WEEK OF DECEMBER 14, 1981

business insurance®

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update:

Panel suggests limiting health plan write-offs

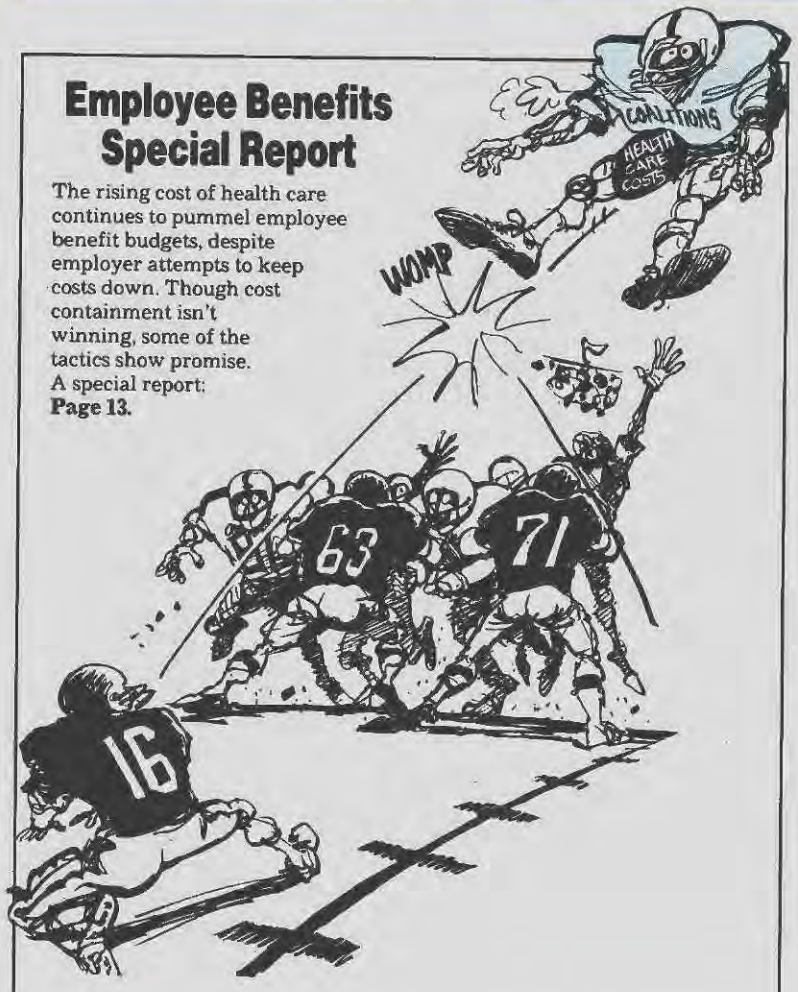
WASHINGTON—A government task force suggested last week that a cap be placed on the tax deductions employers can take for contributions to group health insurance programs.

The task force, headed by Health and Human Services Secretary Richard Schweiker, said employers should be barred from taking deductions on premium pay-

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Employee Benefits Special Report

The rising cost of health care continues to pummel employee benefit budgets, despite employer attempts to keep costs down. Though cost containment isn't winning, some of the tactics show promise. A special report:
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Supreme Court refuses asbestos policy cases

By STEPHEN TARNOFF

Insurer liability for asbestos-injury claims will most likely be determined according to state law.

The Supreme Court's refusal last week to hear two appellate court decisions on insurer liability for asbestos claims indicates that it also will refuse to hear the appellate court decision in the far-reaching Keene Corp. vs. INA case, attorneys say.

Review of that case, which drastically expands insurer liability, was requested Nov. 30. If the court refuses to hear it, it would let stand conflicting theories of liability and leave the question up to state law.

The high court did not say why it refused to grant certiorari last week in INA vs. 48 Insulations and Porter vs. American Optical Corp. But most attorneys familiar with asbestos litigation whom *Business Insurance* surveyed say the refusal to grant certiorari is an indication the court sees no substantial federal or constitutional question in asbestos insurance cases that it should address.

The interpretation of insurance contracts traditionally has been left to state law, they maintain. The determination of asbestos liability falls into the same category as other areas of insurance law, where conflicting interpretations by the states are permitted.

The court's decision last week let stand the exposure theory of liability in the 5th and 6th Circuits where the Porter and 48 Insulations cases were brought. Under the exposure theory, the insurer on the asbestos manufacturer's risk when the plaintiff was exposed to the asbestos is liable for the claims.

The Keene case, which significantly broadened liability of insurers, was brought in the District of Columbia Court of Appeals. There, the court used a multiple-trigger theory, making all insurers of a manufacturer liable at any time during exposure, latency or manifestation.

The manifestation theory, which says coverage is triggered when the disease is manifested in the victim, has been upheld by a U.S. District Court and is a third potential standard of liability.

In each case, the federal courts interpreted the laws of a particular state in coming to their decisions.

With billions of dollars in claims at stake, many were hoping that the Supreme Court would clarify the conflicting federal court decisions and rule definitively on the nature of insurer liability.

INA Corp. filed a memorandum with the Supreme Court seeking deferral of consideration in the Porter and 48 Insulations cases, so the court could consider them with the Keene case.

"With the issuance of the opinion in Keene, there is now a square conflict among federal courts that have mutually inconsistent results—not because of any perceived difference in state law," the memorandum said.

"A uniform federal decision correctly applying the uniform state law is what is needed."

But because the court did not grant the deferral, several attorneys said the Keene petition also will likely be rejected.

"It could be the handwriting is on the wall," said Michael R. Gallagher, an attorney for INA, which with Liberty Mutual Insurance Co. petitioned the Supreme Court for review in the 48 Insulations case.

"It (last week's ruling) tends to suggest that Keene will be rejected as well," he said.

The ultimate result in such a situation, according to Mr. Gallagher, could be courts lining up behind the decisions in either the 48 Insulations or Keene cases with a weight of authority ultimately being established.

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Statements by broker, insurers raise new Hyatt cover questions

By LEN STRAZEWSKI

KANSAS CITY, Mo.—Hyatt Corp.'s broker and insurers raise new questions about the insurance available to cover the Kansas City skywalk disaster in their response to Hyatt's petition for a court ruling on the available insurance.



Without shedding much light on the question of whom is first liable for claims arising from the July disaster, the responses filed Dec. 4 raise new questions about how and why Hyatt Corp. and the owner of the Hyatt Regency in Kansas City, Hallmark Cards Inc. through a subsidiary, had each other added to their respective insurance programs.

More unclear now is the role of the companies' mutual broker, Marsh & McLennan, whose response to the Hyatt suit denies certain events surrounding the arrangement of that cross coverage.

Hyatt's and Hallmark's insurers, writing two separate lines of liability insurance for about $200 million and $100 million for the companies respectively, continue to disagree on which program is primary or first responsible for paying claims and defending suits arising from the skywalk collapse, which killed 113 and injured 186 people.

Hyatt's line of coverage, led by Occidental Fire & Casualty Insurance Co. of North Carolina with the first $1 million, contends it is actually excess insurance over Hallmark's liability coverage led by Commercial Union Insurance Cos. However, Hallmark and its Crown Center Redevelopment Corp. subsidiary, which owns the Kansas City hotel, were listed as additional insureds on the Hyatt policy.

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Big losses force merger of Illinois Blue Cross plans

By BILL DENSMORE

ROCKFORD, Ill.—Explosive growth accompanied by heavy losses on HMO-related business and inadequate financial management is forcing Blue Cross of Rockford to merge with the much-larger Blue Cross/Blue Shield of Chicago, state regulators say.

Officials of the Rockford plan say its loss reserves dropped to about $1 million from $15.4 million in less than three years. The plan lost more than $4 million in 1980 and understated claim liabilities by another $4.8 million, officials say.

"One rule here is that nothing (about the numbers) is solid," said a state regulator who asked not to be named.

Rockford plan officials say the decision, announced Dec. 4 and effective Dec. 31, will mean better claims processing for the 3.3 million statewide members of both plans. Rockford Blue Cross has about 400,000 plan members and 250 employees; the Chicago plan has 2.9 million members and 3,000 employees.

Roger H. Hahn, deputy director of accident and health insurance

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Limit on deductions proposed

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ments exceeding $150 a month for employees with family coverage and $60 a month for individuals. Limits would rise to match annual increases in the medical care component of the Consumer Price Index.

In addition, the task force, whose recommendations will be reviewed by the Cabinet Council of Human Resources, said employers should offer choice of health insurance plans. All plans should limit an employee's annual out-of-pocket expenses to $3,500.

Employers would be required to make the same premium payments to each plan they offer. Employees who select low-cost plans with high deductibles and coinsurance would receive tax-free rebates from their employers.

Supporter of this "pro-competition" approach say if employees are given a choice of health plans and tax incentives for choosing low-cost plans, insurers will compete to offer better benefits while employees, who will be paying more of the bills, will have a greater stake in controlling health costs (*BI*, Oct. 26).

PLIA membership grows to 33

CHICAGO—Membership in the Pollution Liability Insurance Assn. has reached 33 companies and several more insurers may be added before the Dec. 17 deadline for new applications, says PLIA Chairman James Morrow.

Mr. Morrow, a vp at Liberty Mutual Insurance Co., said PLIA has reached the $10 million level required to begin reinsuring its members' hazardous waste and pollution liability policies on Jan. 1.

Mr. Morrow, whose company is a PLIA member, said a meeting of members will be held Dec. 17 in Chicago. "After that," he said, "PLIA will close its membership roster until late next year."

PLIA is an effort by commercial insurers to gear up for an expected crush of demand for coverage for hazardous waste and treatment storage and disposal facility operators if they are required by the government to carry pollution liability insurance (*BI*,Aug. 31).

Troubled insurer liquidated

CHICAGO—The management of Security Casualty Co. has failed to avoid a state takeover and liquidation of the small Chicago-based property/casualty insurer, court records show.

Cook County Circuit Judge John F. Hechinger dismissed a claim brought by the firm's management seeking $30 million in damages from the Illinois Department of Insurance. The department obtained a court rehabilitation order Aug. 17 to try to steer the firm clear of liquidation but said the bailout attempt failed. Judge Hechinger approved the liquidation Dec. 4.

Security Casualty has nearly 60,000 policyholders. Forty percent are buyers of direct auto insurance who will remain insured for 30 days. From 1960 through 1968, however, the insurer underwrote a series of excess-of-loss workers compensation and general liability reinsurance contracts, which began to show losses recently.

Security Casualty is a subsidiary of Security America Corp. It was formed in 1913 as a mutual insurer and was later controlled by Swift & Co. It is licensed in 46 states.

Coverage for theft not settled

SUNNYVALE, Calif.—Coverage for a $2.7 million theft of integrated circuits from Monolithic Memories Inc. will depend on if the heist was an inside or outside job, says risk manager Cliff Willis.

He said the firm is insured for the missing half-million programmable array logic circuits used in the electronic industry but its fidelity bond insurer would be on the loss if an employee stole the goods and its property insurer would be tapped if they were stolen by someone outside the firm. He would not detail the coverages.

Plan trustees violated ERISA

NEW YORK—Trustees of Grumman Corp.'s pension plan violated the pension reform law by using plan money to purchase company stock to prevent a takeover of Grumman by another corporation, a federal court ruled last week.

A U.S. District Court, acting on a Labor Department suit, said Grumman pension trustees violated the Employee Retirement Income Security Act in an "egregious imprudent" manner and had "manifested an inability to separate their corporate loyalty and their loyalty to the pension plan."

According to the suit, the Grumman trustees, who also are top officers of the Long Island-based corporation, caused the pension plan to purchase 1.2 million shares of Grumman stock as part of a move to prevent a takeover by LTV Corp.

In granting the department's motion for a preliminary injunction, the court barred the trustees from taking any action on behalf of the plan with respect to stock or securities issued by the company. The court will decide later what further remedy should be awarded.

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Photo: Wide World

Rescue workers gather at the entrance of the Kentucky coal mine where eight miners died last week.

Claims adjusters probing two coal mine explosions

By STEVE SHERWOOD

Claims adjusters are gathering information on 21 coal miners killed in separate explosions that ripped through two Appalachian underground mines less than 24 hours apart.

A Dec. 8 explosion in a Tennessee Consolidated Coal Co. mine near Whitwell, Tenn., killed 13 miners. One day earlier, eight miners were killed by a blast in an Adkins Coal Co. mine near Topmost, Ky.

Exact causes of the explosions have not been determined. Willard Stanley, commissioner of mines and minerals in Kentucky, says he cannot confirm earlier reports that explosives carried into the Adkins mine by the miners were responsible.

A spokesman for Tennessee Gov. Lamar Alexander says the suspected cause of the second explosion is methane gas. However, investigations have not confirmed that this was the cause.

These incidents follow a ceiling collapse in a Bergood, W.Va., mine that killed three people.

Tennessee Consolidated self-insures workers compensation, including death benefits up to $200,000, sources say. From there a General Reinsurance Co. excess insurance policy takes over, giving coverage to an unspecified limit. General Re, headquartered in Greenwich, Conn., confirms the retention level.

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Firms must show great harm to avoid multiemployer claims

By JERRY GEISEL

PORTLAND, Ore.—An employer seeking a court injunction to avoid paying a multiemployer pension plan withdrawal liability claim has to prove that the payments will cause the firm "irreparable" economic harm, a federal judge has ruled.

U.S. District Court Judge James Redden said employers who want injunctions to stop withdrawal liability payments while the companies battle the claims have to do more than say that paying the claim and arbitration expenses will cost them money.

"Mere litigation expense, even substantial and unrecoupable cost, does not constitute irreparable injury," Judge Redden said as he dismissed an injunction request by R.A. Gray & Co., a Tigard, Ore., commercial and general contractor. Judge Redden's ruling could affect hundreds of employers who may leave multiemployer pension plans and then challenge the constitutionality of a 1980 law that makes them liable for a share of the plan's unfunded vested benefits.

"If you are an employer withdrawing from a multiemployer plan, you'll have to make a better showing of irreparable injury than Gray did," said Frank Cummings, an attorney with Marshall, Bratter, Greene, Allison & Tucker.

The Multiemployer Pension Plan Amendments Act of 1980, which Congress passed last year to shore up financially weak plans, says that an employer who leaves a multiemployer pension plan must pay a share of the plan's unfunded vested benefits.

These bills can be huge if plans are badly underfunded. For example, when Johnson Motor Lines Inc. of Charlotte, N.C., went out of business and withdrew from the Central States, Southeast and Southwest Areas Teamsters' fund, it was hit with a withdrawal liability claim of $16.5 million—more than double the firm's net worth (*BI*, July, 20).

Johnson, and at least two dozen other employers, have filed suits in U.S. District Courts challenging the

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New policy to replace 200-year-old cargo form

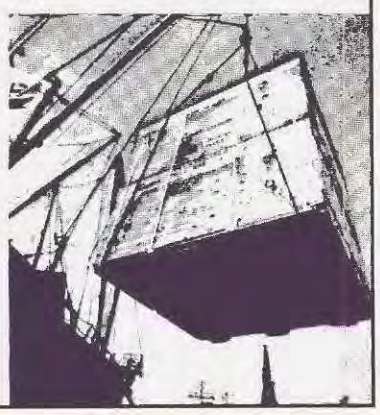
By STACY SHAPIRO

LONDON—Change sometimes takes a long time.

After using the same marine cargo policy form for more than 200 years, Lloyd's of London and other London insurance companies will have a new form, starting next month.

In the new form, the 1779 language of its predecessor is replaced with modern-day terminology. Words like "aircraft," "nuclear," "strike" and "lockout" can be found in the new cargo clauses, written by the Institute of London Underwriters. Margin titles have been included to identify the clauses.

And although the print is still small, the clauses in the new London Companies Marine Policy have been cut to two pages.



"The emphasis is on simplicity and clarity," said Ivor Gibson, chairman of the Joint Cargo Committee.

Insurance buyers around the world can read and understand the new form, he said. Insurance companies that reinsure in London can adopt it. Even lawyers can interpret them quickly, reducing legal costs for everyone.

"Underwriters only go to litigation in the last possible mo-

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Brokers in London look to U.S. to fund new computer cover

By JOHN W. MILLIGAN and STACY SHAPIRO

NEW YORK—London brokers are contacting major U.S. insurers selling bankers blanket bonds, hoping to add their capacity on top of a new $25 million computer crime policy offered by Lloyd's of London.

Willis Faber, C.T. Bowring and Stewart Wrightson, the three London brokers who helped finance research on the new product for financial institutions, are contacting the U.S. insurers. And some U.S. insurers are said to be contacting London brokers about the coverage.



At the same time, U.S. insurers also are looking at the risk of computer crime and the potential for insuring it. A subcommittee of the Surety Assn. of America, a trade association of insurers underwriting surety and fidelity bonds, is studying protection for electronic fund transfers along with the American Banking Assn.

Further signifying American insurance industry interest in providing new coverage to financial institutions, Evanston, Ill.-based underwriting manager Shand, Morahan & Co. Inc. is offering a new rider to its bankers blanket bond policy providing errors and omissions liability insurance for losses associated with electronic fund transfer systems. (See related story, page 78.)

The computer crime policy for financial institutions developed at Lloyd's provides for the first time broad coverage against losses from computer fraud, supplementing coverage against employee fraud and other acts provided under most bankers blanket bonds.

Excluded under most bankers blanket bonds but covered by the new Lloyd's policy are losses involving fraudulent acts by non-employees and former employees, third-party penetration to disrupt tranfer or destroy data or other malicious acts and fraudulent acts by independent contractors.

The first computer crime policy was just underwritten by the K.F. Alder Syndicate at Lloyd's, with other London underwriters and Chubb Group in the U.S. participating, for Irving Trust Co. of New York (*BI*, Nov. 16).

Burton J. Carbino, Irving Trust's senior vp and risk manager, worked closely with the Alder Syndicate in developing the new policy. Irving Trust's London broker for the insurance is Stewart Wrightson and its do-

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A new twist

American Can offering financial advice

By JAMES LAWSON

GREENWICH, Conn.—American Can Co., a pioneer in flexible benefit plans, is adding another ingredient to its package.

A financial planning program will be offered to its 8,000 salaried employees in January to help them with budgeting, savings, taxes and investments.

Offered under a monthly payroll deduction plan, the program will cost employees a one-time fee of $48—less than half its total cost. American Can Co. will pay the remainder.

Unlike the other options in the company's flexible benefits program, the full $48 fee for the financial planning program must be paid even if the employee quits before the end of the year. With other benefits, the employee only pays through his termination date.

Robert H. Felder, the company's director of salaried benefits, says the financial planning program is "a highly visible benefit that's not too expensive." It will cost American Can less than $50,000 in the first year.

American Can is offering the computerized financial planning benefit just months after it launched a company I.Q. (Inflation Quotient) program to upgrade its own productivity and earnings potential.



Illustration: Amy Palmer

Financial planning is now a slice of American Can's benefits.

George E.L. Barbee, executive director of the Consumer Financial Institute, the Newtown, Mass., financial consulting firm that will run the American Can program, says the employer's I.Q. and financial planning programs make a synergistic match that could become the trend of the 1980s.

"If the dental plan was the perk of the '70s, then financial planning will be the perk of the '80s," says Mr. Barbee. "There's a broad trend to take financial planning out of the executive suite and make it affordable to all employees.

"There's a growing concern among employers to help their employees get more of their earnings to their bottom line," continues Mr. Barbee. "Employers can give their employees raises, but they can help them even more by helping their employees stretch that money further."

Financial planning assistance is being offered by several other large companies, including Dow Chemical Co. in Midland, Mich., and Giant Food Inc., the supermarket chain headquartered in Washington, D.C., which both offer it on a seminar basis.

Seattle First Bank has added the program as a training tool for its employees. General Dynamics Corp. in St. Louis offers it as a perk to salaried employees several times a year, but not on a flexible benefit basis as offered at American Can.

American Can employees who choose the financial planning benefit are sent a questionnaire with about 40 to 50 questions about their financial worth—assets and liabilities, financial goals, whether the employee plans to send his children to college or purchase a house, at what age he plans to retire and what financial goals the employee and his family would like to reach by retirement age.

The Consumer Financial Institute runs the questionnaire through its computer and prepares a 30-page personal financial profile and projection report that the employee and his family can study.

The report suggests tactics the employee can take to accomplish financial goals.

Employees can discuss the report with the institute at no extra charge.

"We try to be comprehensive about a person's fi-

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Manufacturers want tougher federal tort bill

By JERRY GEISEL

WASHINGTON—Manufacturers want a comprehensive federal tort reform bill to minimize their product liability problems, but many don't believe a recently proposed bill goes far enough.

That's what is contained in more than 100 letters that were filed by manufacturers with the Senate Commerce Committee last month in response to a draft product liability bill proposed by Sen. Bob Kasten, R-Wis. They express unprecedented employer support for national product liability standards that would pre-empt state laws.

The National Machine Tool Builders says the proposal "creates a set of product liability litigation rules that can be understood by everyone."

Echoing the views of many employers, William Henrick, associate general counsel of General Tire & Rubber Co. in Akron, Ohio, told the committee: "The myriad of legal theories available to plaintiffs. . .coupled with a lack of uniformity. . .has resulted in an unscientific, free-wheeling, roulette-type product liability lawsuit. Federal legislation would clearly define the areas of responsibility."

Support for federal product liability legislation is coming on other fronts, too. Last week, the newly formed Product Liability Alliance brought together 86 corporations and trade associations at Washington's University Club to discuss the next step employers should take to lobby for federal tort reform legislation.

And earlier, two major insurance

Continued on page 82

Other product liability issues:

New insurance pools favored more than risk retention groups

By JERRY GEISEL

WASHINGTON—Manufacturers are not jumping at the chance offered them by the Risk Retention Act to use a captive insurance company for product liability risks with less regulatory hassle—at least not yet.

Instead, they are more interested in a second provision of the act that allows unrelated companies to band together to purchase general liability insurance, including product liability coverage, an insurer says.

Group purchase of insurance is the "area where most employer groups will go," said Charles Ruoff, senior vp at The Continental Corp. in New York. "Most groups that have come to Continental with questions about the Risk Retention Act are asking about group purchases," he said at a symposium in Washington sponsored by brokerage Fred S. James & Co. Inc.



Mr. Ruoff

Under the Risk Retention Act, which President Reagan signed Sept. 25 after a 2½-year legislative battle, employers were given two new alternatives for covering product liability exposures.

The first allows companies in the same industry to self-fund their product liability risks in groups exempt from most state regulation. These insurance cooperatives can be set up with an insurance charter in any state or in Bermuda or the Cayman Islands as long they meet the insurance capitalization requirements of at least one state.

As risk retention groups, they can serve members in all states without being licensed in each state or using a fronting insurer to avoid run-ins with state regulators.

Fronting fees can be as high as 10% of premiums, and some employer groups say insurers will be reluctant to enter into fronting agreements when the insurance market tightens again.

But under a second section of the act, which received little attention while Congress was considering the proposal, employers in unrelated

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Court decision makes it tougher for foreigners to file suit in U.S.

By STEPHEN TARNOFF

In a decision that will benefit U.S. manufacturers, the Supreme Court last week made it more difficult for foreign plaintiffs involved in accidents overseas to bring product liability suits in U.S. courts.

In Piper Aircraft Co. vs. Reyno, the court said that U.S. courts could dismiss suits brought by foreigners even if the product liability law is more favorable in the United States than in foreign courts.

It also said that a legal presumption favoring plaintiffs' choice of court is not as applicable to foreign plaintiffs.

The decision overturned one by the 3rd Circuit Court of Appeals that held that a U.S. court was the proper forum for the suit.

The case involved a suit for negligence and strict liability brought by the representative of Scottish residents who were killed in the crash of a small airplane in Scotland in 1976.

Filed first in a California state court and ultimately transferred to a federal district court in Pennsylvania, the suit named Piper Aircraft Co. of Pennsylvania and Hartzell Propeller Inc. as defendants.

The plaintiffs admitted they brought the suit in the United States because product liability laws are more favorable and damage awards are greater than in Scotland.

Scotland does not permit recovery under strict liability, so plaintiffs must prove the defendants are negligent.

The plaintiffs contended, however, that there were a number of factors—such as the fact that many of the corporate papers were based in the United States—that made this country a convenient forum.

The federal district court and ultimately the Supreme Court disagreed. The high court upheld the dismissal of the suit by the district court.

The Supreme Court said the appellate court erred in its analysis of the legal doctrine of inconvenient forums.

Under this doctrine, courts may dismiss a suit if trial in the plaintiff's chosen forum would impose a heavy burden on the defendant or the court, and where the plaintiff can't give any specific reasons of convenience supporting his choice.

Continued on page 82

Three companies offer IRAs to employees

benefit beat

Responding to employee demand for new retirement savings vehicles, three large employers have established payroll deduction arrangements to allow workers to contribute to Individual Retirement Accounts next year.

NCR Corp., a large business systems manufacturer based in Dayton, Ohio; McGraw-Hill Inc., a New York publishing firm; and Rohm & Haas, a Philadelphia manufacturer of plastic and chemical products, have added payroll deduction programs for the purchase of IRAs.

NCR's 30,000 employees will have a choice of three different types of IRA accounts: one offered by the company credit union; a one-year annuity sponsored by Connecticut General Life Insurance Co.; or Prime Reserve Fund, a money market mutual fund managed by T. Rowe Price, a mutual fund management company.

As soon as contributions reach $500, NCR employees will be able to transfer into any of five other T. Rowe Price funds at no charge.

Additional options, according to Douglas Bartlett, NCR's director of domestic employee benefits, may be added later next year. Participating employees won't be required to make a specified minimum deduction.

