out about $6 million and Pine Top about $4 million.

Only Fireman's Fund expects to escape liability with total claims topping out at $75 million.

The suits against Kaiser stem from an incident in May 1980 when bricks from kilns used to heat lime- stone rock were inadvertently mixed with limestone and sold by Kaiser to a sand and gravel com- pany.

The rock was processed into ag- gregate and subsequently sold to about five ready-mix concrete companies who used the aggregate to make concrete. The concrete was used in about 130 construction projects in the San Francisco area in May and June 1980.

"Pop-outs" or surface blemishes eventually appeared on the various projects in June 1980, resulting in more than 100 claims against Kai- ser. All except eight have been paid, sources say.

Truck contends that on the basis of the California case, Aetna Casu- alty & Surety Co. vs. Certain Un- derwriters at Lloyd's of London, excess companies are already re- quired to contribute to defense costs.

"It (the Kaiser case) is not plow- ing new ground," said James Wil- son, Truck's attorney with the Oakland firm of Crosby, Heafey, Rock & May. California law and the terms of the contract require excess carriers to provide a de- fense, he said.

Truck, which had 0.5% of the en- tire coverage, should not be liable for the entire amount of defense costs, he added.

Kaiser agrees that excess insur-

Continued on next page

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	DEC 27	Dec 14
1983		
Risk Management Board Survey	JAN 3	Dec 20
MARKET PREVIEW/INFO FOR BUYERS	JAN 10	Dec 27
	JAN 17	Jan 5, '83
	JAN 24	Jan 12
SELF INSURANCE/FINANCIAL SERVICES	JAN 31	Jan 18
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Loss raises coverage issues

Continued from previous page

ers should be liable for a portion of the defense costs since excess policies follow the terms and conditions of the primary policy, said Mr. Hendrick, an attorney for Kaiser with the San Francisco firm of Thelen, Marrin, Johnson & Bridges.

Kaiser also reasonably expected that it had limits and protection with respect to defense costs, Mr. Hendrick added.

But for various reasons, excess insurers, which have contributed to payment of claims, believe that in this case they are not responsible for defense and adjustment costs.

Transcontinental, the first-layer umbrella insurer above Truck, contends that according to the wording of its policy defense costs are included in the $10 million limits that have already been exhausted.

The policy provided "amounts paid or incurred by the company pursuant to the obligation to defend or pay the costs and expenses of such defense are included within, and not in addition to, the limit of liability stated in the declarations."

"We expended the full amounts of the policy limits," said Transcontinental attorney Mr. Schnack. Transcontinental is probably the "least likely to be found responsible" because of the provisions.

Northbrook, which wrote the $15 million layer above Transcontinental, believes it should "follow form" since its policy follows the terms and conditions of the underlying policy.

Since Northbrook has paid all of its limits, it should not be liable for defense and adjustment costs, said its attorney Robert N. Schiff, with the San Francisco firm of Maloney Chase Fisher & Hurst.

Lexington and American Excess believe that under their policies Truck is not entitled to interim payments for defense and adjustment costs although it may be in the future under the Aetna decision, their attorney said.

The Lexington and American Excess policies do not require them to provide a defense for Kaiser, said David J. Garthe, an attorney with the Oakland firm of Boornazian, King, Jensen & Garthe.

At most, Truck is entitled to a formula that ultimately would allocate defense costs among all the insurers.

Allianz, meanwhile, contends it is not responsible for defense costs because Kaiser breached its policy with Allianz by not maintaining underlying umbrella policies as required under the policy and by not notifying Allianz of any change in coverage.

New England Reinsurance Corp. was named as the first umbrella insurer in a policy issued by Allianz to Kaiser in December 1979. Five months later and one month before the kiln brick incident, Kaiser changed its umbrella insurer to Transcontinental. Allianz alleges it was not notified of the change.

Allianz argues that the New England policy specifically excluded defense costs. Had that policy been maintained by Kaiser, Allianz would have had no obligation to pay for defense and adjustment claims because it followed its terms and conditions, Allianz says.

Kaiser points out that Allianz was informed of the change in the first excess insurer and endorsed its policy to reflect the rearrangement of the underlying insurance. Kaiser also contends that because of the wording in the Allianz policy, Allianz would have to pay defense costs even if the New England policy had been maintained.

Panel could block health benefits for 'partner

Continued from page 2

the proposal, although he declined to speculate on the outcome of next week's meeting. In testimony heard by the board of supervisors, HSS representatives spoke out against the plan because of its expected adverse financial impact on the city's health care system.

However, a rejection by the HSS board is unlikely to put an end to the proposal. The Board of Supervisors could ask the voters to amend the city's charter to revise the health system's powers, suggested Dana Van Gorder, a legislative aide for Supervisor Harry Britt, author of the proposal.

Domestic partners are defined in the proposal as unmarried people who "share the common necessities of life." They represent an estimated 3,000 to 5,000 dependents who could seek participation in the city's health care system.

The city and county of San Francisco, which are geographically the same, together employ about 27,000 people. Taxpayers foot the bill for employee health care benefits, but employees must pick up the total cost of dependent coverage.

Mr. Smith and the HSS claim that dependent coverage is partly to blame for a widening gap between what the HSS collects to fund benefits and what it costs to deliver them.

The cost of dependent coverage is already so high that employees tend to buy it for dependents in poor physical condition and to reject it for healthy dependents. This adverse selection mechanism contaminates the group's overall experience and drives costs higher.