McGraw-Hill's 13,000 employees will be allowed to make contributions to a T. Rowe Price fund under the same type of arrangement, but under a much stricter contribution schedule.

McGraw-Hill employees on a weekly payroll can contribute a minumum of $5 per week up to a maximum of $38.46 per week; employees on a biweekly schedule can contribute from $10 to $76.92 per per pay period; and employees on a monthly salary schedule can contribute from $20 to $166.66.

McGraw-Hill employees choosing to make lump sum or irregular contributions through payroll deductions can do so.

Rohm & Haas' 8,500 employees will be able to make tax-deductible contributions to funds managed by the Vanguard Group, a suburban Philadelphia money market management firm.

Rohm & Haas employees on the weekly payroll must contribute at least $10 per week to participate.

Under the Economic Recovery Tax Act, all workers will be allowed to estabish their own Individual Retirement Accounts and take a maximum annual $2,000 tax deduction, effective Jan. 1. Employees with non-working spouses are entitled to a maximum $2,250 annual tax deduction, while a household with two workers can take a maximum deduction of $4,000.

Self-funded plan

Kent County, Mich., is spending less and smiling more.

That's what Kenneth Bush, the county's risk and insurance manager, says about the new self-funded dental plan the county began offering to 900 of its employees last July.

Self-funding has been such a good idea, Mr. Bush says, that by the end of the year the county expects to save 60% to 65% on premiums it would have paid to an insurer.

So far, claims have amounted to only $28,000, a far cry from the $80,000 that Mr. Bush earlier estimated.

The new dental plan, self-funded with no stop-loss provisions, provides 50% reimbursement for all types of dental services except orthodontic services, accidental injury, which is covered under the medical plan, and charges in excess of those deemed reasonable and customary. Employees pay no deductible. There is an $800 annual benefits limit annual maximum per family.

The plan is administered by Corporate Group Systems Inc., of Livonia, Mich. Under the plan, Kent County reimburses the employee, who is responsible for paying the dentist.

"We chose to self-insure," explains Mr. Bush, "because it was cheaper. We didn't add any stop-loss provisions because no one would write it. I didn't see where we would be hit with any large shock losses. According to our predictions, our maximum exposure would only have been $2 million. And we figured that wasn't about to happen."

Self-funding, he says, also allows the county to invest the money it would have had to use for premium payments.

In five years, the return on the investments will be enough to allow the county to pay claims using only the interest it earns.

Another 350 employees, members of the Kent County Sheriff's Department Assn., will be added to the plan next month.

Premiums to rise

Health and accident insurance premiums will increase an average of 18.9% for more than 92,000 state and public employees in Louisiana.

The rate increase, effective Jan. 1, has been attributed to higher utilization of the health plan and continually rising health care costs, explains James D. McElveen, executive director of the State Employee Group Benefits Program.

During 1981, the self-funded, self-insured program generated more than $159 million in revenue. Claims amounted to more than $151 million, about 95.2% of total revenue generated.

The state of Louisiana pays 50% of all premiums. The plan has a $100,000 per person major medical limit. It has no stop-loss provisions.

Under the new rate structure, an employee who had been paying a $21.68 annual premium will have to pay $26.92 per year. An employee with one dependent can expect to pay $47.30 per year, up from the previous $41.78 per year. An employee with family coverage will pay $63.04 per year compared to the previous $52.78.

The plan pays 80% of an employee's claims, except alcohol treatment and nervous and mental rehabilitation claims, which are paid at a 50% level. Next year, however, the plan will pay 80% of nervous and mental rehabilitation charges. There is a $100 deductible.

The state's share of premiums, under the new rate structure, will be $90 million. The state now contributes $68 milion.

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Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

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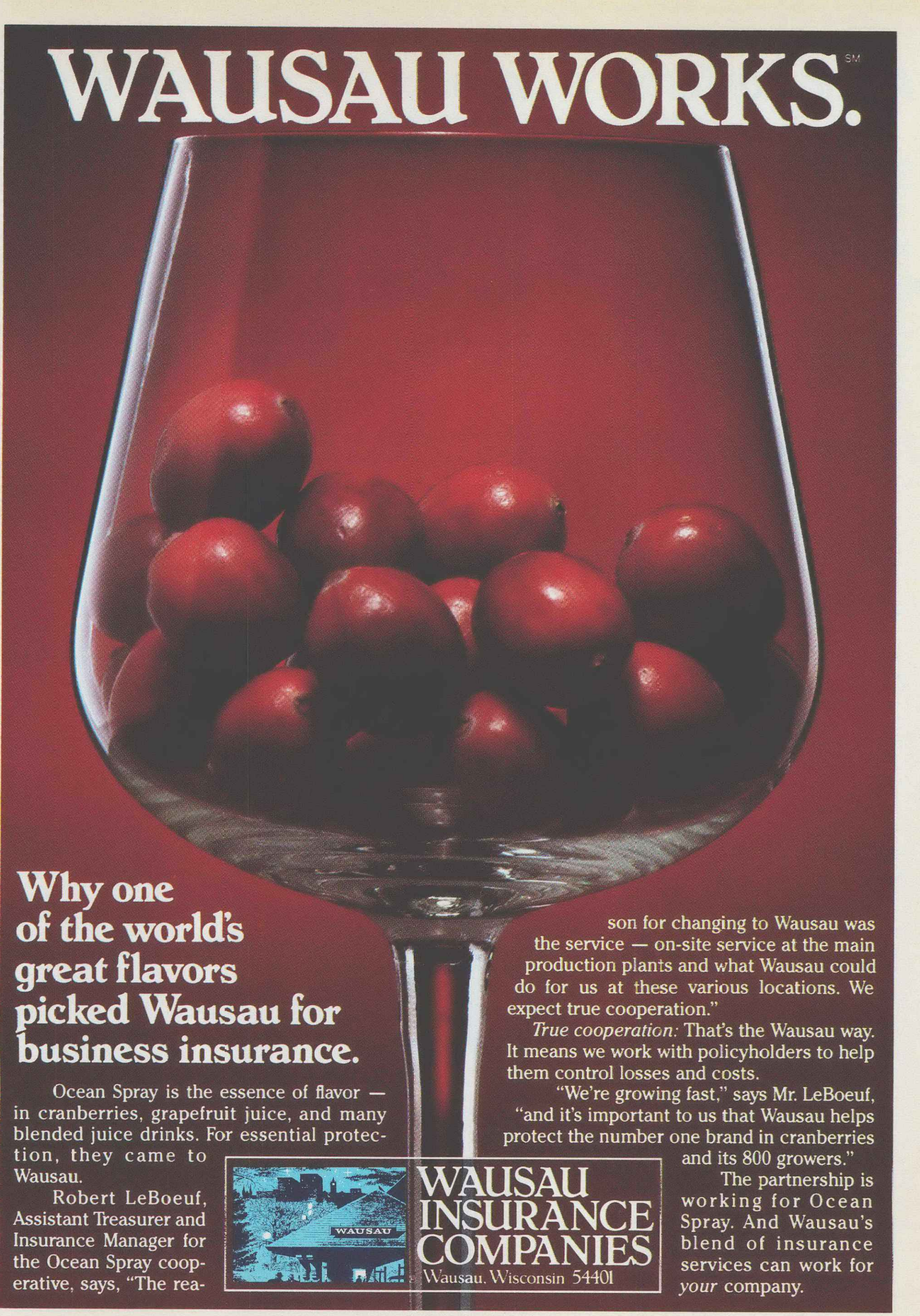
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Aging conference opposes Social Security cuts

By JERRY GEISEL

washington

WASHINGTON—The White House Conference on Aging has recommended that no further cuts be made in Social Security benefits.

The third annual conference, which brought dozens of retiree groups to Washington earlier this month, also recommended the elimination of a mandatory retirement age. Currently, companies can require employees to retire at age 70.

Other recommendations made at the week-long conference include:

- Expanding Medicare to cover outpatient prescription drugs, routine dental care, hearing aids and vision examinations.
- Eliminating the Social Security earnings retirement limit. Currently, a worker between age 65 and 71 who earns more than $5,500 annually has his Social Security benefits reduced by $1 for every $2 in salary. The retirement earnings limit increases to $6,000 in January.
- Revamping Medicare payments to encourage the elderly to enroll in health maintenance organizations. HMOs also were encouraged to accept more older people for coverage.

Pension loans

Seventeen trustees of a San Francisco plumbers' pension plan have been ordered to repay $360,000 to the plan and to post a $1 million bond against contingent claims that may arise in the future.

A U.S. District Court in San Francisco ordered 17 trustees of Local 38 of the San Francisco Plumbers' Pension Fund to make the repayments in a suit filed by the U.S. Department of Labor.

In its decision, the court ruled that the trustees violated the Employee Retirement Income Security Act by making a $1.5 million loan and extension of credit to the Plumbers' Convalescent Fund and by making a $650,000 loan to S&F Spas.

Those loans violated ERISA because the interest rates they carried were significantly less than prevailing market rates and were made without adequate financial information or collateral, the court said.

In addition, the defendants violated ERISA by concentrating too much of the plan's funds in one investment—mortgages in one geographic area. ERISA requires plan trustees to diversify investments to minimize the risk of large losses if one investment goes sour.

Citing the need for competent administration of the plan, the San Francisco court ordered the appointment of an independent investment manager to manage the plan's investments.

Tax refund

The federal government will pay interest on refunds some employers will seek for overpayment of Social Security and unemployment compensation taxes.

The refunds were ordered last June by a Supreme Court ruling that said employers do not have to pay Social Security and unemployment compensation taxes on meals and lodging they provide to employees (*BI*, June 15).

In a 6-3 decision, the court said the value of meals and lodging furnished for an employer's convenience can't be considered wages for the purpose of withholding Social Security and unemployment taxes.

A 12% interest rate will be paid on claims involving 1980 overpayments, while 6% interest will be paid on 1978 and 1979 claims.

Aviation safety

The United States and Canada will work together to share research and development information in aviation safety and air transportations systems, under an agreement the two governments announced late last month.

"As neighbors, we share mutual concerns in the safety and continued development of our air transportation system," said J. Lynn Helms, administrator of the Federal Aviation Administration. "This agreement will insure that...we'll share useful research while conserving our resources by avoiding needless duplication."

Areas where the two governments will pool their resources include aviation safety analysis, automation of air traffic services, weather programs and airport security. ■

Coal mine blasts

Continued from page 2

Frank Gallagher, manager of the reinsurer's self-insurance division, says claims will surely reach into the excess coverage. "We don't know the status yet: How many of the miners were single or married?"

Tennessee workers compensation policies, by statute, limit death benefits to a maximum of $50,400, says an official at the state Labor Department's workers compensation division. This is paid in weekly installments of $126.

Death benefits for the eight Adkins Coal Co. miners are insured by Old Republic Insurance Co. of Greensburg, Pa., spokesmen for the insurer confirm. They decline to detail the coverage, but say Old Republic, the largest workers compensation insurer of underground mines in Kentucky, is gathering information it needs to adjust claims.

Jerry Roberts, secretary of the Kentucky Workers Compensation Rating Board, says Kentucky policies pay weekly benefits of two-thirds of a worker's salary, up to $174.95. This is paid as long as the spouse or children are dependents.

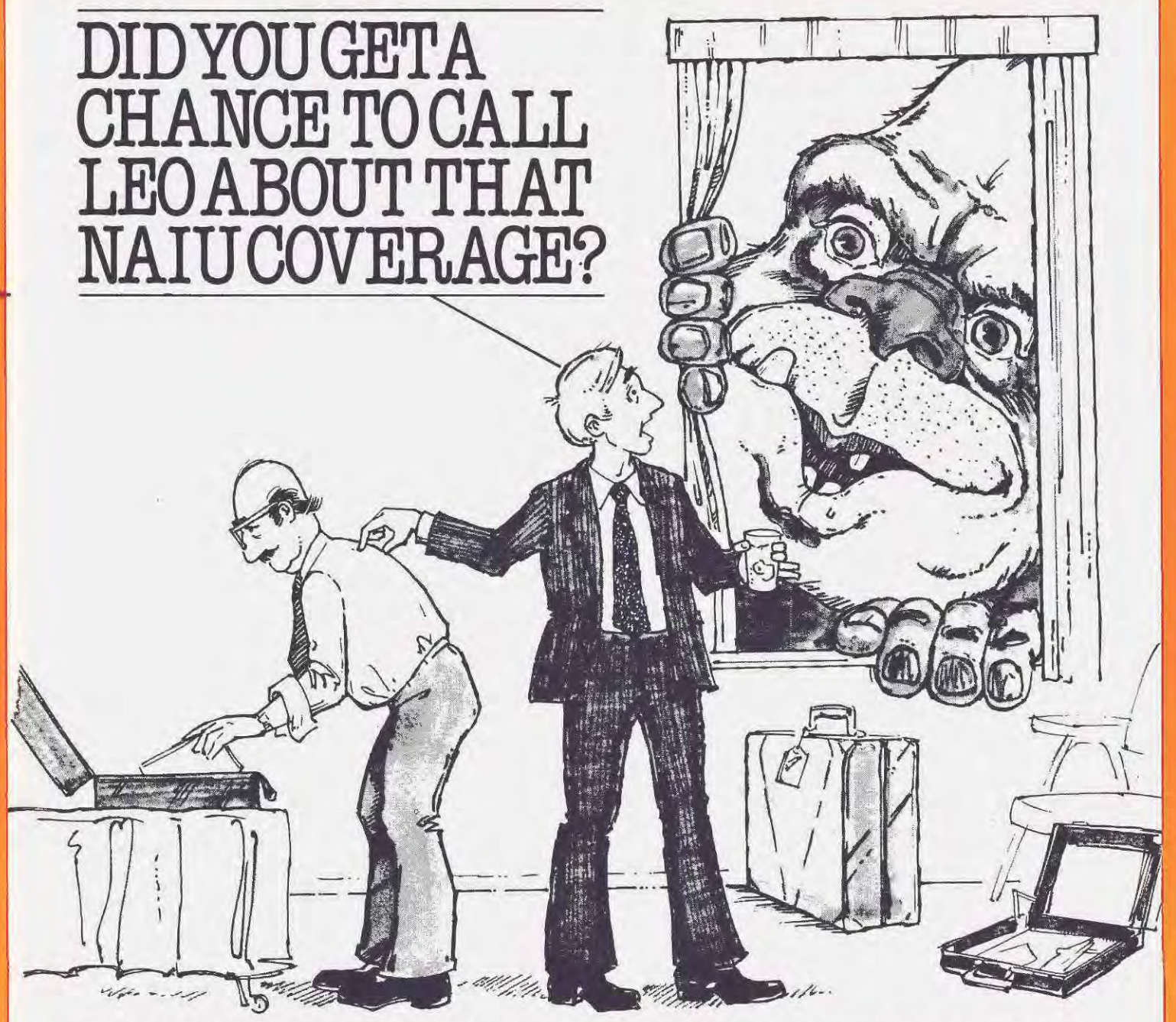
Adkins employees are members of the United Mine Workers Local 1711, a national UMW official says. "They are covered under the Bituminous Coal Operators Assn. contract and each have $50,000 of life insurance."

The Tennessee Consolidated employees are non-union.

Tennessee Consolidated's mine, operated by its subsidiary Gundy Mining Co., is a horizontal shaft located about 30 miles northwest of Chattanooga, Tenn. Although it was first reported that the explosion occurred 1,200 feet into the mine, more recent reports place it about two miles from the entrance.

The Adkins mine explosion took place 2,500 feet from the entrance about 3 p.m. Dec. 7. The mine is about 25 miles northeast of Hazard, Ky., in the heart of the eastern Kentucky coal fields. ■

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editorial opinions

You can control health costs

DON'T THROW up your hands in despair when higher bills for next year's employee benefit packages land on your desk.

There is plenty you can do to control the rising cost of employee benefit packages in years ahead, as reported in this week's spotlight report on group insurance.

You can become involved in an alliance of local businesses to study the health care cost problem in your area and join with other executives to hammer out programs to attack those costs. There is an element of "misery loves company" in these groups that can be channeled into positive action.

Within your own company you can review your benefit plans to be sure you are implementing the best ideas for controlling costs in benefit design and administration.

Have you considered a flexible benefit plan? They aren't suited to every company, but some employers, as our article points out, believe they are more efficient in providing benefits employees want and need. And flexible benefit plans provide a vehicle for introducing larger deductibles on health coverage to employees at their option, instead of forcing upon them this important step toward making workers care about what they spend on health services.

Have you made a health maintenance organization available to your employees? You must carefully analyze the financial strength of an HMO before offering it to employees, but when you find a sound one, its cost may be lower than that of your indemnity plan.

Does your dental plan include the cost-saving features of full coverage for preventive care and cost sharing for restorative work? Is there anyone looking over the dentist's shoulder to determine what care is needed at what price?

Does your health insurance plan include coverage for hospice care, bringing more humane and often less costly care to the terminally ill?

Are health care claims carefully reviewed before being paid?

You may not be able to answer all these questions, or implement your answers on your own, so we have provided you with the most comprehensive list of the services and resources of more than 70 employee benefit consultants that has been published. We provide the list as a guide to help you begin selecting a benefit consultant when the need arises.

We encourage you to use this special report as your basis for beginning or improving your own efforts to control employee benefit costs. We contend that companies, which pay most of the nation's health care bills through group plans, can do the most to control costs.

If companies don't, and the costs keep rising, you may find the grand plans emanating from Washington to mandate "competition" among insurers will be adopted. As contributors to this week's Perspective section point out, that mandate is frought with perils for employers and insurers alike. If adopted, you won't even have the option of throwing up your hands in despair. Your hands will be tied.

Settling asbestos claims

NOW THAT IT APPEARS the Supreme Court probably will not rule on how to allocate asbestos claims to insurance policies written over a long span of years, it's up to underwriters and insurance buyers to resolve this coverage question.

To live with different coverage interpretations from different courts invites more costly litigation of the issue and saddles insurers and policyholders alike with uncertainty about coverage for losses. There is enough uncertainty in the very nature of insurance. We don't need uncertainty over what the contract says.

We encourage underwriters everywhere to heed the suggestion of Lloyd's of London underwriter Robin Jackson, who advocates a new policy form stating clearly how insurance is to respond to long latent injury losses.

Policies must state if they cover injuries developing later from exposure to harmful substances during the policy period, or injuries resulting from exposure to harmful substances years ago.

Rewriting the comprehensive general liability policy to answer these questions is a big job that underwriters must begin now. Insurance buyers must make their opinions known.

In the meantime, a wise insurance buyer will start pressing underwriters for clarification of coverage under their current policies.

Answering these questions before the claims come pouring in will save a lot of time and money that otherwise will be spent litigating the question—in lower courts that have no direction from the Supreme Court.

letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Broker not involved in airline pool

To the editor: The article "Airline group wants to raise liability limits to $750 million" (*BI*, Nov. 16) regarding a proposed International Air Transport Assn. excess liability scheme suggests it involves a consortium of four London-based aviation insurance brokers.

May I just state if there is a consortium of "four London-based insurance brokers" it does not include C.T. Bowring.

There are technical and practical difficulties associated with such a group plan in the complex world of aviation insurance and reinsurance. As the amount of premium that can be saved in the excess liability segment of an airline's insurance program is small, Bowring concludes that our airline clients are better served by concentration in the primary areas of hull and liabilities.

As a matter of interest, limits considerably in excess of $750 million have been available for many years now and continue to be available with many underwriters willing to quote, often at terms lower than those proposed.

A.H. Bolton
Chief executive
Aviation division
C.T. Bowring & Co.
London

■ *Organizers of the IATA insurance program say four London brokers would be among those participating in the plan, but it is being developed by Stewart Wrightson Aviation Ltd., and not by Bowring.*

Industry is growing on the Isle of Man

To the editor: I would like to correct one point in an otherwise very accurate and fair article by Ron Muckleston in the Perspective section on the Isle of Man as a captive domicile (*BI*, Nov. 2). The amounts stated for the license and exemption fees and the cash solvency margin are related to pounds, not dollars, although accounts may be held in non-sterling currencies.

Insurance expertise is indeed limited here, for although we have a wealth of company management agencies, as does any low-tax area, these are run by either lawyers or accountants. The indigenous insurance population is likely involved in handling domestic risks or those based in the United Kingdom or Ireland and owned by companies domiciled here. However, some of us have wider experience, taking in London and international markets, and it is to be expected that at least one management agency oriented toward insurance and reinsurance will shortly be established.

R.J. Hickson
Isle of Man

Regulators shouldn't pick on self-insurers

To the editor: I couldn't agree more with James E. Loab's response to the suggestion that state regulators examine captives and self-insurers (*BI*, Nov. 30).

It appears all of us are being placed in the same barrel with those entities the commissioners feel are not financially able nor capable of administering self-insured programs. In other words, they would use a shotgun approach instead of using a rifle to get at those who are not able to protect claimants from the insolvency of an entity—and let the rest of us operate in a free enterprise society.

Why shouldn't we be able to earn interest on reserves in a self-insured program?

More and more banks are looking to alternate means of funding workers compensation, and self-insurance will be discussed at the bankers' industry session at the Risk & Insurance Management Society meeting in the spring.

Roland B. Ward
United Virginia Bank
Richmond, Va.

Inaccurate sources, not reporting

To the editor: Your article "Brokers deny layoffs despite poor results" (*BI*, Nov. 23) implies that Corroon & Black Corp. is aggressively laying off personnel. I find this to be most offensive in light of my personal awareness of the policy of Corroon & Black Corp.

The executive staff of Corroon & Black has made every effort possible in light of difficult financial results to retain its staff and not lay off personnel aggressively or otherwise. I believe that your statement is grossly in error and should be retracted from the magazine, regardless of your so-called sources.

Timothy J. Danis
President
Corroon & Black
of St. Louis Inc.

■ *Our sources, not our reporting, may have been inaccurate, which is why we also quoted Corroon & Black Treasurer Robert Kaiser in the same article as saying there were no personnel cutbacks at the brokerage as others had said.*

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Holding the line on benefits

Health cost hikes to continue in '80s

By STEPHEN TARNOFF

Health care cost-control measures may face tough competition from rising costs in the 1980s.

Both corporate and individual consumers will pay rapidly growing bills for health care during this decade, according to a new study by the Department of Health and Human Services.

With few incentives to hold costs down and many to increase revenue, the nation's health care system also will take a larger bite of the nation's gross national product and be financed in greater portion by public funds and the federal government.

These conclusions are part of a study, "National Health Expenditures: Short-Term Outlook and Long-Term Projections," authored by Mark S. Freeland and Carol Ellen Schendler of the federal Health Care Financing Administration.

The study—completed in November 1980 but published just last month in Health Care Financing Review, a Department of Health and Human Services publication—describes a health care system that accommodates an increasing demand for health insurance by consumers but which is inherently geared toward keeping costs up.

Third-party payments, tax subsidies that encourage more demand and methods of reimbursements to health care providers all contribute to an upward spiral in health care costs that offers little hope of a turnaround.

"There seem to be few demand or supply incentives to significantly retard the growth of health expenditures under current institutional arrangements," the study says.

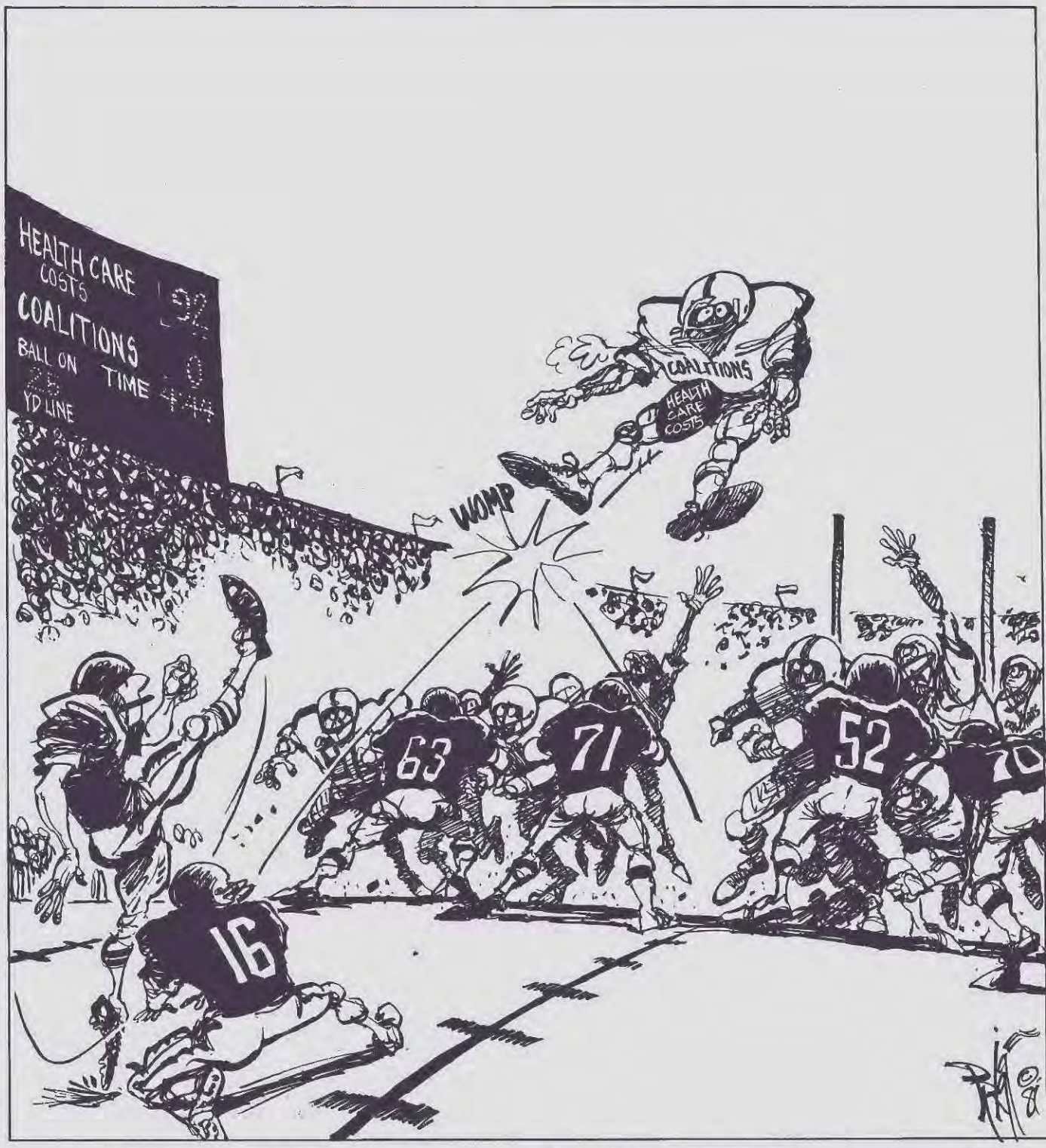
"Our current institutional arrangement of third-party payments, with fee-for-service and retrospective cost-based reimbursements, has evolved out of a pragmatic and cooperative interaction among providers, third-party payers and consumers, based on their economic, social and political needs and demands.

"Until an alternative institutional arrangement is devised that better meets the often conflicting needs and demands placed on the current system, the parties will probably resist significant changes to the current arrangement."

The study projects that from 1979 to 1990, health care spending will rise from $212 billion to $821 billion at an average annual rate of 13.1%.

Fueled partly by the demands of a population with a significantly higher proportion of older people, the percentage of expenditures devoted to health care is expected to rise to 10.8% of the GNP, compared with 9% in 1979.

Continued on page 14



Businesses team up to contain health costs

By RHONDA L. RUNDLE

They come in all shapes and sizes. Some operate ad hoc and others are highly organized. A handful report significant achievements, most concede they are still getting their acts together.

Boosters of business coalitions forged across the country to fight rising health care costs believe this diversity is what makes them tick. Corporate buyers with purchasing clout in their own communities are sowing grass roots solutions to local health care delivery problems.

It's the American way.

Indeed, this local approach pares the national problem—whose scope and complexities seem insurmountable—down to a manageable size.

Successful coalitions focus on specific projects. The executives involved get turned on by work toward positive changes in their own communities.

Although the first business coalitions formed about five years ago are still in their infancy, new groups are popping up in almost every major metropolitan area in the country. The U.S. Chamber of Commerce reports there are now about 50 such groups; most are less than 2 years old.

"There could be as many as 100 by the end of 1982," predicts Jan Peter Ozga, director of health care for the U.S. Chamber of Commerce in Washington.

The diversity of health care coalitions defies easy generalizations, but most fall into two broad categories. About half limit membership to health care purchasers only —largely businesses. The others include combinations of hospitals and doctor representatives, labor, legislators, insurers and academicians.

There are good arguments on both sides.

"It's too hard to get unanimity with groups that include providers," says Curt Kelly, president of the Employers' Health Care Costs Coalition in San Diego. "If insurers are allowed to join, coalitions become a forum for selling insurance."

Business coalitions, like the one in San Diego that bars health care providers, work hard with hospitals, doctors, insurers and other groups that figure into the health care equation to build a strong rapport.

But business groups that do extend membership to providers say that's not enough. Without their participation in the coalition, an adversary relationship can develop. And that's counterproductive.

"It's absolutely essential we work with lots of people around the table as a working partnership," stresses Robert A. Carpenter, manager of health care cost containment for the Republic Steel Corp. in Cleveland and an active member of the Greater Cleveland Coalition on Health Care Cost Effectiveness.

"Not all the cost villains are providers," points out Mr. Carpenter.

Employee medical insurance contributes to the illusion of health care as a free service. First-dollar coverage eliminates incentives for thoughtful utilization. Usual and customary reimbursement of physician charges fuels higher costs.

To get started, many coalitions have focused their efforts on developing a data base that permits study of employees' utilization of health care services. Coalitions reason that you can't solve the problem until you know what it is.

The type of information collected includes length of hospital stay and a profile of patients by age, sex, type of care required and medical facility used, the day of the week of admission and whether the individual is an employee or a dependent.

The first major Hospital Utilization Report was the product of the Penjerdel Council of the Greater Philadelphia Chamber of Commerce and the Health Services Council, a coalition of businesses in the tri-state area of parts of Pennsylvania, New Jersey and Delaware. The report was undertaken jointly with Blue Cross of Greater Philadelphia, which insures 70% of the local working population and their dependents.

Some samples of their findings based on the study include:

• Ten percent of hospital bed days for active working people and

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Federal cutback may slow HMO growth
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Page 22

Dental plans continue to grow
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Choosing an employee benefit consultant
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Health care cost containment facing tests

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The increase could have a negative effect on the nation's economy.

"There are significant implications for the economy as the health sector continues to absorb larger percentages of the GNP," it says.

"The major one is that, as more labor and capital are drawn into the health sector, relatively fewer resources are available for producing goods and services in other sectors."

Leading the increases will be expenditures for hospital care, expected to climb from $85 billion in 1979 to $355 billion by 1990. Physicians' services costs are expected to rise from $40.6 billion to $150 billion within the same period (see related story).

Significant increases in expenditures are also projected for nursing home care, dental services, drugs and medical sundries, prepayment and administration, government public health activities and construction of medical facilities.

Along with the higher expenditures will be an increase in federal funding for health care. The study predicts the federal government will likely finance 32% of national health expenditures in 1990, compared with 29% in 1979.

The private sector should spend 54% with state and local governments contributing 14%, according to study predictions.

But because of President Reagan's emphasis on deregulation, how much various sources will contribute to health care expenditures in the next decade is uncertain, according to Mr. Freeland.

"The 1985 and 1990 projections still are quite good numbers on total expenses," he says. "But there could be some switches on who pays what.

"It seems to be that the federal government will not be involved more than projected."

The two main reasons behind the projected rapid rise in national health expenditures are:

- The role third-party payments play in increasing consumer demand for services.
- Fee-for-service and cost-based reimbursements systems that contain incentives to drive up the cost of medical care.

Third-party payments in the form of insurance coverage causes consumers to rely more on health care than they would if using their own funds, the study says.

"As we approach the point where 100% of the consumers' cost is paid for by third parties, providers and consumers of medical care appear to increasingly treat medical care as a free service at the time of decision-making," the study says.

The nation's tax code, meanwhile, encourages the availability of insurance and thus the further use of medical care.

Such encouragement comes in the form of permitting exclusions from taxable income of employer contributions to employee health insurance plans and the deductibility of health insurance premiums.

Reimbursement systems for hospitals and physicians also help drive up medical costs by rewarding more revenue to those who supply larger quanitites and more costly services, the study says.

"An incentive is, therefore, provided to adopt new diagnostic and therapeutic procedures and techniques rather than to adopt new processes to more efficiently produce existing procedures and techniques."

While some of the reasons for the increased costs of health care—overutilization, for example—can be controlled, other areas seem beyond the reach of the health care industry.

Inflation, for example, is expected to increase by 8% over the next decade compared with 5.9% between 1965 and 1979, significantly adding to costs.

Also possibly adding to the higher costs will be increases in the number of physicians and an increase in some services once provided by household members that are now provided by health professionals.

From 1979 to 1990, the total number of practicing physicians is expected to increase by 2.7% compared with a 0.9% growth in the population rate.

This is likely to be associated with increases in per capita and aggregate medical expenditures, the study says.

With regard to fewer household members, an increasing proportion of females in the labor force and an average decrease in household size will result in some long-term care being pushed out of the household.

While the study does not endorse any solutions to the health care cost problem, it does cite a number of ways in which the rate of growth of costs can be slowed. They include pro-competition, cost containment, area-wide budgeting and voluntary efforts by the health care industry.

Some of these have been put into effect with positive results, other government research notes.

One method, successful in some states, demands that limits be set on hospital or physician cost increases.

Another method, using a "consumer choice" approach, allows the individual to pick his or her health care package from a number of options.

But even with consumer choice available, many people continue to pick the most expensive option, one researcher notes.

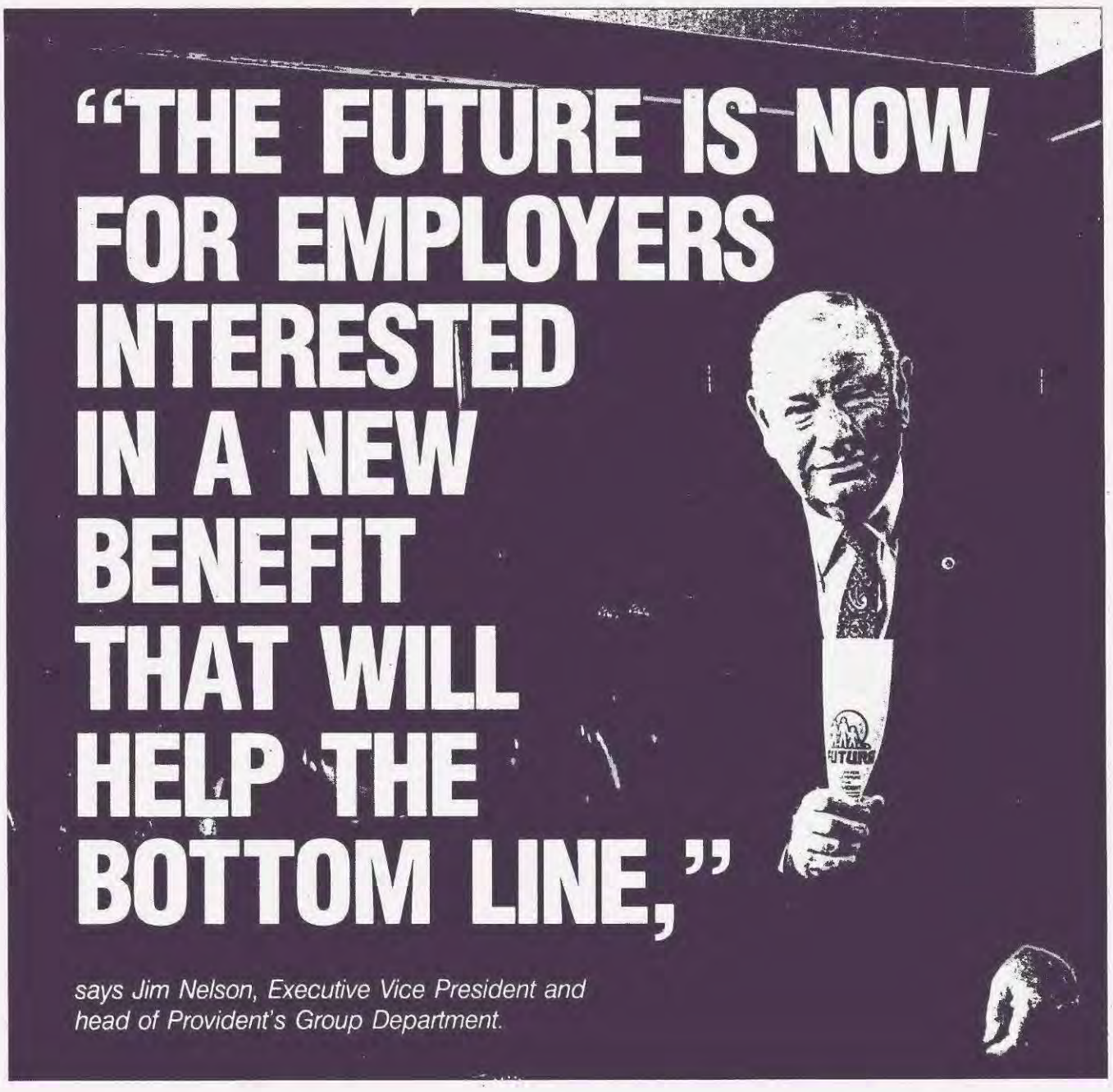
People are often "terrified" of the out-of-pocket health care expenses that can accrue, he says.

Health maintenance organizations may reduce hospital stays and costs to a certain extent but they require further study, the researcher adds. Moreover, they seem to attract only certain types of patients and physicians.

In coming up with their projections, the authors used a number of assumptions about the medical care sector and the economy. The main postulate was, of course, that historical trends and relationships will continue.

Others assumptions include that the health care delivery system will evolve along the same patterns that developed between 1965 and 1979, that no mandatory federal cost-containment program will be put into effect and that no new major, publicly financed program of medical care like national health insurance will be introduced.

In addition, the study postulates that no major technological breakthrough in treatment of acute and chronic illnesses wll occur that significantly affects patterns of morbidity and mortality and that use of medical care, including intensity of services per case, will grow in accordance with historical relationships and trends. ■



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Hospital care, doctors' fees to rise: Study

By STEPHEN TARNOFF

The cost of hospital care and physicians' services, the two biggest health care expenditures, should increase significantly in the next decade, according to a study by the Department of Health and Human Services' Health Care Financing Administration.

In both cost areas, changes in insurance coverage, hospital and physician reimbursement systems and inflation are contributing significantly to the increases.

The anticipated costs are reported in a study entitled "National Health Expenditures: Short-Term Outlook and Long-Term Projections" by researchers Mark S. Freeland and Carol Ellen Schendler.

For hospital care, personal and business expenditures to 1990 are expected to rise to $355 billion from $85 billion in 1979 as per capita expenditures increase to $1,430 from $798.

From 1965 to 1979, hospital costs grew at an average annual rate of 13.8%.

"The primary driving force behind the rapid rate of growth in the intensity of services is the demand for increased quality of care, which is facilitated by a high level of insurance coverage," the study says.

Since people who receive treatment don't directly pay for it but pass the bills to a third party, there is little effort to hold costs down.

"The high level of insurance interacts with our retrospective cost-based reimbursements system, which lacks incentives to provide medical care in the least expensive manner," the study says.

While costs were projected to increase about 14.7% between 1979 and 1981, they have actually risen at a rate of about 19% because of the anticipation by some of mandatory cost-containment efforts, according to researchers.

These higher rates probably will not be reflected in future years, however.

For physicians' services, long-term expenditures are expected to reach $87 billion in 1985 and $150 billion in 1990, compared with 1979 expenditures of $40.6 billion.

The average annual rate of increase is expected to be 12.6%.

Between 1969 and 1979 the average annual increase was 12.4%, stemming in part from higher physicians fees, growth in the number of visits per capita and growth in real expenses per visit.

The study cites one example of increased real expenses due to out-of-hospital laboratory tests, which increased from $850 million in 1972 to $1.5 billion in 1977.

Medical malpractice suits have also resulted in increased fees, particularly because fees were raised to reflect increased costs of higher malpractice insurance premiums.

Like hospital expenses, a large portion of the increases is viewed as resulting from the growth in insurance coverage and fee-for-service reimbursement systems.

Another large jump in expenditures will be for nursing home care, expected to rise to $81.9 billion in 1990 from $17.8 billion in 1979.

Most of the increase will be due to higher prices for nursing home services and demographic factors, the study says.

From 1965 to 1979, the average annual rate of nursing home expenditures rose 16.6%, due mostly to demographic shifts toward the aged, expanded Medicaid benefits and the transfer of patients from mental hospitals to nursing homes.

Dental care costs are also expected to increase significantly. Expenditures likely will rise to $18 billion by 1981 from $13.6 billion in 1979. The hike is expected to be fueled mostly by significant increases in dentists' fees.

Long-term projections show expenditures for dentists' services reaching $30 billion by 1985 and $52 billion by 1990.

The number of dentists is expected to grow by a faster rate than in the past, while private health insurance benefits are projected to continue to finance an increasing share of expenditures.

Expenditures for drugs and medical sundries will climb to $44 billion in 1990 from $17 billion in 1979, the study also predicts, as the portion of the cost paid by insurance will continue to rise.

In 1979, health insurance payments covered 7.9% of the payments for drugs and medical sundries with another 8.4% paid for by the public sector. Approximately 84% was financed by direct consumer payments.

The study assumes there will be a moderate growth in private health insurance coverage for drugs and medical sundries and no significant expansion of benefits through a national health insurance program.

Other areas that are expected to see signficant increases between 1979 and 1990 include:

- Eyeglasses and appliances— to $12.6 billion from $4.4 billion with private health insurance financing a greater proportion of the expenses.
- Government public health activities—to $30 billion from $6 billion. In 1979, state and local governments provided 78% of this care.
- Research—to $14.4 billion from $4.6 billion. From 1965 to 1979, medical research got an increasingly smaller portion of the gross national product. The federal government financed nearly 85% of research expenditures in 1979 and federal expenditures are expected to rise faster than state and private expenditures within the next decade.
- Prepayment and administration—to $33 billion from $7.7 billion. These expenses include prepayment costs of private health insurance organizations, administrative expenses of federally financed health programs and non-personal health expenditures of private voluntary health organizations for health education, lobbying, fund raising, etc.
- Construction of medical facilities—to $12 billion from $5.3 billion. A negative real growth in new construction was projected between 1979 and 1981.
- Other professional services, including optometrists, podiatrists, chiropractors, private-duty nursing and home health agency services not based in hospitals—to $19.1 billion from $4.7 billion. Consumer payments will continue to fund the majority of expenditures for these services.
- Other health services, including public program expenditures not classified elsewhere like care provided in federal units other than hospitals, school health services and industrial in-plant services—to $16.4 billion from $5.2 billion. ■



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Cost-containment groups use varied strategies

Continued from page 13
their dependents is for short-term mental and emotional disorders.

- Substance abusers go into the hospital seven times more often than other people.
- The normal delivery of a baby costs twice as much in a medical school hospital as it does in a community hospital.

This kind of information has proved so helpful to employee benefit mangers and others involved in the design of benefit packages that the most active business coalitions are talking about a national data collection project.

"There is a prospect of funding from some of the major insurance companies including Prudential, Metropolitan, Aetna and Connecticut General," notes Mr. Ozga of the U.S. Chamber of Commerce.

But a lot of questions remain to be ironed out.

"A major question is who would own the data?" points out George Gamble, director of compensaton and benefits for Rockwell International in El Segundo, Calif., and chairman of the Employers Health Care Coalition of Greater Los Angeles, a group with about 35 corporate members. A third party with control over access to the data would be needed, he explains.

"How far do you go—do you focus on hospital costs or also include the rates physicians charge? Every bit of additional information ups the cost of the report," Mr. Gamble explains. A uniform report format would also have to be worked out.

> 'Business is saying we can't live with these costs anymore,' Mr. Gamble says.

The whole coalition movement is in its infancy in terms of what kinds of activities will be most productive, activists agree.

Results-oriented facts and figures are not yet available as coalitions are still busy trying to identify the roots of the health care cost problem.

Among their concrete accomplishments are:

- Development of utilization review programs to monitor what tests and diagnostic procedures are ordered while a patient is in the hospital.
- Providing information to member companies on how to select a health maintenance organization and to evaluate its quality and efficiency of care.
- Education of business executives who are hospital trustees to strengthen their input on hospital boards and reduce their tendency to merely rubber-stamp administrative decisions.
- Publishing of benefits guidelines for employers recommending larger deductibles for inpatient services to encourage higher utilization of outpatient clinics, hospices and birthing centers.
- Tracking health care legislation that could impact benefit plans and costs and lobby legislators to support favorable proposals.
- Participating in community planning for hospitals and other health care facilities, including lobbying of federal health systems agencies to deny certificate of need requests.
- Support for legislation or insurance department actions to reduce the rate of increase in medical malpractice insurance premiums.

"Probably the biggest impact of business coalitions is getting the word out to providers and insurers that we are concerned," says Mr. Gamble. "Up until two or three years ago business dismissed the problem as something it couldn't control. Now it's standing up and saying we can't live with these costs anymore." ■

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Set up goals, cost-control experts say

Out of an estimated 50 business coalitions formed to combat soaring health care costs, only eight to 10 are very active.

That's not surprising since most of the groups made up of the nation's largest corporations are less than 2 years old. And it takes at least that long to get rolling.

But among the veterans who have worked with coalitions for a few years comes this sage advice for successful organization and performance:

"Commitment, dedication and hard work," sums up Russell F. Schuck, manager of employee benefits planning for IBM Corp. and president of the Fairfield/Westchester Business Group on Health in New York.

"You need to capture the interest of one or two chief executive officers who are leaders in the business community," stresses Gerald A. Gleeson, vp for health affairs with the Greater Philadelphia Chamber of Commerce. Some of these executives double as hospital board trustees so their influence is substantial.

Some coalitions have gotten too sophisticated about how they are organized and become bogged down in bylaws and other red tape, notes Jan Peter Ozga of the U.S. Chamber of Commerce in Washington. Coalitions should focus on specific projects and set intermediate goals, he advises.

It's important to have a strong service organization, not just loaned executives, unless their coalition performance is part of an overall job evaluation, adds Mr. Gleeson. Some loaned executives at the end of their careers just don't have the interest, he explains.

There also tends to be a high correlation between coalition activism and the extent to which rising health care costs are a major concern in the community.

A rapidly rising rate of increase plus high utilization spur activity among business alliances.

Finally, patience is good advice.

"This is a long-term process we've gotten involved with," notes Mr. Gleeson. "There are no easy answers and no quick fixes."

The most active business coalitions mentioned by industry observers include: the Fairfield/Westchester Business Group on Health; Penjerdel; South Florida Health Action Coalition; Midwest Business Group on Health; Greater New York Business Group on Health; Michigan Health Economics Coalition; Employers' Health Costs Coalition in San Diego; and the Employers Health Care Coalition of Greater Los Angeles. ■

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Now, however, challenges to this proven method of meeting employers' insurance needs have arisen from several directions. First came the development of the international brokerage conglomerates which **threatens** to swallow up a significant portion of the independent agency system through acquisitions.

With the life companies' and direct writers' penetration into the commercial market sector, there appears to be developing a clearly defined move towards the **centralization of power.** Combined with high inflation and double-digit interest rates, some industry analysts are even suggesting a severe contraction of the independent agency force is near at hand, and that **survival,** not prosperity and growth, is now the core issue.

Assurex International believes this dreary prognosis is contrary to the best interests of our clients and the companies we represent, as well as the hundreds of thousands of dedicated men and women in our industry. We also are confident that the forecasted result can be avoided.

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Federal fund cutback may slow HMO growth

By JERRY GEISEL

WASHINGTON—Health maintenance organizations will be playing by different rules in a new marketplace in the 1980s.

Touted by three administrations as the health care delivery system that could offer better care at a lower cost, scores of HMOs have sprouted across the country during the last six years.

Now, with the federal funding spigot being turned off and private funds not exactly gushing, the number of HMOs may actually decrease in the next few years, experts say.

In 1975, the first year the federal government began to pump millions of dollars in grants and loans into HMOs to encourage their development, there were only 142 HMOs serving 5 million people.

Today, after six years and about $300 million of federal nourishment, there are now 243 HMOs that serve 10.2 million.

But the federal engine that helped power this enormous growth is being turned off. Grants for new HMO start-ups have been eliminated, while loans have been cut back. The government, once the greatest source of financial and political support for HMOs, says it's time for private industry to play the lead role in HMO development.

"HMOs can be financially self-supported institutions developed without continued federal subsidies," the Reagan administration said earlier this year when it announced the new federal policy on HMO development.

Private industry has responded —with mixed emotions.

In the wake of federal cutbacks, several insurers announced ambitious plans for starting new HMOs to help fill the developmental vacuum.

Prudential, which operates six HMOs through its Prucare subsidiary, says it plans to develop two new HMOs per year. INA, which operates HMOs in Spokane, Wash., Los Angeles, Phoenix and Miami, Tampa and Clearwater, Fla., is developing new plans in Dallas and Tucson, Ariz.

Blue Cross/Blue Shield—the nation's largest HMO operator with 70 —has another 25 planned, although not all may become operational.

But some insurers are pulling out. SAFECO Life Insurance Co. in Seattle wants a buyer for its 7-year-old HMO, United Health Care Corp., which has 41,000 members in California, Washington and Oregon. UHC has lost more than $1 million during the last two years, President Bob Gregory says.

Connecticut General, which operates HMOs in Columbia, Md., and Phoenix, Ariz., has no plans to expand. Wausau Insurance Cos. is concentrating on finding better ways to control costs at its seven HMOs in Wisconsin instead of expanding, according to Jeffrey Zriny, director of insured HMOs.

Other major health insurers, including Aetna Life & Casualty Insurance Co. and The Travelers Insurance Cos., say they have no plans to enter the field.

The high start-up costs and losses during an HMO's first few years of operations will make private investors much more selective than the federal government was in developing HMOs, said Roger Birnbaum, president of the Rutgers Community Health Plan, a highly regarded HMO in New Brunswick, N.J.

"You may see more people in fewer HMOs," added Sam Havens, president of Prucare, the Prudential HMO subsidiary.

This trend may already have begun. The latest HMO census published this month by InterStudy, an HMO research organization in Excelsior, Minn., found enrollment rising in the last year to 10.26 million from 9 million, a 13.2% increase.