Employees pay $50 to $69 per month for one dependent and $96 to $110 per month for two or more dependents.

Mr. Smith fears that inclusion of more dependents in the system will drive medical cost increases even higher than the 14.5% per year they've risen in the past few years.

In the 1981-82 fiscal year ending June 30, 1982, the city paid million in health care prem for its employees; the emplc paid an additional $12.5 millio their dependents, Mr. Smitl ports. This was not enough to claims, and the system had tc into its contingency reserves.

The system depends on the serves to cover shortfalls becau does not purchase stop-loss in ance. As of June 30, 1982, the serves stood at $2.9 million.

Besides extending health b fits to domestic partners, the posal allows unmarried partne file a sworn statement with county clerk's office declaring t are each others' domestic partne

The sworn statement would t give domestic partners rights s as visiting their partner in hospi or jails where visitation is lim to spouses and bereavement le to attend the funeral of a partne

However, the proposal spec cally excludes retirement bene for domestic partners.

Lloyd's suspends underwriting by syndicate

Continued from page 2

directly or indirectly from the reinsurance risks underwritten by Lloyd's syndicates managed by P.C.W."

Minet is asking the four defendants to return all such funds to the underwriting syndicates along with any profits they may have realized.

Many of those working in the Lloyd's market were shocked at the dismissals of Messrs. Hill and Hardman, who had excellent reputations as underwriters. For example, they were two of the five underwriters who headed Lloyd's master oil rig slip, the insurance plan that many oil producers use to insure their oil rigs' other oil-related risks.

"When people like Hill and Hardman get accused of something like this, you have to rethink about the state of the art here," said another Lloyd's broker who asked not to be named. "They must have done it because they assumed it was legal."

The only disclosure that an underwriter is required to make about interests in reinsurance transactions is "to tell your immediate superior," the broker said.

Ray Pettitt, the new Minet chairman, said he was dismayed over having to dismiss Messrs. Hardman and Hill.

"This has been a distressing decision not only from the standpoint of Minet Holdings P.L.C., but also of the names and subagencies involved. Unfortunately, in the light of the evidence available, no alternative action could reasonably have been contemplated," Mr. Pettitt said.

The problems at P.C.W, W.M.D. and Minet follow allegations that five former directors of Alexanc Howden Group P.L.C., includi former Chairman Kenneth Grob and former underwriter I R. Posgate, diverted funds frc Howden underwriting subsidiar to reinsurers they secretly co trolled.

Lloyd's said late last week that is setting up an independent tw man committee to look into the r cent scandals in the market.

Peter Millett, a trial lawyer, ar Nigel Holland, a partner at the a counting firm of Ernst & Whinne will probe the allegations su rounding Howden, Minet, P.C.W W.M.D. and other agencies.

The two men will attempt t learn if any shareholders, director underwriters or staff membei derived any personal benefit fro the reinsurance transactions o Lloyd's syndicates.

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Commercial Consumers Sub-total	**23,083**
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*Source: Business/Occupational breakdown of qualified circulation, May 3, 1982 issue, as submitted to BPA for June 1982, BPA Publisher's Statement.

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yatt proposal

inued from page 1

ıg 114 people and injuring ap-
imately 220 others.
aintiffs and defendants agree
remaining claims could be
:h between $30 million and $50
ion, in addition to the approxi-
ely $35 million in settlements
to date.
ıt, if any plaintiff refuses to co-
ate, he or she could sue any of
defendants for both compensa-
and punitive damages. Any
endant who doesn't cooperate
would be exposed to additional
ms from those who settle with
lmark and other participants.
.lready, plaintiffs' attorneys
suing a federal class action—the
shington firm of Williams &
ınolly—object to the certifica-
ı of the state class. They are
king default judgments in fed-
l court against Hyatt, Hallmark
l other defendants for partici-
ing in the state agreement.
J.S. District Judge Scott O.
ight has set a hearing for Dec. 21
these plaintiffs' efforts to stop
state class. In addition, a trial in
pending federal liability class
ion is slated for Jan. 10.
None of the defendants has ob-
ted to the Hallmark proposal yet.
though Hyatt has said through its
orney that it will not contribute
the fund, it does expect Hall-
ark to include it as a party to the
ttlements. Hyatt helped prepare
e state class settlement proposal.
"In essense, all of the major de-
ndants have joined in the motion
support the settlement and the
hers have indicated they have no
ojection to it," Lawrence M. Ber-
owitz of the Kansas City law firm
Stinson, Mag & Fizell, hired by
ısurers to represent Hall-
ıark/Crown Center, told Judge
'Leary at a Dec. 6 hearing.'
"What is presented to you today,
our honor, is a unique and truly
nnovative approach," added Mi-
hael E. Waldeck of the Kansas
ity firm of Niewald, Risjord &
Waldeck, hired by insurers to rep-
esent the Hyatt Corp. "First of all,
t does away with the necessity for
engthy liability trials and to re-
ieve the situation in the commu-
ıity. I predict that if you enter this
ırder today, that not only will this
encourage the developments that
we have seen but it will be for the
future a living monument to the
fact that the judicial system does, in
fact, work in this community."

Under the tentative agreement, Hallmark, through its subsidiary Crown Center Redevelopment Corp., which built and owns the Kansas City Hyatt Hotel, will commit up to $20 million to a fund to be allocated among plaintiffs who do not settle their claims and sue for compensatory damages.

The total amount of the fund will be determined by a formula that considers how much is awarded by juries in compensatory damages and how much is paid in settlements. The more claims settled out of court and the lower the total of compensatory damages awarded, the smaller the fund. If current settlement trends continue, the total fund might be only amount to $4 million to $5 million.

For example, if $35 million is paid as settlements and $5 million is paid as a result of jury verdicts, for a total of $40 million, the formula calls for the value of the fund to equal $4,142,000.

Conversely, the settlement fund would almost reach the $20 million cap if settlements totaled only $500,000 and jury awards reached $19.5 million.

The formula gives the defendants a powerful incentive to settle as many cases as possible.

The amount paid to individual claimants who sue for compensatory damages will be proportionate to their share of all compensatory damages awarded.

In the first example, the $4,142,000 fund would be paid to the plaintiffs whose compensatory awards were determined by a jury, proportionate to the value their award bears to the total $5 million.

This addition to the compensatory award is in consideration of a punitive damages claims.

Hallmark says the plan makes sense to reduce litigation, since plaintiffs who can't settle for what they think is fair for their actual damages as well as their pain and suffering will have to sue only for compensatory damages.

Hallmark also wants to avoid the damaging publicity and potential cost of punitive damages trials, say plaintiffs' attorneys.

For their part, the plaintiffs' attorneys say the agreement assures that there will be some money available for punitive claims.

Hallmark says it doesn't have any commitment from insurers or other defendants to contribute to the special-fund payments.

It is unclear whether Missouri law allows insurers to cover punitive damages; Hyatt has asked Judge O'Leary to answer this question.

Asked if Hyatt intended to contribute to the up-to-$20-million fund, Hyatt attorney Thomas E. Deacy Jr. of Deacy & Deacy in Kansas City, said: "No, absolutely not, because we've got no culpability."

Hallmark does plan to seek reimbursement from insurers for the architect, steel fabricator, structural engineer, general contractor and others that built the hotel.

The proposed settlement as submitted to the court says, "While obligating itself to create the fund, Crown Center expects all defendants participating in the settlement to contribute to its implementation, but such contribution is not a condition of the settlement."

The total amount of insurance carried by defendants other than Hallmark and Crown Center was approximately $31 million. Hallmark plans to ask those construction insurers to finance the up-to-$20 million fund and, if they have any money left, to help with compensatory damage payments.

"The question of the other defendants is still to be resolved in the future," says Norman C. Kleinberg of the New York law firm of Hughes, Hubbard & Reed, which represents Hallmark/Crown Center. "We expect to have our commitment to establish the fund—to use an underwriting term—laid off on others. We would expect not to have to expend our own money."

So far, all settlements have been paid under Hyatt's $201 million line of insurance. Just recently, Hallmark's insurers, with $101 million, have been asked by Hallmark to pay one-third of all past and future settlement and claims costs.

Mr. Kleinberg declined to say what commitments Hallmark has received from insurers other than primary insurer Commercial Union Insurance Co. toward paying future compensatory claims.

"We've received enough authority from the carriers to feel confident about going forward with the settlement class," says Mr. Kleinberg, who singled out Commercial Union for praise. "We are deeply appreciative of their response to our request to step in."

"It is a fund that has been established to provide a premium in consideration of the disposal of punitive damage claims," says Steven A. Cozen of the Philadelphia law firm of Cozen, Begier & O'Connor, who helped negotiate insurer agreement to the class settlement. Mr. Cozen's firm represents CU.

Mr. Cozen says CU has committed its $11 million limits to compensatory claims and settlements paid under the pact but says CU made no promise to help Hallmark with the punitive fund.

The agreement, which has been in the works since Nov. 1, specifies that all defendants continue to deny liability for all punitive damages but stipulates that the fund "is intended by the parties to reflect the settlement of all claims of class members for punitive damages and for damages based upon aggravating circumstances. . ." in death and injury claims.

The agreement specifies that state court class-action plaintiffs who do not settle their claims must complete their compensatory damage trials by Dec. 1, 1983, in order to participate in the fund.

"I think this is in the best interests of all the parties," says Lantz Welch, a Kansas City attorney whose client, Sally Ann Firestone, left a quadraplegic by the collapse, is believed to be the mostly severely injured of the survivors. Mr. Welch says he originally balked at the idea of joining in a class-wide settlement because he wanted to pursue the rights of his own client individually. "However," he says now, "I realized that this disaster was bigger than all my preconceived notions."

"We wanted to have a fund that would satisfy punitive damages for those plaintiffs who decide to go to trial," says Lynn R. Johnson of the Kansas City law firm of Schnider, Shamberg & May, who is pressing claims on behalf of six clients and settled five others. "There's only maybe 30 cases or so left that are valued at over $100,000 and maybe seven to 10 cases over $1 million."

In a unique twist, the pact specifies that anyone proving their presence in the lobby at the time of the collapse—regardless of whether they suffered any physical injury—may obtain an undisputed settlement of at least $1,000 from Crown Center/Hallmark. Attorneys noted that such an offer may provoke some people to falsify their alleged presence at the scene.

C. Patrick McLarney of Shook, Hardy & Bacon in Kansas City, whose firm has at least 17 plaintiff cases, says the defendants agreed to waive the right to contest claims filed by those people in the lobby who did not suffer physical injuries. "We feel that for the number of people that were in the lobby, this is an important concession we obtained through negotiations," he said at the Dec. 6 hearing.