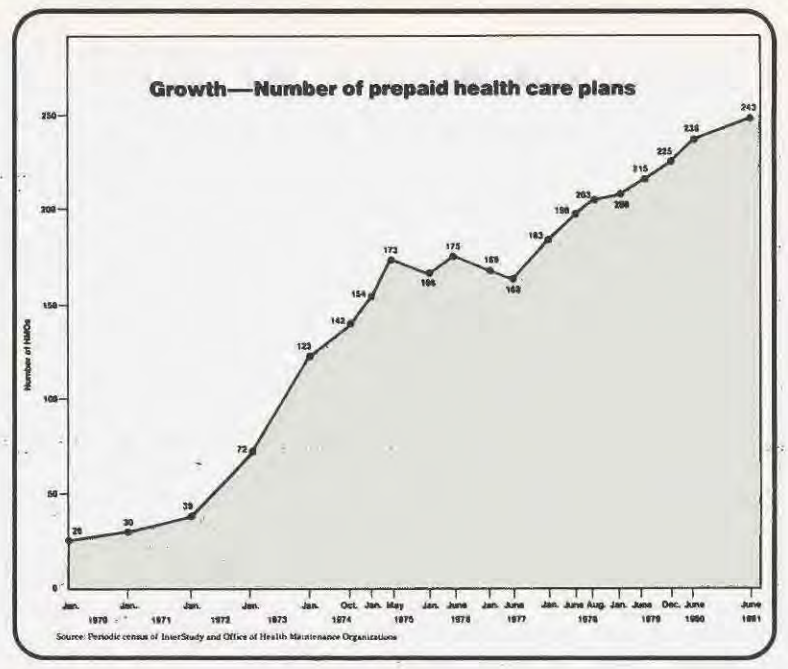
At the same time, the number of plans rose by just 3% to 243 from 236. That was the smallest percentage increase since 1978.

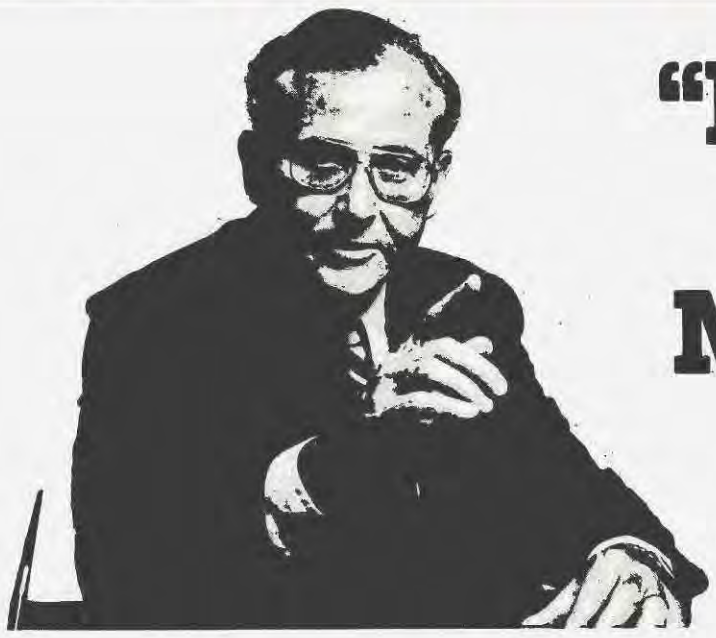
Some benefit managers, who were among the major supporters of HMOs during the boom years of the 1970s, are now raising new questions because of a burning new HMO issue: insolvency.

Thousands of employees around the country have been stuck with hundreds of thousands of dollars in unpaid medical bills after HMOs went bankrupt.

And HMO insolvencies—a problem some benefit managers believe can be traced to previous administrations that were more eager to promote HMOs than to protect members—are on the rise.

Continued on next page





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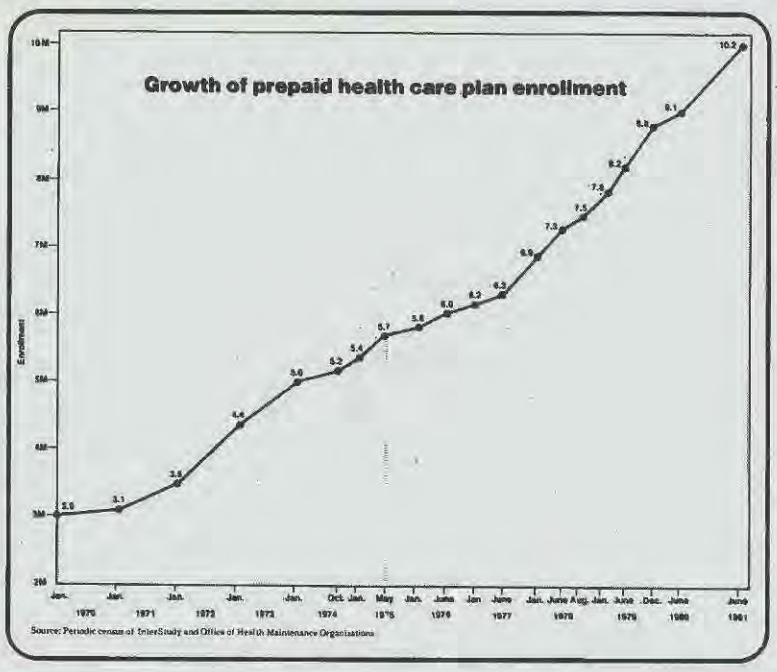
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HMO insolvency on the rise

Continued from previous page

In 1980, four HMOs folded while nine HMOs have gone under so far this year, according to the federal Office of Health Maintenance Organizations.

The HMO office's statistics don't include financially troubled HMOs that were taken over by other HMOs or other health care providers.

"I'm very concerned about the insolvency issue. We want protection for our employees," said Charles Romeo, benefit administrator for Hunt-Wesson Foods Inc. in Fullerton, Calif. "We are a little gun-shy after reading about all these insolvencies."

The rising number of HMO insolvencies has made corporations much more choosy in selecting HMOs. "We are very supportive of HMOs, but we also are cautious," said Paula Roe, benefit manager at Dayton-Hudson Corp. in Minneapolis.

Dayton-Hudson, for example, wants positive answers to these questions before it will consider allowing an HMO to serve employees:

- What kind of rates is the HMO charging? Rates that are too high or too low may be a sign of bad management.
- What kind of benefits are offered?
- What has been the experience of other employers with the HMO?

HMO industry experts are aware that the growing number of insolvencies is staining the reputation of HMOs, but they believe the problem may ease in the future.

"In my 10 years in the HMO business, the single greatest reason for failures has been bad management," said Lawrence Kugelman, president of INA Health Plans of California in Los Angeles. "The field hasn't attracted enough people who can run a business at a profit."

Yet for all the current problems facing HMOs—drying up of federal funds, difficulty in attracting private capital, insolvencies—HMOs still may offer the best hope for controlling health care costs.

From June 1980 to June 1981, the average monthly family premium for an HMO increased just 9.9%, rising to $132.20 from $120.30, according to a survey conducted by InterStudy, the HMO research group.

This 9.9% increase contrasts sharply with the 20% to 25% rate hikes imposed by indemnity health insurers during the last year.

And HMOs should continue to do a better job of keeping the lid on cost increases next year. According to a survey of 47 HMOs conducted for *Business Insurance* by the Group Health Assn. of America, an HMO trade group, HMOs are expected to raise rates by an average of 14.8% in 1982. That is considerably less than the rate hikes anticipated by insurers.

Some HMO rate hikes will be considerably less than that 14.8% average. For example, the rapidly growing Harvard Community Health Plan in Boston expects its current $139 monthly family premium to rise just 7.5% next year, according to Kathleen Crampton, director of member and community services.

The ability of HMOs to keep cost increases below insurers' rate hikes makes some industry experts bullish about future growth in surviving HMOs.

"HMO growth will be dramatic," said James Doherty, executive director of the GHAA, the HMO trade association. "Estimates of 20 million people covered by HMOs by 1990 should prove to be very conservative."

Firmly established, well-run HMOs have already scored impressive enrollment gains. For example, the Rutgers Community Health Plan has seen its enrollment jump to 42,000 since it opened its doors just five years ago. The Harvard Community Health Plan, which has gained a national reputation for the quality of its health care services, now has 112,000 members, up from 92,000 last year, a 21.7% increase.

HMO enrollment growth in booming Sun Belt cities has been especially high. For example, Prucare of Houston has seen enrollment rise from 2,800 in 1976 to more than 61,000 today. Similarly, in its one year of existence, Prucare of Austin's membership has soared to 18,000.

Sun Belt states are a lucrative target for new HMOs because large immigration means many people don't have long-established ties with health care providers, said Prudential's Mr. Havens.

For now, the immediate future of HMOs is cloudy. The end of the federal largess means smaller, poorly run HMOs that cannot attract private investment capital will either fold or be taken over by their larger, better-run counterparts.

But this shakeout, which experts say is natural in any developing industry, eventually will produce a more stable HMO environment where success will depend on operating efficiency instead of the ability to collect federal handouts.

"Good HMOs will survive and prosper," said Paula Roe, the benefit manager at Dayton-Hudson. "Businesses are run better without subsidies." ■

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Flexible benefits can reduce costs, over the long term

By STEVE SHERWOOD

LINCOLNSHIRE, Ill.—Although flexible benefit plans may cost a bit more to set up, the availability of employee options may help spur long-term cost savings, consultants and benefit managers say.

But while cost containment is a major goal of flexible or cafeteria benefits, it often takes a back seat to other benefit plan targets.

These goals, according to consultant Thomas E. Wood, senior partner at Hewitt Associates, include:

- Increasing the perceived value of benefits to employees.
- Providing more satisfaction per benefit dollar.
- Responding to demographic changes in the workforce.
- Showing employees they picked a good place to work.

Hewitt Associates, based in Lincolnshire, is the nation's top consultant on flexible benefits and has helped 92 employers set up such plans. Of these, 10 are now in operation, five are ready to go and others are being prepared.

A spokesman says the firm knows of only two plans now being set up in which it had no part.

"The object of some flexible benefit plans is cost containment, not with the idea of taking something away, but with the idea of slowing down escalating benefit costs by making what is spent more effective in the eyes of employee," Mr. Wood says.

"This is done by allowing them to choose the benefits they consider to be most valuable and to do so without costing the company anything, simply by adding it as an option employees can buy."

Under a flexible program, workers are generally given a package of benefits with basic and optional items. Basics may include a core plan of medical, life and disability insurance and vacation and retirement benefits. Optional items could include dental insurance, vision care, day care, additional vacation, a lower deductible for the medical plan and some form of profit-sharing or savings plan.

Employees "buy" the options with flexible credits, payroll deductions or even after-tax dollars in some cases.

Creating flexible benefits may mean shrinking a previously offered benefit in some cases and giving the difference to employees in "flex-dollars."

For example, a first-dollar major medical plan might be reduced to a core plan with a $400 deductible. Employees would then be able to use flex-dollars to buy back the first-dollar coverage or keep the $400 deductible and apply the benefit credits elsewhere.

Other employers might decide to improve employee benefits but keep added improvement costs to a minimum. Rather than shrink the previous package to a lesser core, they may add dental insurance, day care benefits or a better pension plan as options employees can buy.

Another approach is to develop benefit options within an existing program, some with greater value than present coverages and some with less.

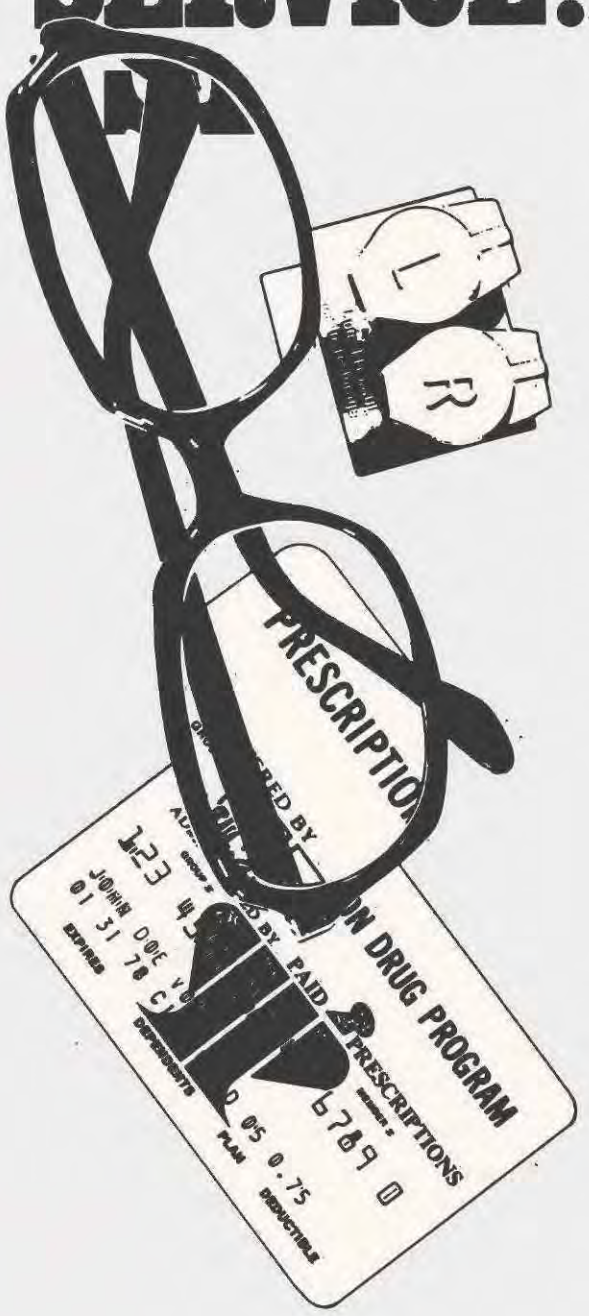
If an employee wants greater coverage than before, he can opt for it and pay the difference through a payroll deduction. If the employee wants less coverage, he can opt for it and take the difference in cash or credits for other benefits. Otherwise, the program remains the same.

Still another method is to allow employees, either individually or collectively, to take a salary cut and use the money for better benefits.

"Each employer's plan is custom-made," Mr. Wood says. "They are not something you can buy off the shelf. You can have a complicated or a simple plan and costs are related to what you choose to do. One of the working definitions of a flexible plan is that it does not involve purely employee money."

Continued on page 26

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Flexible plans cut costs for some firms

Continued from page 22

Employers are also using flexible benefits to accomplish specific human resource goals, including improving employee relations and balancing benefits costs among all employees.

"Girard Banks in Philadelphia is a good example," Mr. Wood says. "Through a flexible plan that takes effect Jan. 1, the company hopes to achieve pay equity so that all who work there get the same number of credits whether they are married or single."

Girard's original benefit plan was designed in the 1940s for married male workers with two or three children, explains Thomas Crowell, senior personnel officer. "But our workforce is not the same anymore. We have more than 60% females, many of whom are second-wage earners."

Many Girard employees did not want the full medical coverage offered because they were covered under a spouse's plan, he says. In addition, while single employees were paid the same as married workers, the value of benefits they received was less.

"The feeling was that we should have equal pay for equal work and that this should carry into the benefits field," he explains.

So, Girard will reduce its present benefits to a core and give the difference to employees in flexible credits with no subsidy for family status.

Girard's 3,500 employees will choose from among five health maintenance organizations, a $250 deductible health insurance plan, improved short-term and long-term disability coverage, salary continuation coverage, additional life insurance and an optional profit-sharing plan.

Those who so desire can purchase up to five weeks of vacation and bank up to 12 weeks vacation over a period of years.

"We did not include the retirement program as an option because we felt it relates equally to all employees and one benefit area in which someone may make a wrong choice," Mr. Crowell says.

Cost containment is not the primary purpose, he adds, "but down the road the plan could give us more control over costs. As new benefits come along, if the corporation does not see its way clear to subsidize them, they could be added as options."

Northern States Power Co. of Minneapolis reduced its previous benefits at the beginning of this year and gave the difference to its employees in flex-dollars, says Tom Grass, flexible benefits coordinator. "Certainly, holding down escalating costs of benefits was one goal," he notes.

Northern States began toying with the idea of flexible benefits two or three years ago while looking for a way to improve its medical insurance and pension package, Mr. Grass explains.

"In the traditional way it would have meant increasing pensions and the medical plan at great cost to the company."

Under the flexible plan, the company's total benefits expense is the same, but priorities are shifted. The utility's 3,400 salaried employees were given options to use credits for better medical coverage, disability, a retirement savings account and extra time off.

The previous medical plan, for example, provided annual deductibles of $50 per person and $100 per family. The new plan offers choices of no deductible at all to a $400 per person, $800 per family deductible. Four HMOs are also available.

"We hope to add benefits in the future. Dental insurance, life coverage, deferred compensation and day care are all possibilities," Mr. Grass says.

Future savings are a likely by-product of Loews Corp.'s Beneflex plan, but the company's major goal is to better use the money it spends on benefits, says Kenneth Abrams, personnel vp for the New York-based hotel and theater chain.

"We knew going in that it would cost us more because we wanted to improve a variety of benefits."

On Jan. 1, Loews' 3,200 employees will receive 3% of their salary in flex-dollars. One percent will automatically go into a retirement savings plan. The other 2% can be spent on options to supplement the chain's basic benefits plan.

Options include lowering a $500 deductible for the basic medical plan to $400, $300, $200, or $100, buying a week of vacation or disability coverage. Whatever a worker doesn't spend automatically flows into the savings plan.

Employees are enthusiastic about participating in benefit decisions, Mr. Abrams says. "I think the plan will have a real effect on our ability to recruit and retain employees."

An auto parts manufacturer in Lichfield, Mich., has also turned a 1969-vintage benefits package covering its 450 salaried workers into one it considers fit for the 1980s by making it flexible.

"We had a two-pronged reason for doing this," says Robert Nevarre, president of Simpson Industries. "First, we were concerned about what inflation was doing to our pension plan. Second, our first-dollar medical coverage was no longer comprehensive enough and the company was paying too much of the cost."

The company decided to upgrade its pension plan and share medical expenses with its workers.

"Since 1969, the employee contributions had not changed while medical costs to the company had increased dramatically," he says.

"We went from first-dollar coverage to a deductible of $200 per person and $600 per family per year. In addition, the employee contribution was raised from $5 to $10 a month."

To help offset the additional worker cost, each employee is annually given a $400 credit to pay medical expenses that fall below the deductible. If not used, it automatically goes into their retirement savings account.

Mr. Nevarre says these measures and the addition of a savings plan to enhance the pension plan, which was once based on a career income average but is now based on a final five-year income average, are aimed at cost containment.

"They put some of the responsibility for benefits back to employees."

Employees' share of benefit costs will likely continue to grow in the future through flexible plans, Hewitt's Mr. Wood says.

"Some employers are looking at deductibles for medical plans as high as $1,000," he says. "This indicates that exploration is going on and shows what employers may do." ■

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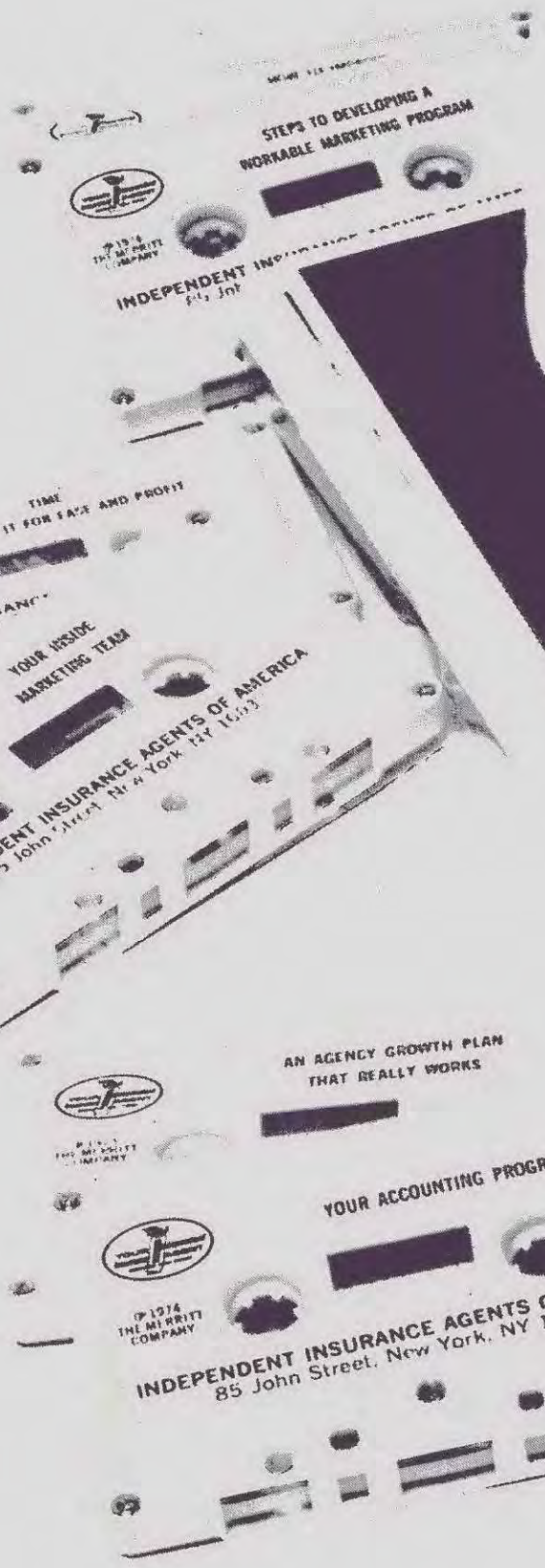
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Flexible group life coverage coming

By JOHN W. MILLIGAN

NEW YORK—Group life insurance, the mainstay of the corporate benefit menu, may soon become just another entree in cafeteria-style benefit plans.

Some workers may even have to start picking up the check for their life insurance coverage.

In the coming years, many employees will be able to choose from varying levels of group life coverage in flexible benefit plans, or trade some coverage for a separate benefit, benefit managers and consultants say.

And some employees may find that life insurance benefits once provided by their employer will be replaced with payroll deduction plans under which the employee will pay the premium.

> Paul Anderson of Aetna Life Insurance Co. thinks the day of flexible benefits is coming. 'Cafeteria plans, I think, are a thing of the future.'

This move, insurance industry officials say, is one way employers will try to hold down the high cost of employee benefit plans.

But life insurance isn't where most of the employers' costs lie. Due to a highly competitive marketplace and improved mortality rates, group life insurance rates have dropped steadily in recent years.

The coverage is generally seen by brokers, consultants and insurance company executives as a more profitable—and stable—product than its group health counterpart. This makes competition for the product even more intense, tending to keep rates moving downward.

In the average employee benefit plan, group life insurance generally is offered to the employee in an amount equal to his salary. If the employee makes $18,000 a year, he receives the same amount in group term life insurance at no cost.

Many benefit plans also allow the employee to purchase additional increments of coverage through payroll deduction at very low rates. These coverages maybe raised or lowered to keep pace with the employee's changing needs.

Flexible benefit plans of the future, called cafeteria plans by consultants, will go one step further.

As corporations develop more flexible benefit programs, employers will offer a core benefit program at no cost to employees, explains Paul Anderson, director of Aetna Life Insurance Co.'s employee benefit division.

This plan might include, among other benefits, term life insurance in an amount equal to the employee's salary.

The employee often would then have the option of purchasing additional increments of coverage according to his or her individual needs at low group rates.

The same employee may have a second option, too. He or she could elect less than the term life coverage offered in the core program.

For example, an employee who makes an annual salary of $20,000 may decide that he or she does not need $20,000 in term life protection. The employee may choose only $10,000 in coverage and spend the balance on another benefit.

This might include dental coverage, an investment option, extra vacation time or cash.

This approach is limited to "very substantial" benefit plans at large companies, Mr. Anderson says, and he estimates that Aetna insures only "half-dozen or so" true cafeteria plans.

Yet he does not doubt that its day is coming. "Cafeteria plans, I think, are a thing of the future," Mr. Anderson says.

TRW Inc., a Cleveland-based manufacturer with diverse activities including auto and electrical/defense products, has had a flexible benefit plan since 1976.

The plan, covering some 17,000 TRW employees, offers numerous group term life insurance options built around a core benefit of 1¼ times annual salary.

This coverage, says Shirley Curry, TRW's director of employee benefits and designer of the cafeteria-style plan, is provided at no cost to the employee.

Built around this core offering are eight separate group life options, she explains.

Continued on page 32

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Traditional group life coverage changing

Continued from page 30

The first two options are $5,000 in life coverage regardless of salary or coverage equal to a half of annual salary, both provided at no cost.

Next comes the core coverage, she says, followed by six additional options up to a maximum of five times salary.

The last six options are purchased by the employee through payroll deduction.

Employees who choose either option one or two also receive a credit, Ms. Curry says.

These credits may be taken in cash or used to purchase improvements to the health care plan or supplemental accidental death and dismemberment insurance, she explains.

Ms. Curry says the most popular option among employees at this time is the core, 1¼ times annual salary coverage funded by the company.

Flexible benefit plans, however, are not yet growing rapidly (see related story, page 34).

One company that has put just such a flexible benefit plan on the "back burner" is Lockheed Aircraft Corp. in Burbank, Calif.

Lockheed conducted a study of a possible cafeteria plan last year before deciding it is "not for us," according to Earl G. Mink, group insurance manager.

The company does not argue with this approach on a philosophical standpoint, but believes it is hard to put in place.


Mr. King

"It's kind of like what Will Rogers said about the weather: Everyone talks about it, but nobody does anything," says Mr. Mink.

A second cost containment trend in group term life insurance coverage is to have the employee pay for it himself through payroll deduction.

Donald R. King, senior vp of the New York-based brokerage firm of Corroon & Black and president of its benefits group, says workers will see many more such plans in the future, especially at the small and medium-sized companies.

Mr. King describes this as more of a "company-sponsored" term life insurance program than a "pure group" plan.

In this instance, the employer makes term life insurance available to the employee at lower group rates although the employee actually pays the premium through payroll deduction.