Judge O'Leary revealed that he has a niece and nephew who were in the lobby, but were not injured, who might stand to receive $1,000 payments. "I want the record to show that I have advised you gentlemen of that and if that causes anybody any problems about me handling the hearing on this settlement, why, advise me of that," the judge said. No attorney responded.

Meanwhile, there are still at least five plaintiffs pursuing a federal class action before Judge Wright. The plaintiffs in the federal class action now overlap with those in the state class. Plaintiffs are now receiving two letters—one from each court—giving them the option of participating in class proceedings in either court or "opting out" of one or both classes.

A Dec. 6 check of the federal court docket showed at least 124 plaintiffs have decided to opt out of the federal court class action being handled by Williams & Connolly.

The difference between the 124 in federal court and the 115 pending in state court reflects that there are still some cases filed in federal court that aren't filed in state court.

Max W. Foust of the Kansas City law firm of Morris & Faust, which represents numerous plaintiffs, says that Williams & Connolly had been informed all along of the negotiations between state court plaintiffs and the defendants. He told Judge O'Leary that he and Mr. McLarney had met with Irving Younger, the Williams & Connolly lawyer involved.

"In fact, we continued to talk with them up until the time that they said they wanted all the money over there (in federal court), if we worked out a deal; and that's when things came to a screeching halt," Mr. Foust said.

Mr. Cozen, representing Commercial Union, said in an interview, "If the state court class succeeds, and I think it will, then Mr. Younger has a sterile class and it's not worth very much at all."

Under federal class-action rules, a judge may award legal fees to lawyers for a class, which typically can be in the six- or seven-figure range. If those plaintiffs who remain in the federal class action have small compensatory damage claims, Mr. Younger's firm would likely receive fees too small to cover all of the legal time it has spent on the matter. ■

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Reagan considers tax on health benefits

Continued from page1
sultants and unions.

Business leaders, for example, doubt if the proposed tax would raise those vaunted billions of dollars.

"This (proposal) doesn't get new money," says Michael Romig, director of employee benefits at the U.S. Chamber of Commerce. "They don't factor in the administrative costs. It will end up costing the government money because of the cost of overhauling benefit plans and withholding taxes," he says.

Others add that if health premiums are taxed, employees, particularly those represented by unions, will want increases in other benefits that are still tax-free, as well as salary increases to compensate for the new tax.

"These salary hikes and benefit hikes are going to come out of the employer's pocketbook. Unions will seek more elsewhere," a benefits manager at a large Southern California food processing firm warns.

Insurers say a tax on health insurance premiums could give some employers administrative nightmares.

"How would you tax health insurance premiums for the 35% to 45% of employers that to some extent self-fund their health care plans?" said John Ahearn, counsel at Aetna Life & Casualty Co.

"I don't know how the IRS would figure that one out," Mr. Ahearn added.

Yet, despite the formidable array of opposition, experts fear the proposal could be approved by a Congress that has become increasingly concerned about finding new sources of revenues to ease the federal deficit.

"I can't see Congress—in the face of enormous economic strains—ignoring for much longer the billions of dollars contributed to benefit plans that are not taxed," said Lloyd Kaye, a principal at benefit consultant William M. Mercer Inc. in New York.

"Taxing health insurance benefits has to be on people's list at a time of large deficits," added Harrison Givens, senior vp at Equitable Life Assurance Society in New York.

Normally, a complex and highly controversial proposal, like taxing health insurance premiums, would be bogged down in seemingly endless congressional committee hearings, from which it would be unlikely to emerge.

"But budget considerations have made short shrift of careful analysis of complicated problems," says Mr. Romig of the chamber of commerce.

For example, many of the dramatic benefit changes mandated by the Tax Equity and Fiscal Responsibility Act of 1982 never were discussed at hearings.

One provision in TEFRA, which will require sponsors of thousands of small or "top-heavy" pension plans to implement faster vesting schedules beginning in 1984, was passed in the middle of the night without any debate, said Mercer's Mr. Kaye.

"Budget issues are beginning to dominate the debate and are crowding out social policy concerns," explained Dallas Salisbury, executive director of the Employee Benefit Research Institute, a Washington-based benefits think tank.

But, benefit managers think there are powerful social policy reasons not to tax employer-paid health insurance premiums.

"Workers who are disabled and receiving only 60% of their normal salaries would be strapped to pay the tax," said John Mahoney, director of insurance at the Archdiocese of Baltimore.

"It's not fair to add to a disabled worker's problems by taxing his health insurance. Where will he get the money to pay?" Mr. Mahoney asked.

Others say a health insurance premium tax would raise equity issues. Employees who work for companies that pay high premiums because they are based in areas with high health care costs would pay higher taxes than workers at firms in low-cost areas.

"A health tax would discriminate against workers in high-cost areas," said Aetna's Mr. Ahearn.

Similarly, employees at small firms would pay higher taxes than workers employed at corporate giants because the smallest firms pay the highest premiums.

In addition, the tax burden would be especially heavy on workers in states where health insurance premiums are high because insurers are required to offer certain benefits, like alcohol treatment.

"Is it fair to tax employees for something that is mandated?" asked the chamber's Mr. Romig.

Administration officials say employees would pass up overly generous health insurance plans in favor of low-cost plans if the tax is enacted.

Since employees pay more of the bills in the low-cost plans through high deductibles and coinsurance levels, they would take a more active role in curbing costs, the officials argue.

But benefit managers, whose companies have offered their employees a choice of health plans, doubt this would happen.

"Employees want the most generous benefits. They don't want to be unprotected in case of big health care bills," said Robert Dankmeyer, director of employee benefits at Marriott Corp. in Washington.

Several years ago, when Marriott offered its employees a choice of a high-option or low-cost plan, ployees overwhelming selected most generous plan, even thoug cost them more.

In addition, employees who lected the low-cost plan and w later saddled with big medical b blamed Marriott for their lack coverage, although the compa explained the benefits under b plans, Mr. Dankmeyer said.

Other benefit managers shud at the thought of communicati and withholding taxes on health surance premiums.

"Technically, we could do it. I I'd dread trying to explain how health insurance tax withholdi system would work to our emplo ees," one benefit manager said.

That benefit manager point out that his company already being bombarded with questio from retirees about a provision TEFRA that requires retirees to d cide whether they want taxes wit held from their pension benefits.

"We only have a few hundr retirees and explaining a withhol ing notice has caused a lot of pro lems. Imagine what things wou be like if we had to explain and in plement a withholding system c health insurance premiums fo thousands of employees," the ben fit manager said.

Finally, if health insurance pre miums were taxed, some expert believe it would be the first step tc ward the taxation of all employer provided benefits.

If that happens, a generous bene fit plan no longer would be a pow erful lure to attract new employee and employers would have to thinl of new ways to recruit employees points out Wallace Cross, risk man ager at Materials Research Corp. ir Orangeburg, N.Y. ■

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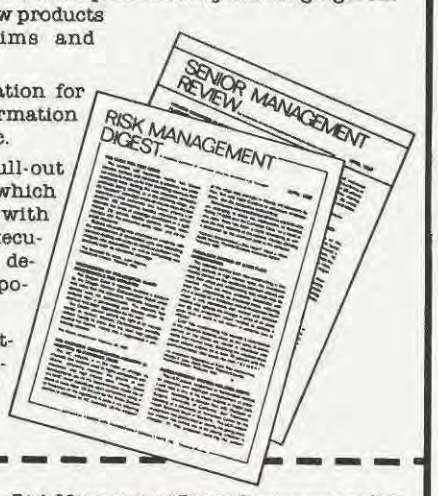

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Vermont captive

Continued from page 2
of additional shares to more telephone cooperatives.

NTC is assuming the first $100,000 of risk. The next $4.9 million is being assumed by Insurance Co. of the State of Pennsylvania, a member of the American Home Group., which is issuing policies and providing claims services. AIG Risk Management will provide risk management services.

Coverages offered by NTC include auto liability and physical damage, directors and officers liability, workers compensation, officers and managers liability and a multiperil property package.

Mr. Neustel expects the captive to produce an annual premium flow of $1 million from 100 policyholders during its first full year. If it is successful, profits may be used to add to reserves or be distributed as dividends, he said.

NTC is the fourth captive to be chartered under Vermont's year-old captive law. Four others are in the process of being chartered.

BFGoodrich Co., the huge tire manufacturer, set up First Charter Insurance Co. in September 1981. It was attracted by the law that gives captives freedom from form and rate regulation and imposes no investment restrictions on single-parent captives (*BI*, Sept. 14, 1981).

This August, Elixir Industries, a Gardena, Calif.,-based manufacturer of components used by mobile home and recreational vehicle manufacturers, set up GarDen Insurance Co. of Vermont as part of its goal of developing a multiline, fully admitted insurance company (*BI*, Aug. 16). Elixir also owns a captive in Colorado.

In October, Verlan Ltd., the National Paint & Coating Assn.'s 12-year-old Bermuda-based association captive, set up a subsidiary in Vermont (*BI*, Oct. 18). ■

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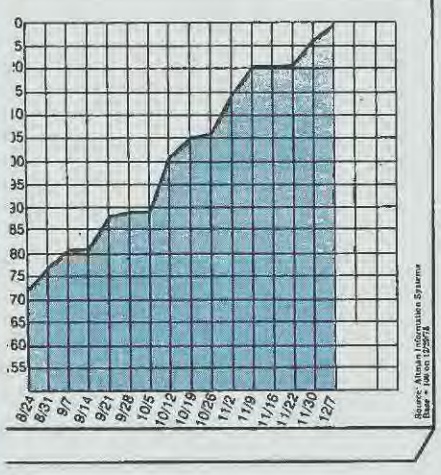

...Business Insurance stock index set a new ...h of 229.7 for the week ending Dec. 7. The ...ex rose 2.8 points from the previous record ...226.9, set Nov. 30. Thirty-two stocks closed ...16 were unchanged and 19 declined. The ...gest gains were reported by Old Republic In... ...national Corp., 13.3%; Avemco Corp., 11.5%; ...ntinental Corp., 9.7%; Integrated Resources ...., 8.8%; and Northwestern National Life In... ...rance, 7.7%. The largest declines were re... ...rted by Statesman Group Inc., 5.1%; Ohio ...sualty Corp., 5.0%; Armco Inc., 4.6%; Aneco ...insurance Co. Ltd., 4.3%; and USLife Corp., ...%. The 1.2% increase in the BI index was ...eater than the increase reported by the Dow ...nes 30 industrials.