While the coverage is no longer provided by the employer as a no-cost benefit, the employee can still purchase "a quality product at a lower price than he could afford on his own."

Mr. King expects to see more such plans offered from a "defensive standpoint," as a way to keep costs down.

"We see some employers thinking in these terms: 'Look, this is one way of controlling what we have to do in the future,'" Mr. King explains.

This is a tune many benefit consultants are singing to employers now, agrees Ernest Reach, group insurance manager at the New York-based U.S. Industries.

More and more consultants, says Mr. Reach, are telling employers that they should provide benefits —including life insurance—that the employee can pay for.

Such a benefit also can have "portability," Mr. Reach adds, allowing the employee to take the policy with him should he leave the company. The employee could pay the premium directly to the insurance company and keep the low group premium rate.

While many employers are now talking about new ways of funding and offering life insurance benefits, health insurance is still the main problem as health care rates and insurance costs continue to increase.

Life insurance sometimes plays a role in health benefit cost containment by providing a negotiating edge for employers willing to buy a benefits package from one insurer.

When sold separately from group health insurance, says Aetna's Mr. Anderson, group life insurance is a "very competitive product."

With a lower overhead, and perhaps content to live with a smaller profit margin, smaller U.S. insurers as well as Canadian markets are "extremely competitive," he explains. "Their rates are very low."

But, in general, group term life coverage is sold along with group health coverage in a package deal by the larger life insurance companies. And despite its competitiveness, it is still seen by most experts as a more profitable product than group health coverage.

With most benefit plans, says Bill Caulfield, second vp of group insurance marketing at the John Hancock Mutual Life Insurance Co., financing for group life and health are generally lumped together in one premium.

Mr. Anderson sees group life as a more stable product that tends to "offset" the less stable group health offering. If an employer's group life insurance is profitable for an insurer but the employer's group health plan loses money because the insurer underestimated health care costs, the employer's premium won't increase as much as if the health insurance were sold alone.

"I think generally that group life is a stablizing product," he says.

Benefit managers have been known to use group life's traditional profitability as leverage when shopping for an employee benefit package, offering an insurer their company's life coverage if rates for the group health coverage are shaved a bit.

"That element always creeps in," notes Mr. Caulfield. He is quick to add that often the insurer itself may offer a better deal on a complete package.

"The buyer may apply some pressure, and then again he might not have to," he said.

While such tactics may still be used from time to time, those days are coming to an end, agrees William W. Mauke, senior vp for group insurance at the Guardian Life Insurance Co. of America.

The group life insurance product no longer contains as much "fat" as it once did and life can no longer carry health in a package partnership.

"Both products must stand on their own," Mr. Mauke says. ■

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Rough economy taking toll on some benefits

By JAMES LAWSON

NEW YORK—A large conglomerate in the Northeast earlier this year considered introducing a new dental plan and upgrading its group life insurance benefit for 6,000 employees at a packaging subsidiary.

But when the company reviewed the cost of enriching its benefit plans, it decided it couldn't afford it until the end of fiscal 1982.

The company isn't alone. A soft economy, rising interest rates that have tightened the money supply and corporate budget problems have prompted companies to delay plans for new or expanded benefits, swap benefits for cash or consider adding benefits for which employees share the cost.

Mario Caldarone, vp and division director of group benefits for Meidinger Inc., a benefit consulting firm based in Louisville, Ky., says employers are becoming more aware of benefits costs.

"There is more emphasis on cost than new programs," he says. "Some employers are even looking to cut back on some types of benefits. Not only are employers cost-conscious, but so are employees." The union at one company, Mr. Caldarone says, put aside a dental plan in lieu of more money.

New benefits are rarely completely employer-paid.

American Can Co., the large Greenwich, Conn., container and packaging manufacturer, is adding an adoption plan and a computerized financial planning benefit to its flexible benefits package. Both benefits will be offered early next year, but participating employees will share in the cost of the financial planning benefit.

The self-funded computerized financial planning benefit is expected to cost American Can $50,000 a year, says Robert H. Felder, the company's director of salaried benefits.

The plan is administered by The Consumer Financial Institute, a Boston firm. The service costs $100 per employee, $52 of which is paid by the company.

While cost-shifting works for some employers, others turn to concessions and trade-offs.

Troubled Pan American World Airways recently asked its 18,000 unionized employees to accept a 10% wage cut and a one-year freeze on wages in exchange for a new Employee Stock Ownership Plan.

The plan, says Pan Am spokesman Merle Richman, will save $200 million and will allow it to meet bank credit requirements.

Details of the ESOP are still being worked out, but it is expected to be offered as a benefit early next year, says Mr. Richman.

Some non-unionized employers may take more drastic steps.

One small, troubled Cleveland employer decided to drop some employee benefits rather than reduce its workforce. The employer eventually was forced lay off some workers, but managed to keep them working longer than they may have with at anothe firm.

The economy in general, says Jerome A. Buckley, vp of group insurance marketing for the Metropolitan Life Insurance Co. in New York, has employers:

- Wanting their employees to share the cost of benefits.
- Providing incentives to employees for using some benefits more wisely.
- Delaying some new kinds of benefits.
- Self-insuring some plans.

Subsidiary benefits—non-essential benefits like vision care and group legal and group auto insurance—usually are the first benefits to be shoved aside when an employer's budget tightens, industry officials say.

Dental care plans, while increasing in popularity and rapidly becoming a benefits package mainstay, often are sidelined, too.

"Dental plans tend to be very expensive to establish," explains Neil Burger, a senior vp with Martin E. Segal Co., a benefits consulting firm. "The first-year experience usually is more expensive because everyone puts in claims. They all want to get their teeth fixed" (see related story, page 34).

Cost-containment policies with defined benefits may become more popular as more employers begin to understand their insurance costs and their effect on a company's financial makeup, they say.

"A company's decision to put benefits on the back burner is not so much a reflection of the economy, but a reflection of their own personal financial standing," Mr. Burger says.

A weak financial standing in a weak economy can be all it takes to prompt some employers to change their thinking on benefits, he concludes. ■

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Dental plans remain popular with employers, employees

By EILEEN NORRIS

Group dental insurance is one employee benefit that continues to flourish, despite the aches and pains afflicted on employers by the shrinking economy.

The reason for the non-stop growth?

Group dental insurance is a benefit that is visible, has a high utilization rate and, in comparison to other employee benefits, is relatively cheap for employers to buy.

While general medical insurance rates continue to rise steeply, dental insurance costs have grown much more slowly, thanks to cost-containment measures built into the standard policies.

Dental coverage's popularity is also giving companies the added edge they need to lure a competent work force, insurers and consultants say.

Indeed, dental insurance is the fastest growing employee benefit in the United States. At least 100 million people will be covered by group dental plans by the mid-1980s, says Joseph H. Walton, director of marketing for group insurance operations at Connecticut General Life Insurance Co, one of the top five commercial insurers offering group dental coverage.

About one-third of the population is covered by employer-paid dental plans. Such growth would be a tribute to any benefit in this "comme ci, comme ca" economic market, adds Mr. Walton.


Mr. Walton

The first and biggest cost worry an employer may encounter in starting up a group dental plan is in trying to determine how many employees have neglected their teeth, says Mr. Walton.

Actuaries can easily predict the utilization of a plan, but trying to determine how many employees have failed to take care of their teeth will ordinarily help to determine the risk to the employer, he says.

Employers can expect that dental plan costs may be higher initially than after a plan has been in effect several years. First-year claims are inflated by the dental treatment employees previously delayed, consultants say.

Most employers try to share costs with employees. On the average, dental coverage will cost an employer about $200 to $300 annually per employee and dependents.

Though group dental plans vary slightly, most employer plans cover preventitive work at 100%, basic work at 70% to 85%, major work at 50% to 60% and orthodontics at 50% to 60%.

If an employer paid all of the premium, experts say it would cost a company almost $800 a year for each worker and his dependents to be insured under a dental plan.

Most group dental plans also have maximums limiting the benefits to $1,000 or less a year per employee, according to Hewitt Associates, a Lincolnshire, Ill.,-based employee benefits consulting firm.

Deductibles and cost review practices also help keep costs down.

A benefit manager can control the cost of dental insurance by having workers kick in an annual deductible of $50 to $100 for work other than preventative care—which typically includes an oral exam, X-rays and teeth cleaning, insurers advise.

Screening dentists' fees to make sure the charges are reasonable and customary is an obvious cost-containment measure, but many employers have gone a step further and now require a predetermination or estimate of what work the dentist proposes for treatment costing more than $150, adds Gary Schade, director of claims relations in Aetna Life & Casualty Insurance Co.'s employee benefits division.

An alternate benefits provision



in a plan can also help an employer rule out "Cadillac treatment" when less expensive treatment will do the job just as well, he explains.

For example, a worker who has three back teeth missing could have a removable denture made for $500 or get fixed bridgework that will most certainly cost at least $1,000, said Mr. Schade.

"An employee can still go ahead and get the fixed bridgework, but if we decide we'll only pay for the removable denture, the employee can expect to share in the cost difference," said Mr. Schade.

"When we review a case for predetermination of benefits, we don't always approve the least expensive way to go," he added. "It's decided on an individual basis."

Other areas of employee benefits, like medical services, would do well to look at provisions in group dental plans, he adds.

Prescreening of treatment could cut down on excessive medical claims, too. For example, an employee who wants an expensive operation performed for his or her nearsightedness may be treated with an alternate benefit as simple as an inexpensive pair of eye glasses.

Aetna covers some 7 million employees and their dependents under its group dental plans—half the number covered under the insurer's medical plans, says Mr. Schade.

A "pretreatment statement" is important, especially on major dental work, agrees Mike Manley of The Travelers Insurance Cos.' group health insurance department.

"Our plan pays for high-quality care, but there are various ways of treating. We won't pay for a porcelain crown in the back of the mouth when a gold crown would do the job for a lot less money," he says.

> 'When we review a case for predetermination of benefits, we don't always approve the least expensive way to go. It's decided on an individual basis,' Mr. Schade says.

Delta Dental Plans Assn., a Chicago-based trade association representing dental prepayment organizations in 43 states, also recommends post-treatment screening to help keep down costs.

"We like to keep close track of the patterns of utilization and regularly screen employees on a random basis to see how their dental work was performed and if it was handled professionally, said Jim Bonk, executive director of the association, which covers some 17 million people at an average charge of about $15 to $18 a month per employee.

Why would employers want to consider a dental plan—especially in today's recession-packed environment?

Overall cost control is a good reason.

Connecticut General says that because of dental disease, more than 100 million working hours are lost in business and industry every year.

Research also suggests that dental problems account for 12.6 days of restricted activity and 4.7 days of bed disability per 100 persons per year. What's critical is that most dental disease can be prevented by regular care and early treatment, says Connecticut General. ■

Consider dental plan carefully

Considering a dental plan for your employees?

If so, brokers and consultants suggest you answer these questions:

- Will a dental plan satisfy benefit objectives?
- Is a dental plan a viable way to expand benefits?
- Does the employee group want a dental plan, as compared with alternative uses of the employer's dollars?
- Can the employer afford a dental plan, including administrative costs?
- Does the employer need a dental plan to compete for trained personnel?

"Competition," says John Aggen, vp and manager of employee benefits group sales for broker Fred S. James & Co. Inc., "is what's making group dental more and more popular."

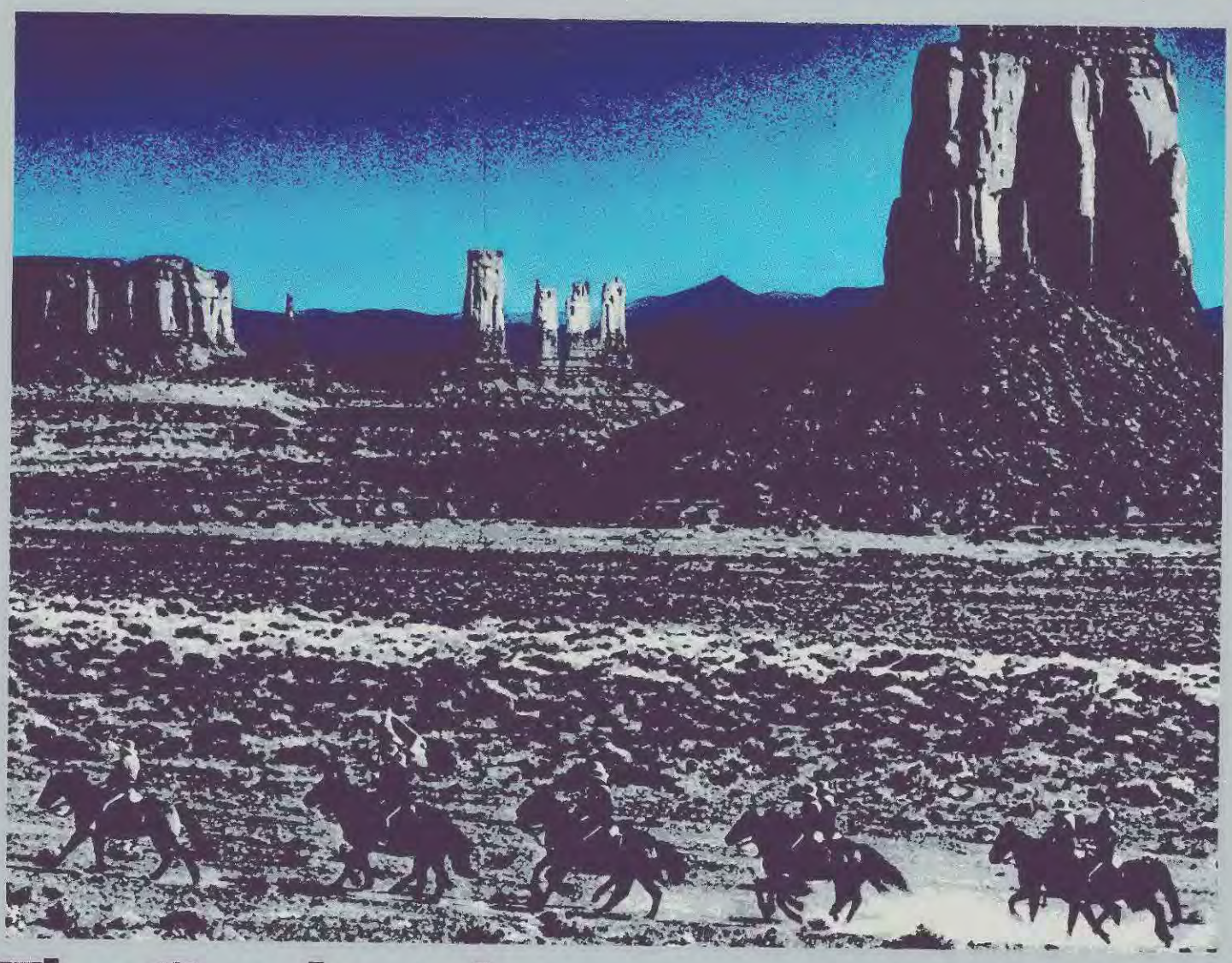
Studies also show that two-thirds of the largest companies offer dental plans for their workers, while 40% of the medium-size and 35% of the smaller employers do.

According to a 1980 Hewitt Associates survey of 454 major employers, 71% had some type of dental plan but only 22% were part of the employer's medical benefit package.

Employers should begin a group plan slowly, but any company that doesn't include preventitive dental work at 100% coverage is asking for more major "bucks" later on with restorative care, says Mr. Aggen.

About 60% of the dental plans are insured by life and health insurance companies and 25% are enrolled in plans sponsored by state dental associations.

Some 10% are in Blue Cross/Blue Shield programs and 5% are self-funded programs or programs through health maintenance organizations.



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Temporomandibular Joint Dysfunction is a disease in search of its true identity.

TMJ, as it is more commonly called, is a medical and dental problem. And that's only where the pain begins.

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Employers, insurers and dental professionals are divided over how to treat the disease and if, in fact, the dysfunction should be a covered employee benefit at all.

TMJ is the misalignment of the upper and lower teeth that involves how the jawbone connects to the skull.

Dental experts say the disease can result in headaches, backaches, earaches, locked jaws and grinding of the teeth.

All agree TMJ can be a legitimate disease that requires some kind of treatment, but there's no consensus on how to treat it, who should pay for it or even if TMJ treatment should be an insured benefit at all.

Complicating the diagnosis of the disease and disagreement over treatment is an employer request for coverage. Companies are telling insurers that more and more workers are filing claims for TMJ treatment and most are being refused payment.

"The problem is TMJ falls between medical care, dental care and orthodontal services," says Gary Schade, director of claims relations in the employee benefits division of Aetna Life & Casualty Insurance Co.

Treatment is aimed at correcting the patient's bite, usually by inserting a plastic splint into the mouth, he said. Cost estimates for treatment range from $75 to $1,500.

TMJ is covered under Aetna's orthodontics program, usually at 50% or 60% of the cost, to help correct the pain and discomfort associated with the disease, but there are limits to the treatment, he said.

Aetna's trouble starts when the dentist or physician making the diagnosis, decides the treatment should include biofeedback or acupuncture, which Aetna will not reimburse, he said.

The insurance company will recognize charges for muscle relaxants and diagnostic X-rays, but that is paid for under Aetna's medical plan.

Another problem with TMJ is that the dental profession hasn't really defined appropriate treatment for the dysfunction, says Joseph H. Walton, director of marketing for group insurance operations at Connecticut General Life Insurance Co.

Coverage for TMJ is a standard exclusion in most of CG's group dental contracts, explains Mr. Walton.

He said CG has been telling its customers requesting coverage to wait until the medical and dental professions decide how the disease should be treated or not treated before obtaining extra coverage.

Delta Dental Plans Assn., a trade group in Chicago that represents not-for-profit health care prepayment organizations in 43 states, also does not cover TMJ, said Jim Bonk, the groups's executive director.

"We believe it is logically a medical problem and not something that should be covered in a group dental policy," he said.

—Eileen Norris

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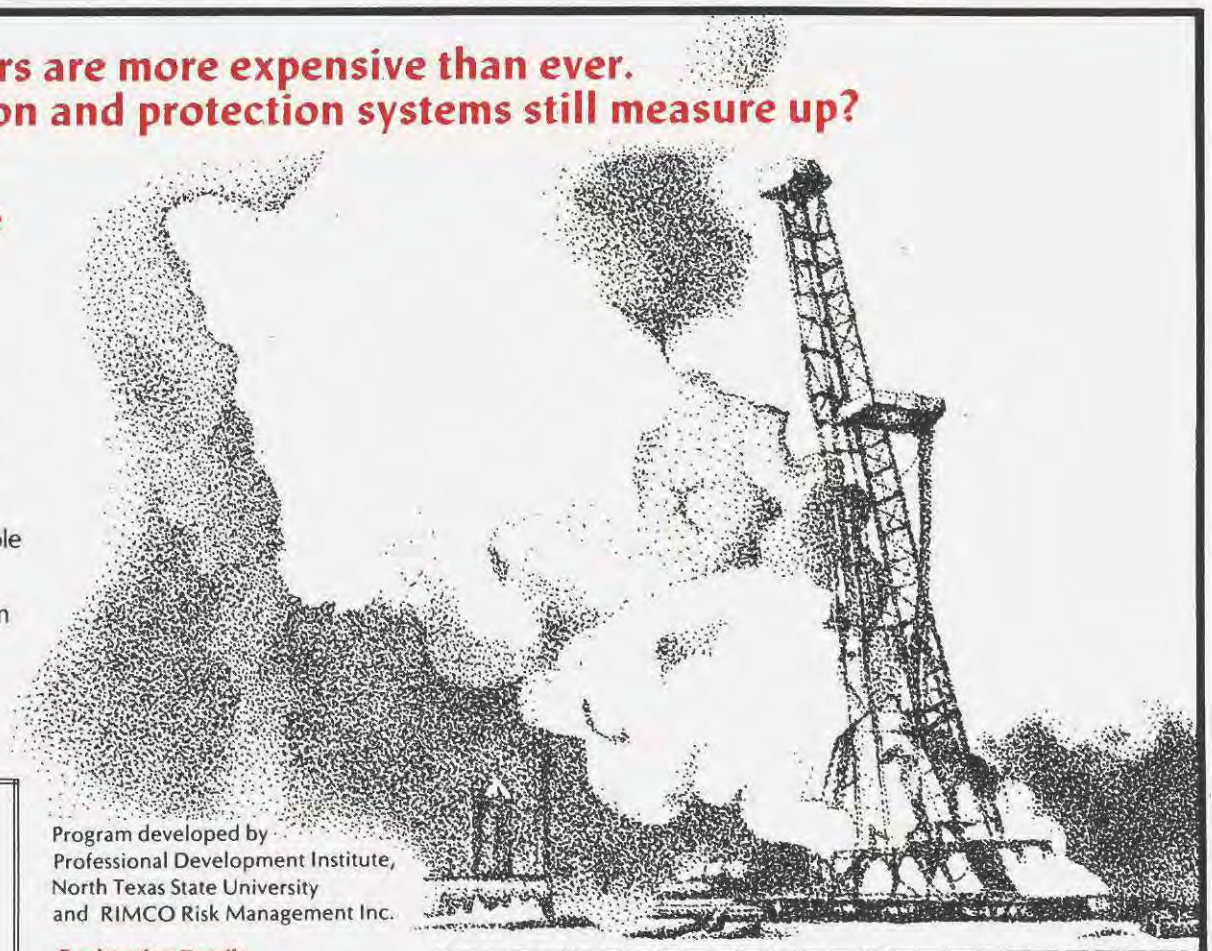
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Hospice

Employers consider home care for terminally ill

By JAMES LAWSON

The rising cost of health care is driving many companies to consider hospice care programs for employees and dependents who are terminally ill, consultants and benefit executives say.

But while the little-offered special benefit is slowly becoming something cost-cutting employers want to add to employee packages, others are still trying to understand what hospice care really is.

The confusion may have kept hospice care from growing as rapidly as a benefit as it could.

Nevertheless, many proponents say hospice care programs—programs that generally provide professional health care in a terminally ill patient's home—are gaining in popularity and could someday become a benefit most large employers will want to add.

And as employer interest and desire grows, so does the market for the coverage, which is now available in benefit plans underwritten by Equitable Life Insurance Co., The Travelers Insurance and some Blue Cross/Blue Shield associations.

> 'It could be a coverage whose time has come,' says Richard E. Henlotter.

Other insurers, including Metropolitan Life Insurance Co., are studying the potential for hospice care as a regular compenent of group health insurance.

Hospice programs generally provide for a team of professionals—social workers, nurses, doctors and clergy—to work with the terminally ill patient and his family in the home and provide reimbursement for the care.

While hospice care mainly involves home care, many hospitals offer hospice care in specially designated wards. Experts say there currently are more than 400 approved hospices in operation nationally.

Proponents say hospice care is generally less expensive and often more humane than traditional care for the terminally ill.

"It could be a coverage whose time has come," says Richard E. Henlotter, assistant vp of product development for Metropolitan Life Insurance Co. in New York.

"It provides what some people call 'death with dignity.' When curative hopes are gone, you go into what (else) can you do for the patient. How can you ease his or her pain? How can you ease the burden on the family?"

Its growth, industry experts say, has come partly because of:

- Demographics. People are living longer.
- The rising cost of health care.
- Health care cost-containment programs that have employers scratching for new ways to reduce their rising costs.
- An increasing desire to care for the older population at home.

A key savings factor, says John Hickey, a partner and benefits consultant with Kwasha Lipton, a benefits planning and consulting firm in Englewood Cliffs, N.J., is that hospice care programs are designed to help reduce hospital stays and hospital care.

"There's been a definite trend to get people to stay out of the hospital," explains Mr. Hickey. "A lot of firms are thinking about setting up programs to set up home health care."

Some employers and consultants see hospice care as a no-cost benefit that insurers should add to their existing benefits package.

"It helps to reduce the cost of hospital care, it's a low-cost, no-cost benefit to offer and it's a benefit enhancement," adds Mr. Hickey.

"You'll probably see more employers adding this type of benefit program."

One such company is Warner-Lambert, a Fortune 500 manu-





facturer of drugs and cosmetics. The Morris Plains, N.J., company is planning to offer hospice care to its 30,000 employees and their dependents starting next month, following several years of feasibility studies.

The Warner-Lambert program is underwritten by The Travelers Insurance Cos. at no additional cost to Warner-Lambert or its employees as part of the health insurance package.

"There's going to be a snowball effect. When you get a blue-chip company starting to offer hospice care, then you'll see more firms thinking about it," says Ewart V. Thomas, a spokesman with Warner-Lambert.

General Electric Co., the nation's largest electric appliance manufacturers, may also helping to generate a snowball efect.

The company began offering hospice care to its 280,000 employees and dependents in January 1980 to provide "more alternatives which may encourage our employees to utilize facilities other than hospital care," says Steve Tsorvas of GE's corporate employee benefits department.

"We were looking for effective protection against catastrophic medical care losses," Mr. Tsorvas explains.

The GE hospice program, administered by Blue Cross of Massachusetts, protects nearly 750,000 people across the country. The GE plan utilizes 161 hospices, which have been approved by Blue Cross of Massachusetts.

It pays all reasonable and customary charges listed by Blue Cross and is part of a overall company comprehensive health insurance program that General Electric started in 1955.

'There's going to be a snowball effect. When you get a blue-chip company starting to offer hospice care, then you'll see more firms thinking about it,' Ewart V. Thomas says.

It's too early to tell how cost-effective the GE program has been, says Mr. Tsorvas, but the hospice program, along with other new programs added over the past few years—ambulatory service, extended care facilities and second surgical opinions—could make a difference.