British Issues

7 Dec Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	124	20.7	16.86	13.6	125—	123
Eagle Star	325	13.0	21.43	6.6	330—	325
Genl Accident	356	11.9	23.21	6.5	356—	344
Gdn Royal Exch	368	9.8	25.00	6.8	370—	354
Phoenix	288	15.2	24.00	8.3	290—	286
Royal	445	10.9	36.07	8.1	445—	442
Sun Alliance	860	14.3	61.43	7.1	875—	860
Brokers						
CE Heath	258	7.4	18.71	7.3	280—	258
Hogg Robinson	80	6.2	8.57	10.7	91—	80
JH Minet	90	7.5	5.43	6.0	99—	90
Sedg Grp	170	9.7	8.57	5.0	181—	170
Stenhouse Hldg	92	8.1	7.28	7.9	94—	92
Stew Wrightson	197	7.0	18.57	9.4	210—	197
Willis Faber	458	11.4	21.43	4.7	477—	458

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Brokers' third-quarter reports show further profit declines

By LEONARD M. WILSON

Special to Business Insurance

NOW THAT THE INK on the third-quarter results is dry, it's clear that the operating progress of the publicly owned brokers still has not signaled a change in the persistent pattern of eroding profitability. Indeed, performance for the latest quarter was, if anything, worse than expected.

Mr. Wilson

Some industry sources suggest that competition in commercial lines may have eased somewhat. Ostensibly, rate reductions are less irrational than earlier this year. However, close analysis of public brokers' third-quarter commissions and fees suggests the opposite.

Almost without exception, brokerage revenues grew more slowly in the third quarter than in either the first or second quarters of the year. Take Marsh & McLennan, for example. The company posted an estimated 3% to 4% advance in domestic commissions and fees in the third quarter, compared with 5% to 6% in the first half of 1982.

Some in the industry also assert that premium rates are bottoming. Although this sounds hopeful, it only means that insurer competition is not getting worse. We estimate that commissions and fees were deflated as much as 8% to 10% by rate reductions during the latest quarter. A "bottoming" of the market offers cold comfort if rate cutting of this magnitude persists.

The third quarter ushered in a new period for the brokers, one that can be appropriately described as the worst of both worlds. Not only did the soft insurance market persist,

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

BI ticker

but interest rates have also declined sharply. For several years, investment income has partly cushioned the market collapse in premium rates. Now, lower investment yields are a year-to-year obstacle to earnings progress.

Fortunately, the austerity of tight expense control seems finally to be evident in income statements. Manpower has stabilized. Single-digit expense increases have begun to show up. The low inflation rate is aiding the drive to bring cost increases in line with modest revenue gains.

Lines of business other then primary property/casualty insurance have, for the most part, done well. Employee benefit revenues are typically rising at an annual rate of 10% to 15%, while reinsurance brokerage has generally outpaced primary brokerage. Foreign earnings also have moved ahead briskly, although gains have suffered materially from conversion into fewer dollars as a result of the weakness in the British pound and most other important trading currencies.

So much for the broad overview. Here are highlights of the individual public brokers' performance in the third quarter:

- Marsh & McLennan's earnings of 81 cents per share against the prior year's 89 cents were better than they appeared. Last year's third-quarter results were aided by a tax credit in the United Kingdom.

M&M's mix of business was important in sustaining profits. Revenues from reinsurance, particularly in London, employee benefits and investment management have remained quite robust.

Marsh & McLennan probably enjoys the most advantageous balance of revenues of all the major brokers. It is no coincidence that its earnings have held up better than the others'.

- Alexander & Alexander's earnings fell precipitously to 14 cents per share, compared with 66 cents per share in the third quarter of 1981, a decline that exceeded expectations. And, that figure does not include the $40 million charge against third-quarter earnings that A&A had to take to account for the irregularities at British subsidiary Alexander Howden Group P.L.C., which caused A&A to post a net loss for the quarter.

We calculate that much of the shortfall, before the extraordinary charge, was attributable to the minimal operating earnings of A&A's troubled British affiliate.

- Frank B. Hall & Co. Inc.'s earnings of 34 cents per share, compared with the 60 cents per share posted in last year's corresponding period, also fell below expectations. The blame must be placed on a continued double-digit escalation in expenses. For example, we believe that Hall's commissions and fees rose 4% to 5%, a reasonable performance in the current market, but expenses increased about 13%.

We suspect that a sharp pencil may be applied to cost increases in the broker's 1983 profit plan.

- Fred S. James & Co. Inc. reported earnings of 44 cents per share, down from 51 cents per share, which were close to estimates. This fairly solid performance is a fitting farewell to James' public ownership, as the company moves under the corporate umbrella of Transamerica Corp.

- Corroon & Black Corp. actually recorded flat earnings for the quarter at 52 cents per share, no small feat. The brokerage reported strong gains in reinsurance brokerage, surplus lines and employee benefits. The firm has also succeded in holding expenses to single-digit increases.

- Rollins Burdick Hunter Co., which will soon merge with Combined International Corp., posted earnings of 21 cents per share, compared with 1981's 40 cents per share. Expense control was impressive with only about a 5% rise in costs, but total revenues declined about 5%. The resulting squeeze on profitability narrowed pretax profit margins to 9.2% from the year-earlier 10.3%.

The brokers' fourth-quarter results are not likely to improve greatly on third-quarter comparisons. No one doubts that commercial lines premium rates will rise sometime, but there is increasing frustration over the inability to call the turn.

A year ago, we concluded that 1982 would be the most difficult year of the current market cycle for the public brokers. We are hopeful that results in 1983 do not prove us wrong, even in the absence of significant rate relief. Rigorous cost control will be needed if profits are to surpass 1982 levels. ■

BI Industry Stock Report

DEC. 7, 1982 — 12/1/82 THRU 12/7/82

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	38.38	-3.5	6.3	2.52	6.6	40.38	38.38	1,311.7
American Bankers Ins Group	OTC	11.00	3.5	8.6	0.50	4.5	11.13	11.00	142.4
American Gen Ins Co	NYSE	55.50	1.4	7.6	2.20	4.0	55.50	54.38	433.6
American Indty Finl Corp	OTC	20.13	2.5	15.4	1.12	5.6	20.13*	19.88	28.0
American Intl Group Inc	OTC	80.50	-1.8	11.9	0.24	0.3	83.00*	80.50	477.5
American Natl Ins Co	OTC	15.38	4.2	6.8	0.84	5.5	15.38	14.63	22.6
American Sts Life Ins Co	OTC	22.50	2.3	6.8	0.80	3.6	22.50*	22.00	0.9
Aneco Reins Ltd	OTC	2.75	-4.3	0.0	0.00	0.0	2.88	2.75	49.2
Avemco Corp	AMEX	14.50	11.5	8.3	0.58	4.0	14.50*	13.13	16.7
Banks Iowa Inc	OTC	43.00	0.0	10.5	1.48	3.4	43.00	43.00	1.8
Bitco Corp	OTC	31.00	-1.6	5.1	1.92	6.2	31.50	31.00	6.2
Carolina Cas Ins Co	OTC	7.25	0.0	8.8	0.32	4.4	7.25	7.13	5.2
Chubb Corp	OTC	58.88	6.6	9.5	2.92	5.0	60.75*	56.38	402.8
Combined Intl Corp	NYSE	27.50	-0.9	8.3	2.00	7.3	27.50	26.75	239.6
Continental Corp	NYSE	31.00	9.7	9.8	2.60	8.4	31.00	28.75	715.4
Crawford & Co	OTC	18.75	0.0	13.7	0.56	3.0	18.75	18.75	4.7
Crown Life Ins Co	OTC	88.00	3.5	5.7	3.10	3.5	88.00	85.00	1.4
Crum & Forster	NYSE	52.50	0.0	10.8	1.76	3.4	52.75*	52.38	738.7
Employers Cas Co	OTC	32.25	1.6	14.7	1.20	3.7	32.25	31.75	4.4
Equifax Inc	NYSE	27.50	6.8	14.5	1.32	4.8	27.50*	26.13	39.2
Excelsior Ins Co	OTC	11.25	0.0	0.0	0.70	6.2	11.25	11.25	0.0
Farmers Group Inc	OTC	37.63	0.0	10.5	1.24	3.3	38.25	37.13	386.2
Foremost Corp Amer	OTC	40.50	3.2	12.3	1.12	2.8	40.50*	39.50	61.7
Great West Life Assurn Co	OTC	190.00	0.0	15.5	10.00	5.3	190.00	190.00	0.0
Hanover Ins Co	OTC	36.00	5.9	5.3	0.88	2.4	36.00	34.00	23.1
Hartford Steam Boiler Insptn	OTC	40.75	-0.6	8.6	2.80	6.9	41.00	40.75	4.5
Jefferson Natl Life Ins Co	OTC	42.50	3.7	11.9	0.76	1.8	42.50	42.00	2.8
Kemper Corp	OTC	41.63	2.8	7.9	1.80	4.3	41.63	40.50	71.6
Lincoln Natl Corp Ind	NYSE	47.13	-1.6	8.5	3.00	6.4	48.38*	47.13	80.2
Mission Ins Group Inc	NYSE	31.38	3.7	7.4	0.80	2.5	31.50*	30.75	42.4
Nationwide Corp Ohio	OTC	40.50	0.6	12.0	0.70	1.7	40.50*	40.25	2.4
Northwestern Natl Life Ins	OTC	29.63	7.7	16.2	1.50	5.1	29.63*	28.63	82.5
Ohio Cas Corp	OTC	44.88	-5.0	8.4	2.36	5.3	46.00	44.88	91.9
Old Rep Intl Corp	OTC	27.63	13.3	6.4	0.92	3.3	27.63*	25.13	75.7
Preferred Risk Life Ins Co	OTC	25.00	2.0	7.4	0.92	3.7	25.13*	24.63	7.8
Provident Life & Acc Ins Co	OTC	48.50	-2.0	7.4	2.44	5.0	49.50	48.50	152.8
St Paul Cos Inc	OTC	64.00	6.4	8.0	2.60	4.1	64.00	60.13	302.8
Safeco Corp	OTC	54.13	2.6	9.3	2.40	4.4	54.38*	53.00	198.4
Sri Corp	OTC	38.00	2.7	7.9	1.12	2.9	38.00	37.50	35.6
Seibels Bruce Group Inc	OTC	31.00	11.7	22.8	1.00	3.2	31.38*	29.00	135.5
Statesman Group Inc	OTC	7.00	-5.1	6.2	0.15	2.1	7.50*	7.00	45.6
Tokio Marine & Fire Ins Co	OTC	104.13	2.3	16.7	0.92	0.9	104.50	103.00	140.5
Travelers Corp	NYSE	27.00	-1.4	7.4	1.64	6.1	28.63*	27.00	697.7
United Fire & Cas Co	OTC	31.75	-0.8	8.5	0.88	2.8	32.00	31.75	0.8
United States Fid & Gty Co	NYSE	41.00	-2.4	10.0	3.60	8.8	41.25	40.00	287.1
United Svcs Life Ins Co	OTC	19.50	3.3	6.3	1.00	5.1	19.50	18.75	25.3
Ustife Corp	NYSE	23.38	-3.6	5.1	0.88	3.8	24.50	23.38	320.4
Washington Natl Corp	NYSE	20.25	0.6	10.0	1.08	5.3	20.50	19.88	71.2