The United Auto Workers is also conducting cost-efficiency studies with Ford Motor Co. and General Motors Corp. in the hopes of establishing hospice care programs with the automakers.

All three hope the studies prove fruitful in helping to bring more comprehensive home care to terminally ill patients and possible health care savings to the sales-weak and financially troubled auto industry employers.

While some employers, insurers and benefits consultants are gung ho about hospice care programs, some industry experts believe it's not easy to establish such programs and that interest may be weakened rather than strengthened by the economic squeeze.

"There's less talk about it than before," contends Bernard Backer, senior vp and director of health services for Martin E. Segal Co., a benefits consulting firm in New York.

"The utilization of hospices has been low, probably because it's not respectable to talk about death. People spend half of their lives convincing themselves that it's not going to happen to them," Mr. Backer says.

Hospice growth has been slow, Mr. Backer contends, because such programs are difficult to set up. It's hard to determine whom should be paid for hospice care and who is covered or not covered.

For insurers trying to offer the program, underwriting problems can arise, explains Mr. Henlotter of Metropolitan.

"Most of the help in a free-standing hospice is volunteer help. What do you pay the hospice? Who gets paid?" he asks.

"It's a good coverage," Mr. Henlotter adds. "It's not only going to have its day in medical care, but in the economy.

"When you talk cost, you are talking about occasional help vs. doctors, medical facilities. . . everything that's expensive," he says.

Although Metropolitan doesn't presently offer hospice coverage, a feasibility study may soon result in a new hospice product, even if it's just to compete with other insurers who are also considering the coverage.

"You have to be ready for the market whether you're enthusiastic about the product or not," says Mr. Henlotter. ■

Hospice bills being drafted

While only a few large employers are currently offering hospice care programs, they may win an even broader appeal with some legislative help.

Sen. Robert Dole, R-Kan., and Rep. Leon Panetta, D-Calif., are drafting bills that will provide hospice care coverage under the federal Medicare program.

The bills, expected to be introduced early next year, would provide immediate Medicare coverage to eligible terminally ill patients. Proponents say they're optimistic the proposed legislation could be adopted next year.

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Consultants' roles change with economy

By LEN STRAZEWSKI

Just as benefit plans around the country are feeling the effects of inflation and a staggering economy, benefit consultants are also noticing economy-linked changes.

But the big squeeze isn't really hurting them, consultants say. It's just stimulating competition and creating subtle changes in the kinds of work they are asked to do.

For some consultants, economic or regulatory blows to an industry create consulting opportunities.

"When it comes to pension work, there's no slacking off," explains William Reimhert, vp at Hay-Huggins in Philadelphia. "However, our welfare plans consulting has been slacking off a bit.

"There is simply less activity in benefits liberalization while clients continue to look at the continuing pension-related problems like cost-of-living adjustments for pensioners," he continues.

"In cases in which companies would have asked us to review their cost-control techniques for effectiveness, benefit managers are now putting off those studies and depending on their own reviews."

Hay-Huggins employs 125 and has about 1,000 clients.

The general consultant response to economic changes relates directly to the changing needs of their clients. When new regulations demand pension plan review, the consultants focus their efforts on pension business. When unions win better contracts, they help execute the benefit improvements.

When the economy stalls the growth of new benefits, they focus on improving cost-containment techniques or resign themselves to less group benefit research.

Among large consultants, the changes in demand are handled by shifting work loads, not shifting personnel, they say. But smaller firms may have to lay off staff or let personnel temporarily lie fallow until new accounts are available.

"Legislation continually creates problems that employers need us, consulants and actuaries, to look at," notes Richard Hutson, partner at Hewitt Associates in Linconshire, Ill. "Now we are getting lots of requests to research various means of capital accumulation for retirement, including qualified IRA-defined contribution plans, section 401(k) plans and other techniques made possible by the new tax laws."

Group benefits, however, is another story.

"Most companies have mature health and welfare plans and are not looking at benefit improvements right now. If anything, they are concerned with cost containment," he says.

Hewitt, he adds, continues to grow. The consultant opened three new offices in 1981 in Dallas, Denver and Detroit and expanded staff in its home office from 535 to 550. It employs 762 people around the country and has 2,200 clients.

Sun Belt offices, he notes, are growing on the strength on compensation studies for the personnel-hungry companies moving south.

Like the property/casualty brokers, consultants are facing more competitive pressures to remain on the cutting edge of funding technique. Consultants that don't develop complex sets of expertise and service skills may have to fold or sell out to a bigger firm.

"This is a complex business. Not everyone will survive," he says. "Little firms have trouble staying current and we spend a lot of time running a training program to keep our staff ahead of our clients."

Galbraith & Green, the Salt Lake City claims administrating and benefit consulting firm that merged with broker Fred S. James & Co. Inc. last year, built its reputation on an advanced computer system and funding expertise, according to Senior Vp Drew Krowley.

"We had our best year ever and increased staff by 14%," he says. "And we do not foresee a slackening. Cost control is such a priority that the interest in self-funding benefit continues to grow. Recent studies have shown us that a majority of large corporate benefit plans are now self-insured to some extent. That means a great opportunity for claims administrators and consultants who design funding plans."

G&G, he reports, is actively hiring more staff to process claims and more experienced consultants to handle the increasing funding design questions. The firm employs about 489 people and has more than 3,000 clients. ■



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Employee benefit statements change with the times, regulations

By Lloyd Mills

"IF YOU'VE SEEN one benefit statement, you've seen them all."

That argument probably could have been supported seven years ago, but not now. What was once considered a mere computer software project has grown to include individuals with expertise in benefits, writing, design and typography as well as computer systems.

Today's sophisticated benefit statement bears only minor resemblance to its predecessor of the 1960s and early '70s. While some of this evolution is the result of the Employee Retirement Income Security Act, the majority can be attributed to innovative solutions to communications problems faced by employers.

Three challenges have influenced the modernization of benefit statements over the past decade: solutions to "problems" posed by ERISA, contemporary savings plans and flexible benefits. The ways in which communications experts have faced these challenges are indicative of creative approaches that exist today.

In the mid-1970s ERISA initiated an irrevocable change in direction for benefit statements. Employers were suddenly faced with the need to convey additional information concerning accrued benefits, vesting status and retirement options.

Reporting these items introduced terminology that was not commonly understandable to the average employee, and ERISA's legal overtones placed added responsibility on employers to make sure that employees fully understood their rights and obligations under benefit plans. It became clear that much more detailed benefit statements were required.

The simplest solution would have been to add more copy to existing reports—if necessary, increasing physical dimensions. In many cases this approach was attempted with unimpressive results. Statements became too large and cumbersome, discouraging the reader with numerous panels and complicated folds.

Seemingly the only alternative was to squeeze the extra text onto the statement using a smaller type size. However, this idea was generally discarded after tests proved negative.

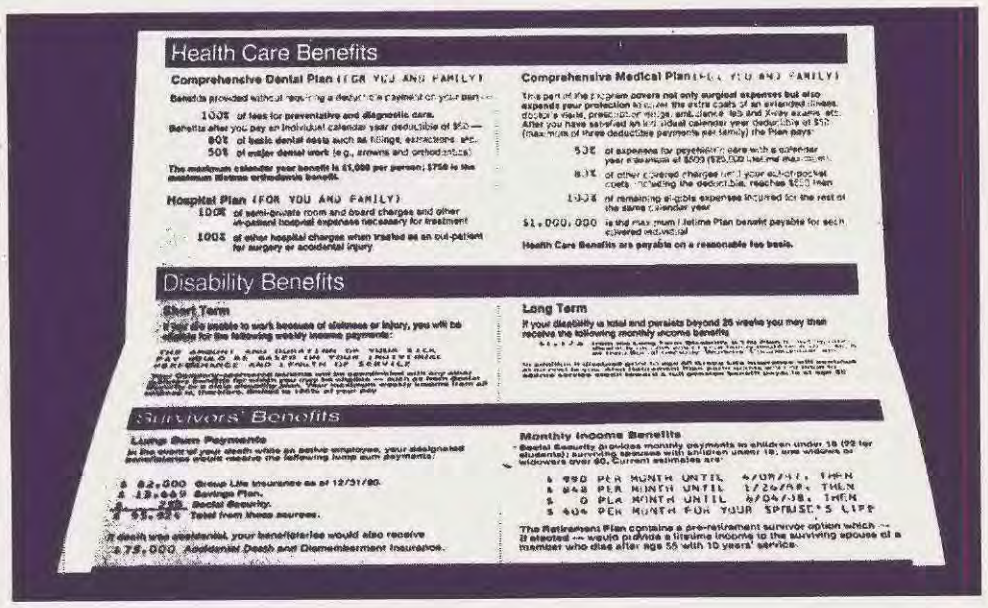
Employers began to realize that they were no longer simply involved with a computer problem but were dealing with a communications issue instead. Anxious to keep reports that were convenient for employees to store and carry and that required none of the special machinery necessary to process larger forms, some benefit consultants went to typographers and designers for help.

Their solutions are best recognized visually by comparing "before" and "after" reports. Constrasting the old-style statement with a modern statement, a number of advantages become apparent (see photo):

- By using the entire width of the statement for text, more descriptive information can be included. This has the added advantage of surrounding the computer elements of each section with copy. Psychologically, this makes the statement seem more personal and emphasizes the entire message—not just the computerized numbers.
- Breaking the statement into additional sections with copy balanced in both columns presents a more organized appearance to the eye and allows the reader to quickly locate his or her area of interest. An employee no longer has to wander through long columns of type trying to locate a specific benefit.
- Eliminating wasted space. Allowing for the additional text mandated by ERISA, key elements or thoughts within each section could then be set off from each other, ultimately producing a format with optimum eye appeal. The organization of a modern benefit statement invites the reader to focus on each section separately.

By the close of 1975 a major communications obstacle had been overcome with design help from professional typographers. The next year witnessed the birth of a new communications-oriented statement whose format was, and still is, unique.

The popularity of defined contribution plans, which had been increasing quietly, became more visible. Employers liked



these plans because of their cost-effectiveness and the fact employees found the concept of company matching funds appealing. Furthermore, tax-deferred investments resulted in impressive capital accumulation—certainly worth illustrating to employees. However, projecting potential savings plan balances into the future raised some problems.

Historically, retirement benefits were expressed as a single number representing a projected value at age 65. New savings plans are more flexible than pension plans, often permitting withdrawals throughout an employee's career.

Furthermore, to project savings plan balances at a single earnings rate would seem to imply that these plans offered a "guaranteed" return; a definite problem when considering the fluctuations in their actual investment peformance. If an employer chose a conservative rate as protection, other investment vehicles would appear more attractive and the company's plan would unfairly lose some of its luster. Conversely, if a less conservative rate were chosen and the plan's actual return did not measure up to what was projected, then employee relations would be awkward at the least.

The solution was to design an abbreviated matrix (see photo). The matrix shows various rates of return over different periods of time, negating the problems created by a single interest rate assumption.

In response to changing lifestyles, many companies began to introduce benefit options into their programs. This allowed an employee to select from a broad range of benefit, thereby tailoring a program to his needs.

However, many benefit statemens tended to only report voluntary coverages when an employee selected them. Often when these coverages were not selected, areas of the statement were left blank or "N/A" or "WAIVED" was printed by the computer in their place.

Realistically, an employee's personal situation will often change and he or she may want to reconsider a voluntary benefit option. Or, a company might want to increase participation in a benefit by identifying the coverage an individual has waived. Both situations are better served by a marketing approach that provides a special computer-generated message to employees who have not enrolled for voluntary benefits.

Three examples are:

- "LTD waived. If you enrolled, your coverage would be $X,XXX per month.
- "$XX,XXX voluntary life insurance available but not elected.
- "Eligible but not participating in the savings plan. If you join today at 6% of pay, the company would match you at the rate of $X,XXX per month."

A truly "comprehensive" statement depicts both an employee's current benefits and the additional coverage that could be selected.

What changes are in store for benefit statements?

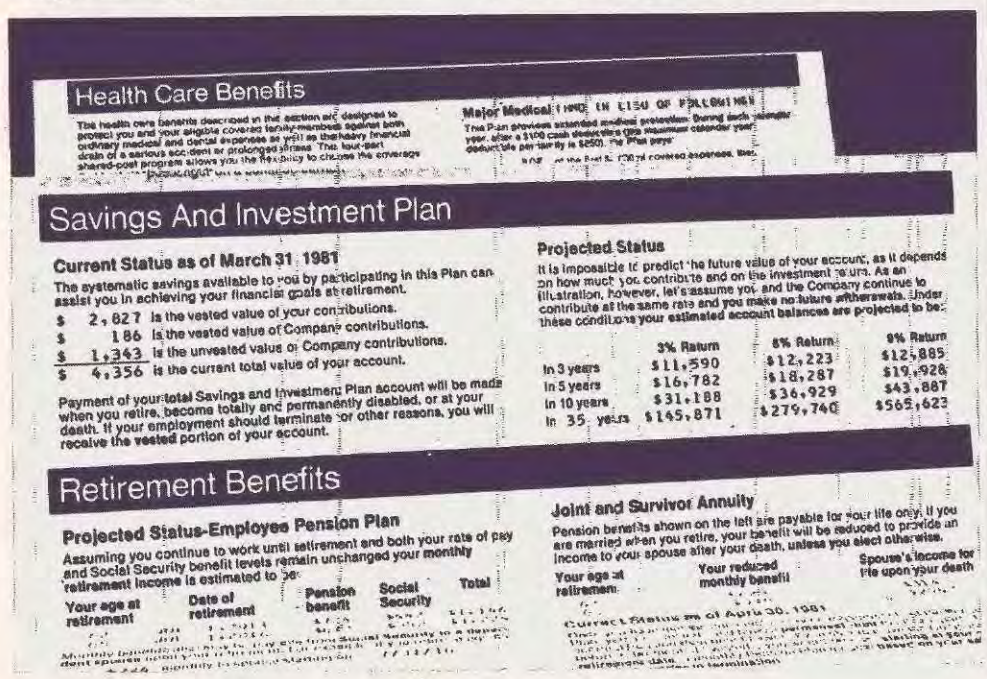
Recent applications transcend the traditional comprehensive benefits statement to address specialized audiences within an employer's population. For example, one major employer has structured and is using an annual HMO employee medical benefit comparison statement.

Faced with offering more than 30 HMOs nationally, the company now uses the computer-generated statement to offer eligible employees an annual comparison of the company's health plan and the HMOs available to them.

Other employers are using the computer's special abilities to prepare preretirement counseling statements.

These statements forecast the effect of selecting various retirement options under the pension plan and compare payment methods from qualified profit-sharing or employer sponsored and designed savings plans.

The computer statement can also be used to remind executives of their status in various deferred compensation or stock incentive plans. ■





Lloyd Mills is a partner at Kwasha Lipton in Englewood Cliffs, N.J.



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Here's what you buy with a benefit consultant

Ethical standards hard to define

Are employee benefit consultants as "professional" as you would like them to be?

Considering the diversity of skills required by employee benefit consultants, standards or ethics are nearly impossible to evaluate.

Hewitt Associates of Lincolnshire, Ill., sums up the problem:

"Several associations in our field have written codes of ethics. We certainly adhere to these written guidelines of behavior; however, they are written in very general terms and when it comes to evaluating specifc actions or behavior, we rely on our own judgment.

"Ethical standards are obviously very difficult to define. It is almost impossible to describe all the things not to do in all the situations that might exist in conducting a consulting business. Perhaps, for our purposes, it is enough to say that we try to adhere to the highest principles of individual and business conduct. Words that seem appropriate to characterize ethical behavior as we see it include honesty, integrity and avoidance of doing something that seems 'wrong.' This behavior applies to our conduct with each other, with clients, with suppliers and with outside individuals and firms."

Are you getting what you are paying for when you buy services from a benefit consultant?

That's a good question, considering the diversity of size, price and quality control of the consultants listed in the expanded directory compiled by *Business Insurance*.

Hourly fees for service range from $10 an hour for secretarial help to $200 an hour for the expertise of a senior consultant at the biggest consulting firms.

Among senior consultants themselves, fees vary widely. Small consults in non-urban areas may charge as little as $40 an hour for the attention of a partner, while senior consultants from the largest consultants charge clients no less than $150 an hour.

All senior consultants are not the same. Although most consultants suggest that senior consultants have several years of experience, the actual amount of experience you are buying can be as little as three years or as many as 40, depending on the individual.

Although all of the firms say their staff meets the highest professional standards, specific internal codes of ethics are rare and formal quality-control techniques are not common, except among the largest consultants (see box).

Some consultants have adopted minimum reporting standards that are maintained by senior staff or partner-level reviews and others maintain an internal auditing function that provides for documented charges.

Here's a guide to using the information contained in the listings on employee benefit consultants.

Information on the consultants has been provided by the consultants themselves and include data on ownership, staff size, clients and consulting specialties.

The listing of a **parent company** tells you if the consultant is owned by another company. If you are concerned about using consultants unaffiliated with brokers or insurance companies, you will want to check for a parent company.

If you need special expertise, you should check what professionals are identified under the **staff** heading, which also reveals the total number of a consultant's staff. The full titles of the designations of the professionals on the staff that are abbreviated in the listings are identified below. Otherwise, professionals are defined by the consultant.

The current **clients** of a consultant are identified by size and type (corporate, multiemployer plans or individuals) to help you identify the consultants that handle your type of business. If a client must have a minimum number of employees to be served by the consultant, it is stated.

Commissions for insurance brokered are noted. How each consultant bills for its services, and its hourly fees are revealed under the heading **compensation**.

The **1981 gross revenue** reveals how much business a consultant has conducted this year.

You can identify the areas of expertise of a consultant by looking at what percentage of its business is conducted in the areas of **retirement plan consulting, welfare plan consulting, employee communications consulting, international consulting and compensation consulting** under these headings.

Also listed under these headings are the specific projects the consultant performs in these areas, which also may include non-consulting services like claims administration and placing insurance with commercial underwriters.

If the consultant has offices in addition to its corporate address, they are listed under **locations.**

Library facilities and **computer facilities** are described under these headings.

The **principal officers** listed tell you who is in charge of the firm.

All the information provided in these listings was supplied by the consultants, who filled out questionnaires for *Business Insurance*.

Here are the full professional designations for the abbreviations listed under **staff** that may not be familiar to all:

ABC is Accredited Business Communicator; **ACA** is Associate of Conference of Actuaries in Public Practice; **AIC** is Associate in Claims; **ARM** is Associate in Risk Management; **ASA** is associate, Society of Actuaries; **CDP** is Certified Data Processing; **CEBS** is a Certified Employee Benefits Specialist; **EBS** is Employee Benefit Specialist; **CFA** is a Chartered Financial Analyst; **CIH** is a Certified Industrial Hygienist; **CLU** is a Chartered Life Underwriter; **CPA** is a Certified Public Accountant; **CPCU** is Chartered Property/Casualty Underwriter; **CSP** is Certified Safety Professional; **FCA** is fellow, Conference of Actuaries; **FCIA** is fellow, Canadian Institute of Actuaries; **FLMI** is fellow, Life Management Institute; **FSA** is fellow, Society of Actuaries; **MAAA** is member, American Academy of Actuaries; **MCA** is member of Conference of Actuaries of Public Practice; **PE** is Professional Engineer. ■

CROSSWORD PUZZLE

ACROSS

1. Primary property coverage in which insurers accept stated percentage of risk, 2 words pl.
9. Auditor of accounts, abbr.
12. Person who runs a business, abbr.
13. E.g. Eskimo and pizza
14. A kind of session
15. The first one occurred in New Mexico on July 16, 1945, comp.
19. Am. dramatist, *The Man Who Came to Dinner*
20. Insurance payment
22. What one does with initial stated portion of insurance claim
23. Compass point
24. Musical compositions intended mainly for practice of technique
26. U.S. Attorney General, 1961-1964, initials
27. Island of immigration entry
29. Shortened version of girl's name
30. Realistic, practical
32. ___ and behold
33. You might have one of these in the fire
35. Type of excess insurance coverage, abbr.
36. Leader in underwriting management of excess and surplus lines
41. Cubic meter, abbr.
42. Capital of Tarn, France
43. ___id, Roman poet
44. Agreement between primary insurer and reinsurer
45. Section of playing field, abbr.
46. Cowboy
48. New England state, abbr.
49. One of President Reagan's principal advisers, first initial and last name
52. British scientific institution, abbr.
53. Vertical windows projecting from sloping roof
55. Baccala & Shoop's northwesternmost city
58. God of love
60. Duke or Day, 2 words
61. ___ Paulo
63. In a ___, jiffy
65. Actor Colman
66. Dutch airline, abbr.
67. When an insurance company has not been licensed in a state, comp.

DOWN

2. Commercial casualty coverage insuring third parties against any risk
3. Stare at
4. Trolley
5. Unit of mechanical energy, abbr.
6. N ___, national insurance organization
7. Insurance prefix
8. Affirmative, Sp.
9. What Baccala & Shoop is known as, 2 words
10. Go separate ways
11. Urban living spaces, abbr.
15. Vaulted semicircular recess in building
16. Midday rest
17. For shame!
18. Mail a letter a second time
19. Exclamation of joy
21. Stan the Man
22. Plaza ___ Toros
25. Free of wear or decay
28. Place to store belongings during athletic participation, 2 words
31. Affirmative, a la Gary Cooper
34. Where Kings and Red Wings play, 2 words pl.
36. Louisville Slugger
37. Payments in accordance with insurance policies
38. How excess coverage is structured, pl.
39. Division of risks among insurance companies
40. Commitment by insurer beyond normal capacity
47. Salmon eggs and lobster coral
50. Title prefixed to woman's name that does not indicate marital status
51. Red or Dead
53. Office furnishing
54. Spoken
56. Act for which injured party is entitled to compensation
57. Gait between a walk and a run
59. ___ culpa
62. Attendant of sick, abbr.
63. Chemical symbol for tin
64. Money market instrument, abbr.



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Data on benefit consulting firms across the U.S.

A

Affiliated Business Resources

6893 Howalt Court N., Jacksonville, Fla. 3221; 904-744-8520.

Staff: Five total employees; four professionals, including one attorney.

Clients: Two clients; one with more than 500 employees; one with fewer than 500 employees; both corporations; minimum size client, 10 employees.

Compensation: By the project; by the hour, senior consultant, $75; junior consultant, $60; secretarial, $10.

1981 gross revenues: Not reported.

Welfare plan consulting: 25% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting and evaluation of other service providers.

Communication consulting: 25% of business. Includes general consulting on communications, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 50% of business. Includes executive incentive, executive perks, wage and salary administration.

Other consulting services: Deferred compensation.

Locations: Nashville, Tenn.

Principal officers: Gerald G. Woodward, president.

All Risks Ltd.

294 Broad St., Red Bank, N.J. 07701; 201-741-3450

Staff: Three employees, one professional.

Clients: 25 total clients; 25% with more than 500 employees; 75% with fewer than 500 employees; 50% corporations, 50% multiemployer plans; minimum size client, 25 employees.

Compensation: By the hour; senior consultant, $60; junior consultant, $30; secretarial, $10.

1981 gross revenues: Not reported.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims management system consulting and claims management audits.

Computer facilities: System under study, may be implemented before end of 1982.

Principal officers: Hubert M. Farrow Jr., president.

American Health Management & Consulting Corp.

85 Old Eagle School Road, Stafford, Pa. 19087; 215-293-9367

Staff: 80 total employees; 11 professionals, including six MBAs, one CLU, two attorneys, two Ph.D.s, one DMD.

Clients: 45 total clients; 95% with more than 500 employees, 5% with fewer than 500 employees; 67% corporations, 33% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $60-$100; junior consultant, $20-$50; secretarial, $10-$15.

1981 gross revenues: $1.2 million.

Welfare plan consulting: 50% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits, health education, prescriptive exercise programs.

Continued on page 54

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We are one of the largest full-service insurance brokerage firms in the U.S., fully qualified to serve you in virtually every area of insurance and risk-management services on an international scale.

James works for you as conscientiously as a business partner. Your personal James account executive studies your business thoroughly in order to design a program perfectly suited to your needs. And, because James produces such a large premium volume, we have substantial negotiating leverage with the strongest commercial insurance companies.

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Perhaps it would be more profitable for you to *self*-insure your property and casualty risks and employee-benefit plans. James administers more self-insurance programs than any other broker in the world, and will gladly arrange a study for you at no obligation.