Zenith Natl Ins Corp	OTC	20.50	6.5	9.3	0.76	3.7	20.50*	19.25	37.5
INSURANCE COMPANIES	AVERAGE			9.3		4.1			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	24.38	-2.0	10.9	1.94	8.0	25.50	24.38	745.1
Baldwin & Lyons Inc	OTC	39.00	2.6	6.4	0.80	2.1	39.00*	38.00	1.6
Corroon & Black Corp	NYSE	28.50	0.0	14.0	1.80	6.3	28.63	28.38	28.4
Crump E H Cos Inc	OTC	10.13	0.0	17.2	0.40	4.0	10.13	10.13	16.3
Emett & Chandler Cos Inc	OTC	9.88	0.0	32.2	0.00	0.0	9.88	9.88	2.9
Hall Frank B & Co Inc	NYSE	28.88	-2.1	12.4	1.70	5.9	29.38	28.63	212.0
Integrated Res Inc	AMEX	38.50	8.8	11.6	0.00	0.0	38.50*	35.88	194.6
James Fred S & Co Inc	NYSE	33.25	-0.4	16.8	1.60	4.8	33.25	33.25	0.0
Marsh & Mclennan Cos Inc	NYSE	42.25	-3.4	13.1	2.20	5.2	43.50	42.25	170.1
Penncorp Finel Inc	NYSE	13.25	2.9	8.2	0.16	1.2	13.25*	13.00	1,412.7
Poe & Assoc Inc	OTC	11.50	0.0	11.3	0.80	7.0	11.50	11.50	1.4
Reed Stenhouse Cos Ltd	OTC	13.50	0.0	19.6	0.60	4.4	13.88	13.50	15.2
Rollins Burdick Hunter Co	OTC	24.38	0.5	20.1	0.00	0.0	24.38*	24.25	227.4
AGENTS/BROKERS	AVERAGE			11.9		3.8			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	68.63	0.0	11.7	2.40	3.5	68.75	67.75	1,422.3
Anderson Clayton(Ranger/PanAm)	NYSE	26.63	8.7	7.3	1.32	5.0	26.63	24.25	162.9
Armco Inc	NYSE	15.50	-4.6	29.2	1.20	7.7	15.75	15.50	448.9
City Investing Co. (Home Ins.)	NYSE	29.25	-2.5	9.1	1.70	5.8	29.63	28.63	453.8
CNA Finl Corp (CNA)	NYSE	18.13	0.7	7.1	0.00	0.0	18.13*	18.00	30.4
Control Data (Comml. Credit)	NYSE	41.38	5.8	10.2	0.55	1.3	41.38	38.50	1,081.7
General Re Corp	NYSE	59.75	2.1	13.1	1.08	1.8	59.75	58.88	470.0
Gulf Utd Corp	NYSE	26.63	3.9	9.3	1.32	5.0	26.63	25.13	433.9
Cigna Corp	NYSE	47.00	1.1	6.9	2.30	4.9	47.75	44.75	701.2
ITT (Hartford Group)	NYSE	31.50	-3.8	7.1	2.76	8.8	32.38	31.50	1,297.0
Optimum Hldg Corp	OTC	8.13	1.6	7.8	0.00	0.0	8.13	8.13	8.4
Sears Roebuck & Co. (Allstate)	NYSE	31.25	-0.8	14.2	1.36	4.4	31.63*	30.75	2,273.2
Baldwin Utd Corp	NYSE	43.75	-9.3	8.5	0.88	2.0	48.00	39.00	1,232.6
Teledyne Inc (Argonaut)	NYSE	139.25	1.5	8.4	0.00	0.0	139.50	133.63	960.7
Transamerica Corp (Occidental)	NYSE	23.63	9.2	8.2	1.50	6.3	23.63	21.63	404.1
CONGLOMERATES/HOLDING COS.	AVERAGE			9.2		3.0			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

Financial briefs

Industry results

The U.S. property/casualty insurance industry reported a 26% decline in net aftertax operating earnings in the first nine months of 1982.

The industry posted earnings of $3.87 billion for the nine months, down from the $5.22 billion posted in the corresponding period of 1981, according to figures released by the Insurance Services Office and the National Assn. of Independent Insurers. The figures account for 96% of the nation's property/casualty business.

The industry sustained a pretax underwriting loss of $7.65 billion, 79.2% greater than the $4.27 billion underwriting loss reported in the first three quarters of 1981. The combined ratio jumped to 110.6% from 106.2% at the same time last year.

Investment income, however, rose 14.6%, to $11.2 billion from $9.78 billion.

Written premiums in the first nine months of 1982 totaled $75.5 billion, a 5% increase over the $71.9 billion written in last year's corresponding period. Written premiums grew only 3.2% in the first three quarters of 1981.

Policyholders' surplus—the amount held by insurers after liabilities are deducted from assets—totaled $62 billion on Sept. 30, an increase of $1.42 billion since the first of the year. ■

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