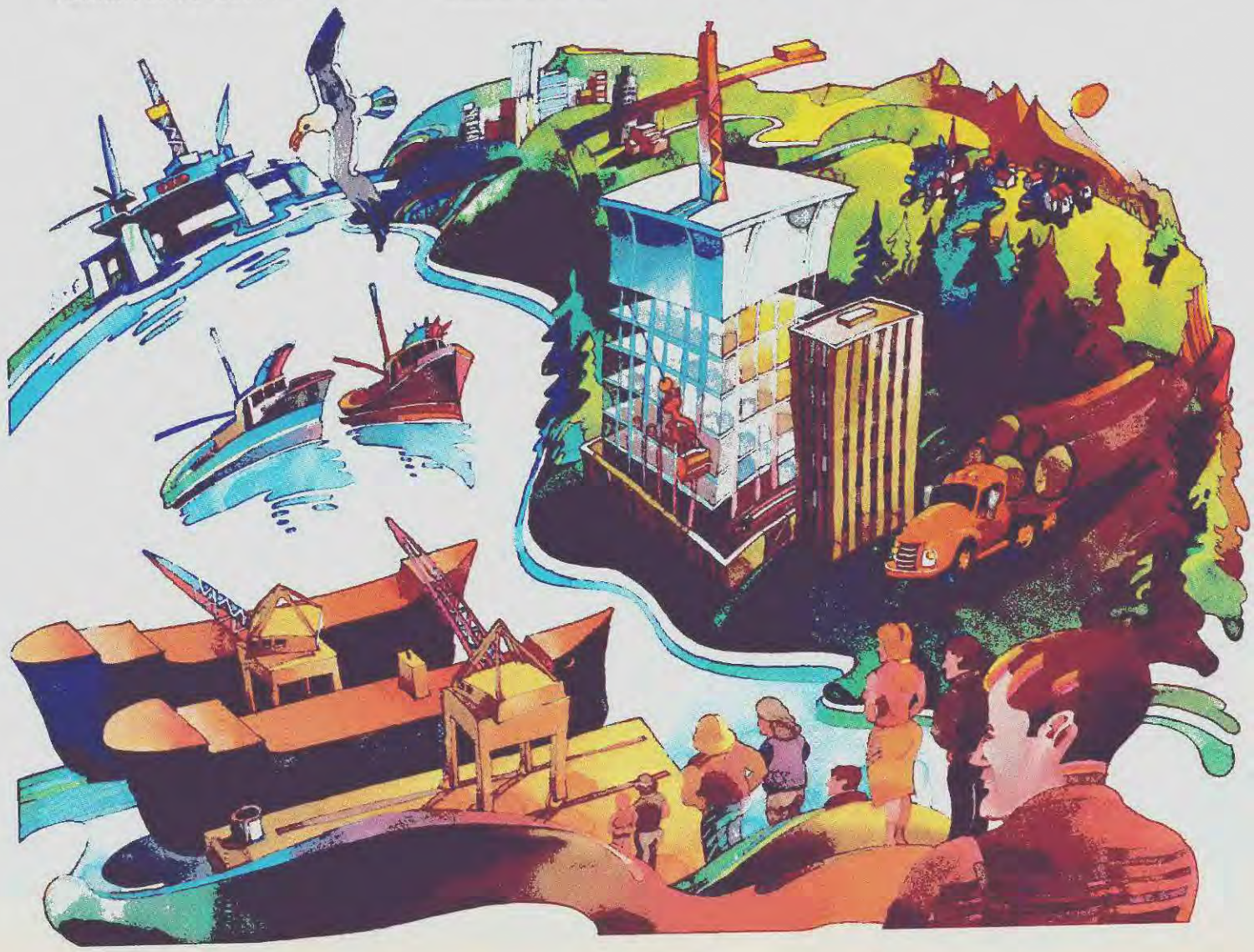
Meanwhile, the best initial introduction to Fred. S. James is our new 20-page brochure, which describes our complete insurance brokerage services. Please write to: William E. Burch, President, Fred. S. James & Co., 230 West Monroe Street, Chicago, IL 60606.

James

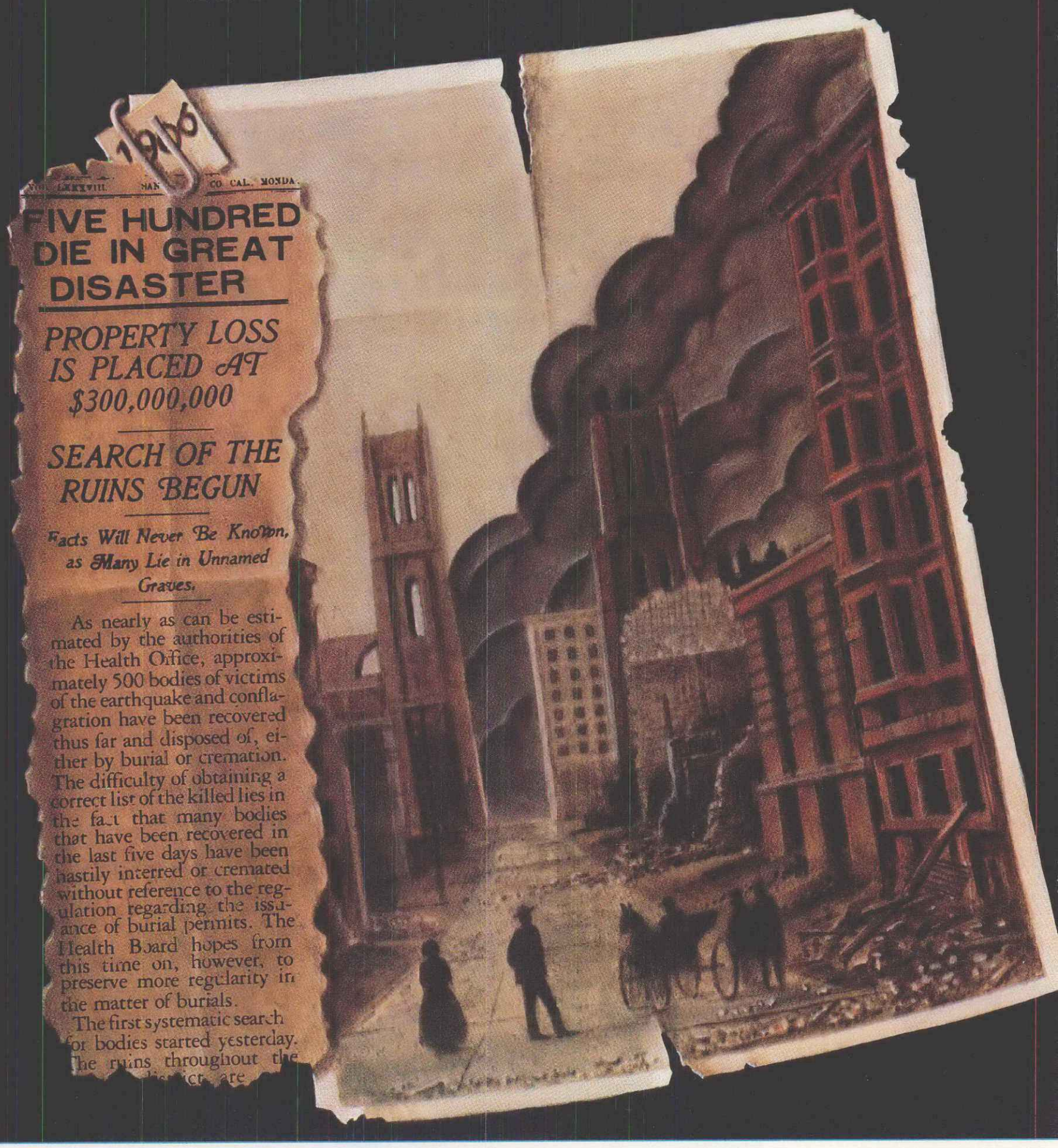
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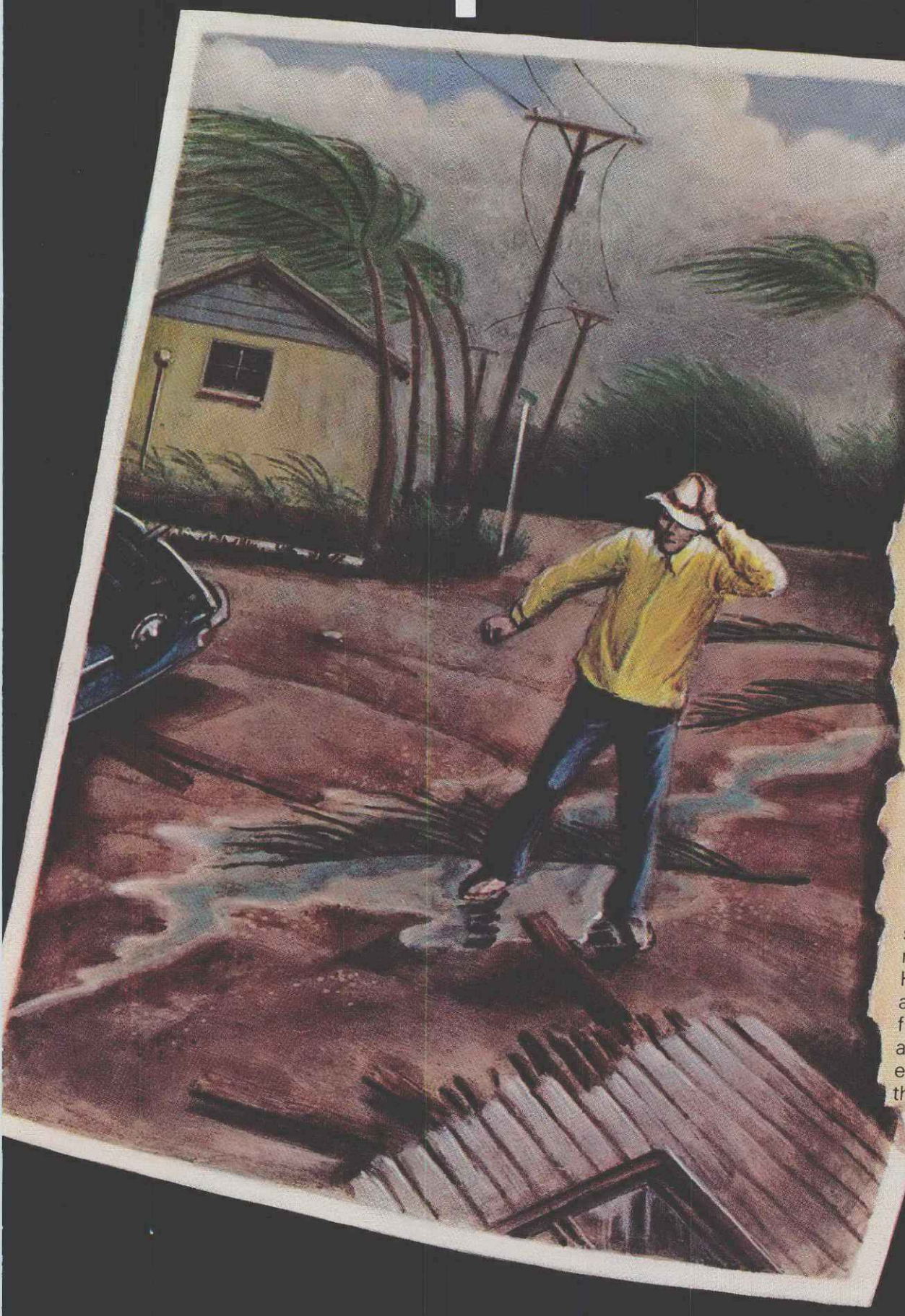
When catastrophic loss strikes, you need to know that your reinsurer has the financial strength to weather the storm.

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we've helped pay catastrophic losses.



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Fires, Power Failures, Tornadoes Reported.

MOBILE, ALA, Sept.12, 1979 — Hurricane Frederic plowed ashore tonight at Dauphin Island, 25 miles south of here, wrecking small towns along the western shore of Mobile Bay with winds recorded at 100 miles an hour and causing heavy damage in this populous port city.

TORNADOES AND HIGH TIDES

There were reports of damage all along the Alabama and Mississippi Gulf Coast from hurricane-force winds, tornadoes and storm-driven tides expected to reach 10 to 15 feet above normal. Hurricane warnings were in effect along a 300-mile strip of the coast from Florida to Louisiana, and about 400,000 people had been evacuated from low-lying areas as the storm approached.

As the leading edge of the [illegible] ed sheets of rai[illegible]

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Continued from page 51

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Library facilities: Centralized in-house library of pertinent periodicals on health care cost containment, reference books and reports; access to University of Pennsylvania library.

Computer facilities: Apple II computer in-house; several computer service bureaus.

Principal officers: Dale L. Thomas, president; John Amsterdam, Russell Byers, David Vaughn, Robert Zelten, vps.

American Retirement Systems

1400 River Park Drive, Sacramento, Calif. 95815; 916-924-3800

Staff: 85 total employees; including two FSAs, one ASA, three MBAs, two CEBS, four CLUs, two attorneys.

Clients: 2,000 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $100; junior consultant, $50; secretarial, $25.

1981 gross revenues: Approximately $2 million.

Retirement plan consulting: 90% 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, asset accumulation/investment consulting.

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

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

Locations: Walnut Creek, San Jose, Los Angeles, Van Nuys, San Bernadino, Orange and San Diego, Calif.

Principal officers: Thomas Gruber, president; Douglas Quigley, Michael Rafferty, executive vps.

B

Booke & Co.

710 Coliseum Drive, Winston-Salem, N.C. 27106; 919-748-1120

Staff: 235 total employees; 71 professionals, including 10 FSAs, one ASA, nine MBAs, three CEBS, five CLUs, six attorneys, four CDPs, five CPAs.

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, $85-$115; junior consultant, $45-$75; secretarial, $20-$30.

1981 gross revenues: $8.6 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, claims administration, actuarial evaluation of self-insured plans.

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.

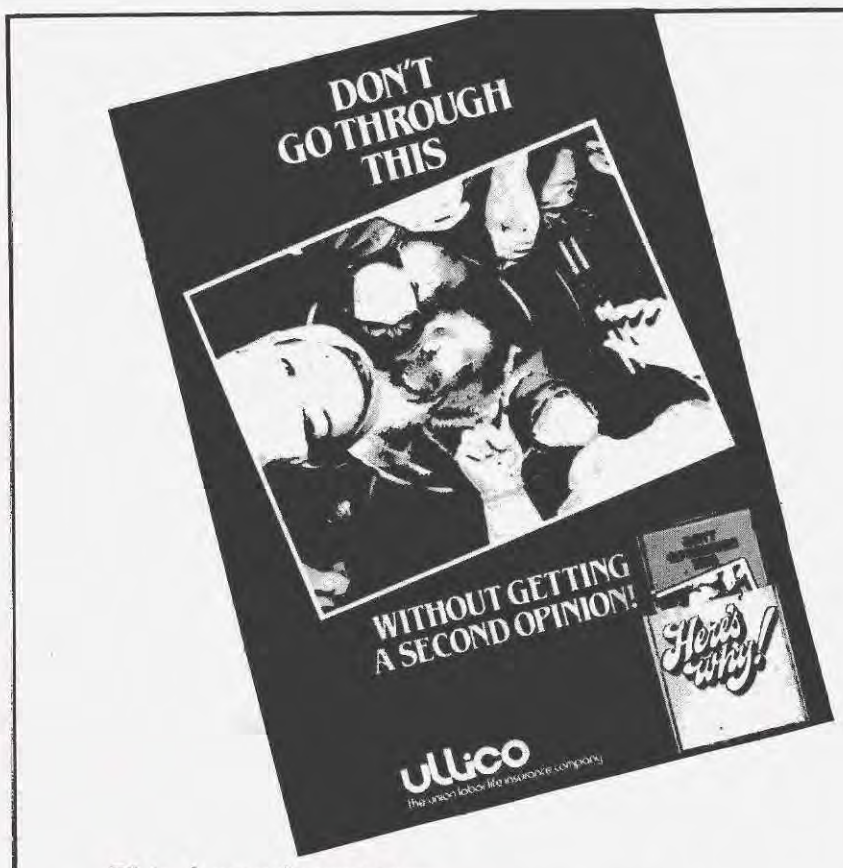
Library facilities: Comprehensive library in Winston-Salem office.

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

Principal officers: C.M. Beardsley, chairman; S.L. Booke Jr., pres-

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ident; D.C. Ingram, executive vp; R.M. Carlisle Jr., R.L. Vaughn, senior vps.

Boom & Co.

5 Brook St., Darien, Conn. 06820; 203-966-3447.

Parent company: Boom & Co., Amsterdam, Netherlands
Clients: 100% corporations.
Compensation: On retainer; commissions for insurance placed with underwriters.
1981 gross revenues: Not reported.
Retirement plan consulting: Includes plan design consulting, record keeping work for defined contribution plans, 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, broking the insurance, evaluation of other service providers, claims administration.
Communication consulting: General consulting on communications programs, benefit statement preparation, booklet preparation.
International benefits consulting: Via overseas branch offices, from the U.S.
Locations: Amsterdam, Netherlands.
Principal officers: F. Antony Boom, Brune F. Dykhuizes.

Buck Consultants Inc.

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

Staff: 625 total employees; 250 professionals, including 40 FSAs, 51 ASAs, two CEBS, 12 attorneys, four CPAs, 81 enrolled actuaries.
Clients: 650 clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 100% corporations; no minimum size client.
Compensation: By the project; by the hour, senior consultant, $92-$180; junior consultant, $52-$92.
1981 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, asset accumulation/investment 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, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.
Communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefits consulting: Via overseas correspondents, from the U.S.
Compensation consulting: Includes executive incentive, other executive perks.
Locations: Atlanta; Chicago; Dallas; Pittsburgh; San Francisco; Washington, D.C.; Toronto.
Library facilities: Library with several thousand volumes, variety of technical publications and periodicals and staff of two.
Computer facilities: In-house computer and data systems used; terminals in branch offices.
Principal officers: Hugh Gillespie, chairman; Douglas C. Borton, senior vp and chief actuary; George T. Favetta, Edward H. Davis, Vincent M. Tobin, Henry J. Anderson, vps.

Bushnell, Duchan & Co.

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

Staff: Nine total employees, including two professionals, one ASA, one CLU.
Clients: 175 clients; 100% with fewer than 500 employees; 96% corporations, 2% multiemployer plans, 2% individuals; no minimum size client.
Compensation: By the hour, senior consultant, $75; administrative, $35; clerical, $20.
1981 gross revenues: Approximately $215,000.
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, total administration.
Welfare plan consulting: 30% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.
Communication consulting: 20% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Library facilities: Approximately 2,000 volumes, including benefits and trade periodicals.
Computer facilities: In-house IBM 5120 computer and IBM OS/6 word processor.
Principal officers: James E. Bushnell, David A. Duchan.

C

C.P.I. Planning Inc.

130 Speedwell Ave., P.O. Box 511, Morris Plains, N.J. 07950; 201-267-0110

Parent company: C.P.I. Inc.
Staff: 14 total employees; five professionals, including two CLUs.
Clients: 85 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 100% corporations; minimum size client, 15 employees.
Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $125; junior consultant, $75; secretarial, $30.
1981 gross revenues: More than $250,000.
Retirement plan consulting: 30% 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, asset accumulation/investment consulting.
Welfare plan consulting: 20% 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, 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.
Compensation consulting: 40% of business. Includes executive in-

Continued on next page

"We Listen Before We Speak"

(To The Problems with Self-Insurance Reserves and Captives)

At first, the questions seemed rather complex. Tax benefits were lost when the IRS disallowed deductions for reserves set-up by self-insurers and premiums paid to captive insurance subsidiaries. Available Cash-Flow Programs were burdened by the high cost of insurance and administrative charges. You asked if there are methods available for replacing the lost tax advantages and for bringing insurance and administrative costs more into line with those achieved by self-insurance.

We listened carefully, and reduced the problems to the simplest terms. In cooperation with attorneys and tax consultants, and with top professionals in the field of claim cost control, we designed a totally new approach. We believe we have developed the next generation of non-traditional solutions to these very real needs.

When you know exactly how to define the problem, the answer is simple. **Talk To Us.**

BRI Coverage Corp.
156 William Street, New York, N.Y. 10038 212-233-7171

Continued from previous page
centive, other executive perks.

Locations: Morristown, N.J.

Principal officers: Walter P. Kilkenny, president; David L. Clark, Robert B. Reynen, vps.

Cal/Group

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

Staff: 23 total employees; including three professionals, one MBA, one CEBS, one CLU, one attorney.

Clients: 72 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 10 employees.

Compensation: Commissions for insurance placed with underwriters; on retainer.

1981 gross revenues: $1 million.

Welfare plan consulting: 100% of business is dental benefits; includes plan design, claims administration, managing underwriter.

Locations: San Francisco.

Computer facilities: In-house Quantel with staff of four, including one programmer.

Principal officers: Renny Thomas, executive vp; Betty McFarlane, administrative vp.

Cantlon Health Benefits Administration Inc.

Box 761, 920 Michigan Ave., Columbus, Ohio 43216; 614-461-6527

Parent company: John T. Cantlon & Associates.

Staff: 25 total employees, including three attorneys.

Clients: 45 clients; 15% with more than 500 employees; 85% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 50 employees.

Compensation: Not reported.

1981 gross revenues: Not reported

Welfare plan consulting: 100% of business, specifically self-funded health benefit programs. Includes plan design consulting and claims administration (by Cantlon Health Benefits Administration).

Locations: Albany, Buffalo, N.Y.

Computer facilities: Digital computers in Albany and Buffalo offices

Principal officers: Thomas H. Lindsey, president; Ronald Musilli, vp; David A. Cantlon, secretary/treasurer.

Consulting Managers of California

1633 Old Bayshore Highway, Suite 252, Burlingame, Calif. 94010; 415-692-1414

Staff: 38 total employees, including three professionals, one attorney, one actuarial consultant, one claims consultant.

Clients: Nine clients; 90% with more than 500 employees, 10% with fewer than 500 employees; 20% corporations, 80% multiemployer plans; minimum size client, 100 employees.

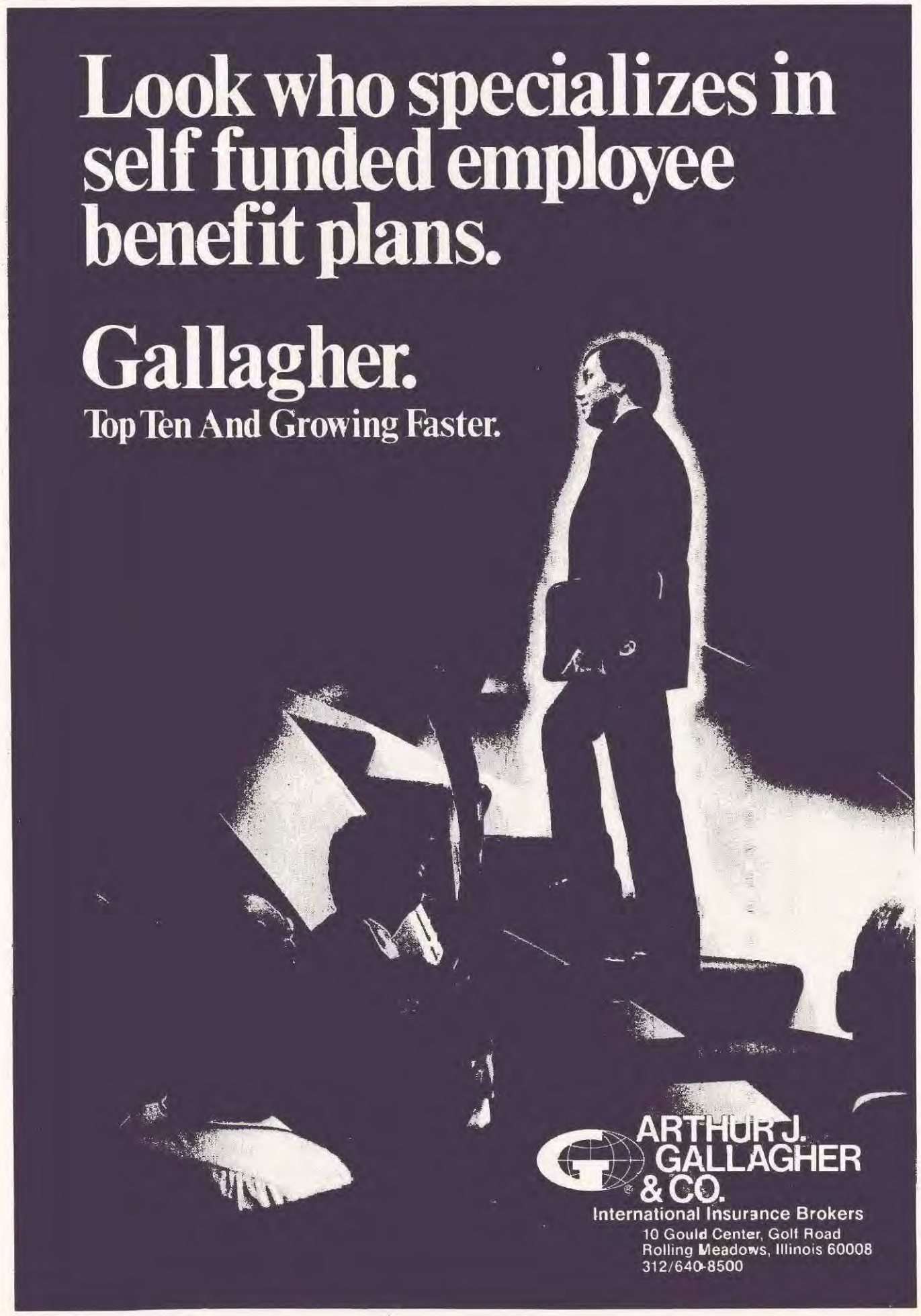
Compensation: By the hour, senior consultant, $90; secretarial, $15.

1981 gross revenues: $600,000, not including claims administration.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims administration (by Baine Associates Inc.), actuarial evaluation of self-insured plans.

Communication consulting: Includes booklet preparation.

Principal officers: Charles T. Hufford, president; Larry D. Felion, Roger E. Ehret, vps.



Corroon & Black Benefits Inc.

301 Plus Park Blvd., Nashville, Tenn. 37217; 615-367-9707

Parent company: Corroon & Black Corp.

Staff: 420 employees, including three FSAs, five ASAs, three MBAs, seven CLUs, five attorneys.

Clients: Total number not reported; 60% corporations, 35% multiemployer plans, 5% individuals; no minimum size client.

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

1981 gross revenues: $20.3 million.

Retirement plan consulting: 10% 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: 80% 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: 1% of business. Includes benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 4% of business. Via overseas correspondents, from the U.S.

Other consulting services: 5% of business. Includes individual, financial and estate planning.

Locations: 24 offices throughout the U.S.

Principal officers: Donald R. King, president.

Creative Compensation Associates

13793 Gull Way, Clearwater, Fla. 33520; 813-577-5513/576-5375

Staff: Two professionals.

Clients: Firm started October 1981.

Compensation: Not reported.

1981 gross revenues: Not reported.

Retirement plan consulting: Includes plan design, record keeping and administration systems consulting, plan administration 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, booklet preparation, audiovisual program preparation.

Compensation consulting: Includes wage and salary administration.

Other consulting services: Benefit, wage, salary and general personnel policy development.

Principal officers: Robert L. Hoke, Steven E. Uebel, principal associates.

D

E.T. Danahy Co. Inc.

2525 One Marine Midland Center, Buffalo, N.Y. 14203; 716-856-1607

Staff: 14 total staff, includes seven professionals.

Clients: 144 clients, excluding

commercial property/casualty accounts; 10% with more than 500 employees, 90% with fewer than 500 employees; 90% corporations, 5% multiemployer plans, 5% individuals; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $100; junior consultant, $50.

1980 gross revenues: Not reported.

Retirement plan consulting: 5% of business. Includes plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 75% 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, 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.

Compensation consulting: 10% of business. Includes executive incentive, other executive perks.

Other consulting services: Small business tax planning for owners and officers.

Locations: Amherst and Rochester, N.Y.

Library facilities: 250-volume reference library; documents stored on microfilm and in computer.

Computer facilities: In-house CPT 8000 word processor system, used on time-sharing basis.

Principal officers: Edward T. Dahany, president; E. Timothy Dahany, vp/finance; Randall K. Abbott, vp/employee benefit services; P. Jeffrey Birtch, vp.

E

The Emcom Group Inc.

Mt. Eyre Road, Box 545, Newtown, Pa. 18940; 215-493-8599

Staff: Seven total employees; five professionals.

Clients: 60 clients; 70% with more than 500 employees, 30% with fewer than 500 employees; 80% corporations, 20% government entities; minimum size client, 25 employees.

Compensation: By the project.

1981 gross revenues: $300,000.

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

Locations: San Francisco.

Principal officers: John E. Kerney Jr., president.

Employee Benefit Consultants Inc.

309 Vine St., Cincinnati, Ohio 45202; 513-721-2950

Staff: 13 total employees; one professional.

Clients: 75 clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 50 employees.

Compensation: By the project; by the hour, senior consultant, $40-$50; junior consultant, $30-$40; secretarial, $10-$20.

1981 gross revenues: Not reported.

Retirement plan consulting: 5% of business. Includes plan design consulting, record keeping work for defined contribution plans.

Welfare plan consulting: 85% of business. Includes plan design consulting, selection of funding media consulting, broking the insurance to insurers, claims administration, actuarial evaluation of self-insured plans.

Communication consulting: 10% of business. Includes booklet preparation.

Principal officers: Thomas C. Colvin, vp; Diana S. Hilmer, group health underwriter.

Executive & Employee Benefit Plans Inc.

2025 Riverside Drive, Columbus, Ohio 43221; 614-481-8391

Staff: 125 total employees; 20 professionals, including two CEBS, two CLUs, one attorney.

Clients: 105 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; minimum size client, 50 employees.

Compensation: Commissions for insurance placed with underwriters, on retainer.

1981 gross revenues: Not reported.

Welfare plan consulting: 85% 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: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Locations: Atlanta; Burlington, Mass.; Charlotte, N.C.; Cincinnati; Cleveland; Houston; Miami; Orlando, Fla.

Computer facilities: Company-owned Honeywell Level VI computer, data processor and CRTs in Columbus office.

Principal officers: Carmon E. Cobe, chairman; W.R. Perkins, president; E.A. Hightower, vp; C. Jeffrey Wintersteller, vp/secretary; 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, one CEBS, four CLUs, two attorneys.

Clients: 1,250 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 85% corporations, 15% multiemployer plans; minimum size client, two in a multiple employer trust.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $80-$180; junior consultant, $40-$80; secretarial, $20-$40.

1981 gross revenues: $3.25 million.

Retirement plan consulting: 5% of business. Includes plan design consulting, actuarial work for defined benefit plans (provided through joint venture with 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 (provided through Guardian Advisory Services Inc.).

Welfare plan consulting: 80% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker

Continued on next page

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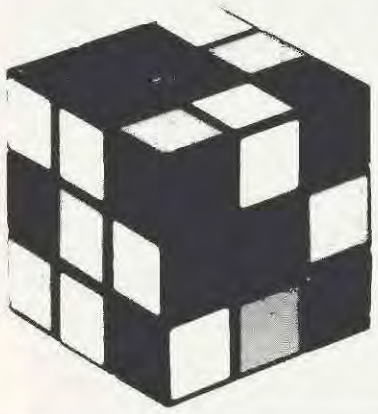
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Vice President

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P.O. Box BAI
Greenwood, Indiana 46142
(317) 535-8212/TWX 8102602230

Continued from previous page

selection consulting, broking the insurance to insurers, evaluation of other services providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

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

International benefits consulting: 5% of business. Consultation from the U.S.

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.

Library facilities: Extensive files of material related to employee benefits.

Computer facilities: Two in-house Data General Nova computers.

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.

Financial Insurance Service Consultants Inc.

1010 Meacham Road, Schaumburg, Ill. 60194; 312-884-3800

Parent company: Financial Insurance Service Inc.

Staff: 11 total employees; four professionals, including three senior consultants, one ASA.

Clients: More than 500 clients; 100% with fewer than 500 employees; 100% corporations; no minimum size client.

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

1981 gross revenues: Not reported.

Retirement plan consulting: 10% of business. 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.

Welfare plan consulting: 80% of business. Includes plan design consulting, selection of funding media 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: 5% of business. Includes benefit statement preparation, booklet preparation.

Compensation consulting: 5% of business. Includes executive incentive.

Locations: Representatives serve 22 states.

Library facilities: Various publications, manuals and trade periodicals.

Computer facilities: In-house computer produces monthly claim payments, claim runs and monthly or quarterly statements of payments due; pension plans produced on time-sharing basis.

Principal officers: Joseph T. Ambrose, president; Robert Peele, vp; Ronald Anfenson, treasurer.

First American Systems Inc.

627 Mt. Rushmore Road, Rapid City, S.D. 57701; 605-343-2489

Staff: Four total staff, includes two CLUs, one CPCU.

Clients: 180 clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 60% corporations, 30% multiemployer plans, 10% individuals; minimum size client, 25 employees.

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

1981 gross revenues: $246,000.

Retirement plan consulting: 20% of business. Includes plan design consulting, 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, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 5% of business. Includes executive incentive, executive deferred compensation.

Locations: Great Falls, Mont.; Buffalo, N.Y.; Denver; Mitchell, S.D.

Computer facilities: In-house Digital equipment.

Principal officers: Howard Kluthe, chairman; Tom Lane, president; Jim Buck, vp.

First National Retirement Services Inc.

120 N. State St., Suite 300, Chicago, Ill. 60610; 312-751-2444

Parent company: American Heritage Investment Co.

Staff: 1,000 total staff; 100 professionals, including five ASAs, 11 MBAs, four CLUs, six attorneys.

Clients: 2,300 clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 95% corporations, 5% individuals; minimum size client, 25 employees.

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

1981 gross revenues: $30 million.

Retirement plan consulting: 90% of business. Includes plan design consulting, 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 acumulation/investment consulting.

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

Compensation consulting: 5% of business. Includes executive incentive, deferred compensation.

Locations: All states, except New York, Puerto Rico and Virgin Islands.

Library facilities: Central library with reference materials on legal and insurance information.

Computer facilities: Company-owned in-house IBM 158 computer; Perkin-Elmer backup system.

Principal officers: Ash Verlander, president/chief executive officer; Ken Smith, secretary; Jerome Shea, corporate counsel.

Fitness Monitoring Inc.

394 N. Lake Shore Drive, Fontana, Wis. 53125; 414-248-8099

Parent company: Edusystems Inc.

Staff: Eight total employees; six professionals, including two MBAs, one Ph.D., two M.D.s

Clients: 50 clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 50% corporations, 50% individuals; no minimum size client.

Compensation: By the project.

1981 gross revenues: $200,000.

Retirement plan consulting: 10% of business. Includes executive medical physicals, preventive health/fitness.

Communication consulting: 10% of business. Includes audiovisual program preparation.

Compensation consulting: 80% of business. Includes executive incentive, other executive perks.

Other consulting services: Complete health/fitness program design, executive physical programs, facility design.

Locations: Lake Geneva, Wis.; Rolling Meadows, Ill.

Principal officers: Bill Turner, president; Barb Turner, vp; Dr. Lavon Johnson, technical director; Buck Carper, sales director.

Fortune & Co./Risk Managers Inc.

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

Staff: Three total employees; three professionals, including one CLU, one attorney.

Clients: 20 clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $75; junior consultant, $55; secretarial, $15.

1981 gross revenues: Approximately $100,000.

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

Communication consulting: 6% of business. Includes general consulting on communications programs.

International benefits consulting: 4% of business. Consulting from the U.S.

Library facilities: Library of several hundred titles; access to local public and university law libraries.

Principal officers: David E. Fortune, president; Burton A. Selfridge Jr., Stephen H. King, vps.

Robert E. French Insurance Services Inc.

946 Town & Country Road, Orange, Calif. 92668; 714-667-0719

Staff: Three total employees; three professionals, including one CLU.

Clients: 20 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: Commissions for insurance placed with underwriters.

1981 gross revenues: Approximately $260,000.

Welfare plan consulting: 80% 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.

Communication consulting: 3% of business. Includes booklet preparation.

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

Fringe Benefit Review Inc.

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

Staff: Twelve total employees; three professionals, including two CLUs, one registered nurse.

Clients: 125 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 100% corporations; no minimum size client.

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

1981 gross revenues: $416,000.

Retirement plan consulting: 5% of business. Includes plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding

Continued on next page

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Continued from previous page
media consulting, insurer/broker selection consulting, broking the insurance to insurers, claims administration.

Communication consulting: 2% of business. Includes general consulting on communications programs.

Compensation consulting: 3% of business. Includes executive incentive, other executive perks.

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

G

G.C.G. Risk Management Inc.

93 Worth St., New York, N.Y. 10013; 212-431-3000

Staff: Thirteen total employees; six professionals, including two attorneys.

Clients: 600 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 25% of corporations, 75% of multiemployer plans; minimum size client, 50 employees.

Compensation: By the project.

1981 gross revenues: $500,000.

Compensation consulting: 100% of business. Includes workers compensation and disability benefits (group management services, claims services and self-insurance services) in New York state.

Locations: Schenectady, N.Y.

Principal officers: Lawrence E. Grimm, president; Charles Cates, Joseph Gnesin, vps; Seymour Givner, vp/claims.

Galbraith & Green Inc.

2614 South 1935 West, Salt Lake City, Utah 84119; 801-973-7300

Parent company: Fred S. James Inc.

Staff: 489 total employees; 16 professionals, including one FSA, one ASA, four MBAs, one CEBS, two CLUs, seven CPAs.

Clients: 3,000 clients; 15% with more than 500 employees, 85% with fewer than 500 employees; 97% corporations, 2% multiemployer plans, 1% individuals; minimum size client, 10 employees.

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

1981 gross revenues: $16 million plus.

Retirement plan consulting: 6% 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: 89% 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 in-house, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits, insurance company claim administration, client self-administration hardware and software systems.

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

Locations: Albuquerque, N.M.; Boise, Idaho; Dallas; Denver; Houston; Mansfield, Ohio; Milwaukee; Oakland, Tustin Calif.; Phoenix, Tucson, Ariz.; St. Louis.

Library facilities: Central and regional libraries with full-time research and development staff.

Computer facilities: Two Burroughs B6810 computers; on-line claims processing system linked to more than 300 CRTs throughout U.S.

Principal officers: Richard J. Galbraith, president, Melvin C. Green, chairman; R. Sterling Spafford, W. Terry Nofsinger, executive vps; P. Michael Batty, E. Drew Crowley, Lane A. Summerhays, L. Carvel Whiting, senior vps.

Glenn, Nyhan & Associates

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

Parent company: Bea Associates.

Staff: 15 total employees; seven professionals, including one MBA, one CLU, two attorneys, one CPA, one CPCU.

Clients: Number not reported; 15% with more than 500 employees, 85% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $85-$100; junior consultant, $50-$65.

1981 gross revenues: Not reported.

Retirement plan consulting: 10% of business. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 80% 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, claims management system consulting and claims management audits.

Communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Compensation consulting: 5% of business. Includes executive perks.

Other consulting services: Key man, non-qualified plans, Sec. 79.

Principal officers: Paul E. Dorroh, vice chairman/chief executive officer; Bartholonew G. Nyhan, president; Ronald W. Shepherd, Rich E. Glenn Jr., executive vp; A.B. Fowler III, vp/counsel.

H

Hay-Huggins

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2300

Parent company: Hay Associates.

Staff: 125 total employees; 50 professionals, including 20 FSAs, 10 ASAs, five MBAs, one FCAS.

Clients: 1,000 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 80% corporations, 15% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $90-$130; junior consultant, $50-$80; secretarial, $25.

1981 gross revenues: $5 million (Hay-Huggins only).

Retirement plan consulting: 80% of business. Includes plan design consulting, actuarial work for defined benefit plans, plan/trust legal document drafting, plan administration consulting, selection

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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, broking the insurance to insurers, actuarial evaluation of self-insured plans.

Communication consulting: 100% of business for Hay Communications. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 100% of business for Hay Associates. Includes executive incentive, other executive perks, wage and salary administration.

International benefits consulting: Consulting via overseas branch offices.

Locations: 80 offices in 25 countries.

Library facilities: Centralized library with five full-time employees.

Computer facilities: In-house IBM system.

Principal officers: Kenneth P. Shapiro, Robert H. Smith, David L. Hewitt, William Reiment, Richard Siebels, Michael Mudry.

Herget & Co. Inc.

204 E. Lombard St., Baltimore, Md. 21202; 301-539-3500

Staff: 72 total employees; 32 professional staff, including four FSAs, one ASA, one MBA, one CEBS, one CLU, six enrolled actuaries.

Clients: 1,450 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, $115; junior consultant, $65; secretarial, $20.

1981 gross revenues: $2.82 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: 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; C. Richard Donovan, senior vp/senior consultant; Thomas J. Egan Jr., senior vp/senior actuary; Morton A. Kesler, vp/controller.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000

Staff: 750 total employees; 450 professionals, including 53 FSAs, 42 ASAs, 65 MBAs, 18 attorneys.

Clients: 2,200 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, $180; secretarial, $36.

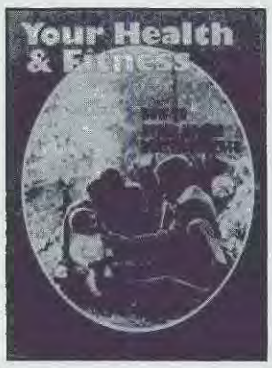
1981 gross revenues: $43.5 million

Retirement plan consulting: 35% 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

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Fighting Health Care Costs? Here's Help . . .



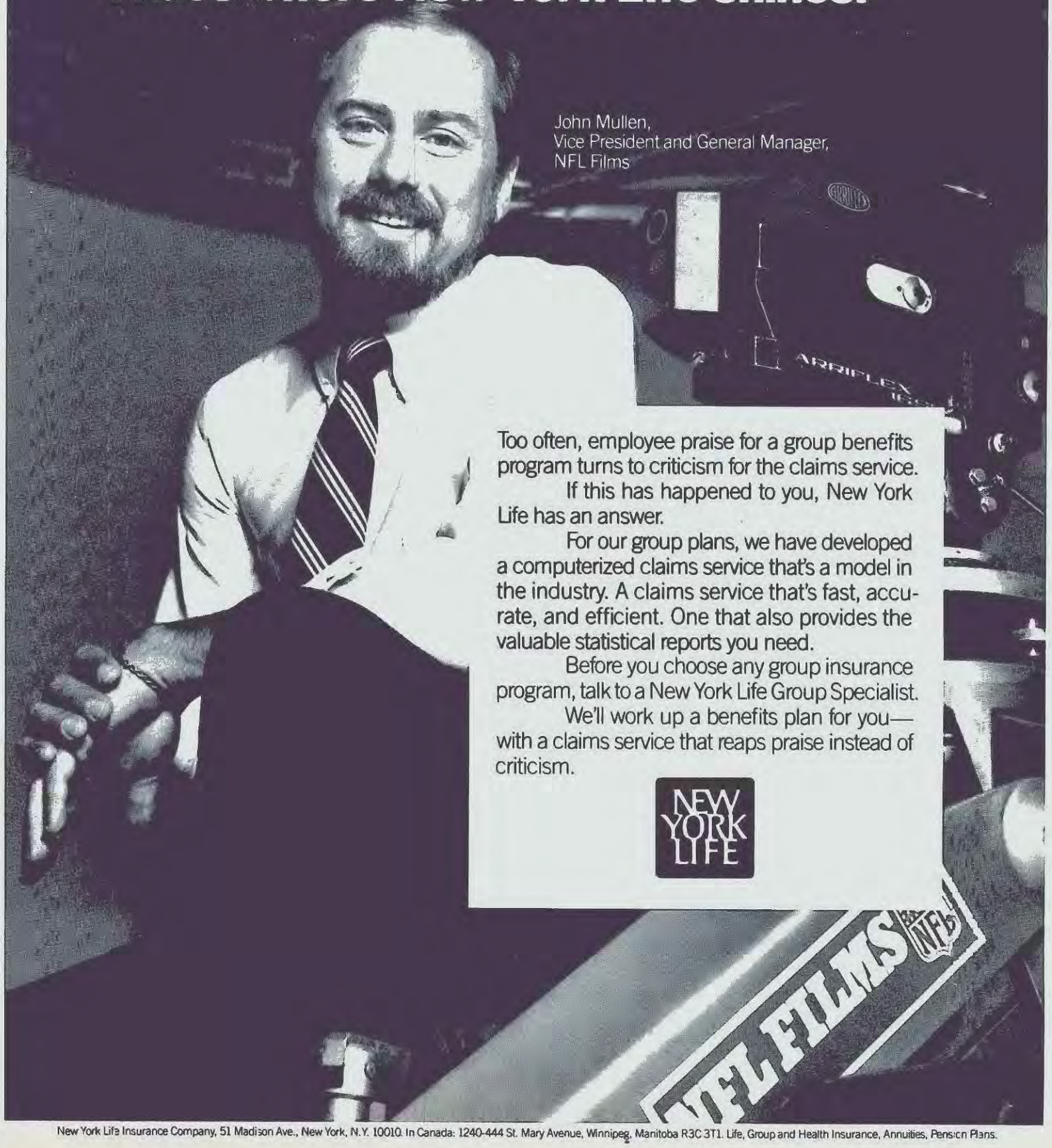
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Continued from previous page
media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

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

International benefits consulting: 10% of business. Consulting via overseas correspondents, consulting from the U.S.

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

Locations: Atlanta; Chicago; Dallas, Houston; Dayton, Ohio; Denver; Detroit; Los Angeles; Newport Beach, Calif.; San Francisco; Milwaukee; Minneapolis; New York; Rowayton, Conn.; Toronto.

Library facilities: Main library contains 5,000 books, 7,800 proxy statements, 800 subject files on compensation and benefits and more than 500 magazines and updating services.

Computer facilities: Burroughs 7700 dual processor; IBM 4341 system will be added next year.

Principal officers: Peter E. 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 800 total employees, including 25 FSAs, 25 ASAs, 20 MBAs, two CEBS, 75 CLUs, four attorneys.

Clients: More than 5,000 clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 95% or more corporations, 5% or less multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $175; junior consultant, $50; secretarial, $20-$40.

1981 gross revenues: Approximately $50 million.

Retirement plan consulting: 25% 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, record keeping for defined 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. Via overseas branch offices, via overseas correspondents, from the U.S.

Compensation consulting: 8% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Throughout the U.S.

Principal officers: J.J. Stahl II, director of Human Resource Management; A.M. D'Alessandro, J. Wilkinson, J.R. Zatto, division managers.

I

Independent Risk Management Group Inc.

P.O. Box 1156, Corning, N.Y.; 607-962-6110

Parent company: A.W. Lawrence Management Co.

Staff: Five total employees; three professionals, including MBA, CLU, CPA designees.

Clients: 22 clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 100 employees.

Compensation: By the project; on retainer; by the hour, senior consultant, $45; junior consultant, $35.

1981 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, 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: Syracuse, N.Y.

Library facilities: Libraries with reference material.

Computer facilities: Apple II computer with special software with connections to affiliated firms with IBM computers.

Principal officers: Robert W. Menikheim, president; Douglas W. Simpson Jr., George Bergotti.

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; 20 professionals, including one FSA, one ASA, one MBA, four CEBS, four CLUs.

Clients: 300 clients; 33.5% with more than 500 employees, 66.5% with fewer than 500 employees; 70% corporations, 20% multiemployer plans, 10% individuals; no minimum size client.

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

1981 gross revenues: $4 million.

Retirement plan consulting: 10% 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: 70% 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 Galbraith & Green division), actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 5% of business. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

International benefits consult-



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ing: 5% of business. Consulting from the U.S.

Compensation consulting: 10% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Washington, D.C.

Library facilities: Centralized library containing periodicals and reference materials.

Computer facilities: In-house Datamark system.

Principal officers: Douglas Pallay, president; Douglas Anderson, executive vp; Norma Janich, vp/administration; John Aggen, vp/benefit consulting.

Johnson & Higgins

95 Wall St., New York, N.Y. 10005; 212-482-2000

Staff: 700 total employees; including 42 FSAs, 38 ASAs, 63 MBAs, seven CEBS, 31 CLUs, 11 attorneys.

Clients: Not reported.

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

1981 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, asset accumulation/investment consulting, pre-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: Consulting via overseas branch offices, via overseas correspondents, from the U.S.

Compensation consulting: Done through Sibson & Co. Inc. Includes executive incentive, other executive perks.

Locations: 36 offices throughout the U.S.

Library facilities: Centralized, benefits-oriented library, includes a benefit "hot line."

Computer facilities: In-house IBM 370-148 system; also on time-sharing basis with a large national computer company.

Principal officers: J.G. Harlow, Kenneth K. Keene, managing directors.

Johnson Insurance Associates

P.O. Box 6043, 41-42 Norre Gade, Charlotte Amalie, St. Thomas, Virgin Islands 00801; 809-774-1450/775-1581

Parent company: James W. Johnson.

Staff: Three total employees; two professionals.

Clients: 250 clients; 1% with more than 500 employees, 99% with fewer than 500 employees; 60% corporations, 20% multiemployer plans, 20% 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, $40-$50; secretarial, $10-$15.

1981 gross revenues: Less than $100,000.

Retirement plan consulting: 20% of business. Includes plan design consulting, record keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 75% 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, claims management system consulting and claims management auditing.

Communication consulting: 5% of business.

Locations: Cowpet Bay, St. Thomas, Virgin Islands.

Principal officers: James W. Johnson, JoAnne Johnson, principals.

Continued on next page

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Continued from previous page

Albert C. Jones, New England Inc.

Box 281, 35 S. Main St., Hanover, N.H. 03755; 603-643-3904

Staff: Five total employees; three professionals, including MBA, CLU, ARM and CPCU designees.

Clients: 20 clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 90% corporations, 10% multiemployer trusts; no minimum size client.

Compensation: By the hour, senior consultant, $50; junior consultant, $30; secretarial, $10.

1981 gross revenues: $225,000.

Retirement plan consulting: 10% 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: 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, claims administration (by A.B. Gile Inc.), claims management system consulting and claims management audits.

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

International benefits consulting: Small portion of business, consulting from the U.S.

Compensation consulting: 20% of business. Includes executive incentive, other executive perks.

Locations: Graham, Maine.

Library facilities: Insurance library maintained.

Computer facilities: Timesharing basis with Dartmouth College on Honeywell system

Principal officers: Jane Y. Rastallis, president; Albert C. Jones, treasurer; David A. Dodge, vp.

K

Kientz & Co.-Financial Service Division

1328 Dublin Road, Columbus, Ohio 43216; 614-486-9571

Staff: 14 total employees; 10 professionals, including five CLUs, one enrolled actuary, one CPA, two FLMIs, one CLA.

Clients: 800 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 65% corporations, 35% individuals; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; by the hour.

1981 gross revenues: $400,000, for financial services only.

Retirement plan consulting: 25% 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: 30% 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: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Compensation consulting: 35% of business. Includes executive incentive, other executive perks.

Locations: Cincinnati; Galion, Ohio.

Computer facilities: Computerized records maintained.

Principal officers: W.D. Kientz, president; Paul Ward, Ned Thomas, Roger W. Yeley, George J. Caronis, vps.

The Kooper Group

666 Fifth Ave., New York, N.Y. 10019; 212-246-2188

Staff: Six total employees; three professionals, including one attorney.

Clients: 200 clients; 60% with more than 500 employees, 40% with fewer than 500 employees; minimum size client, 100 employees.

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

1981 gross revenues: $450,000.

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 management system consulting and claims management audits.

Communication consulting: 5% of business. Includes general consulting on communications programs.

International benefits consulting: 5% of business.

Principal officers: Michael Kooper, president; Michael D. Rockman, vp.

Kwasha Lipton

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

Staff: 225 total employees; 180 professionals, including 25 FSAs, 20 ASAs, six MBAs, three attorneys, three FCIAs, 10 FCAs, 10 MCAs, 30 MAAAs, one CFA.

Clients: 400 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.

1981 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 preparation, booklet preparation, audiovisual program preparation.

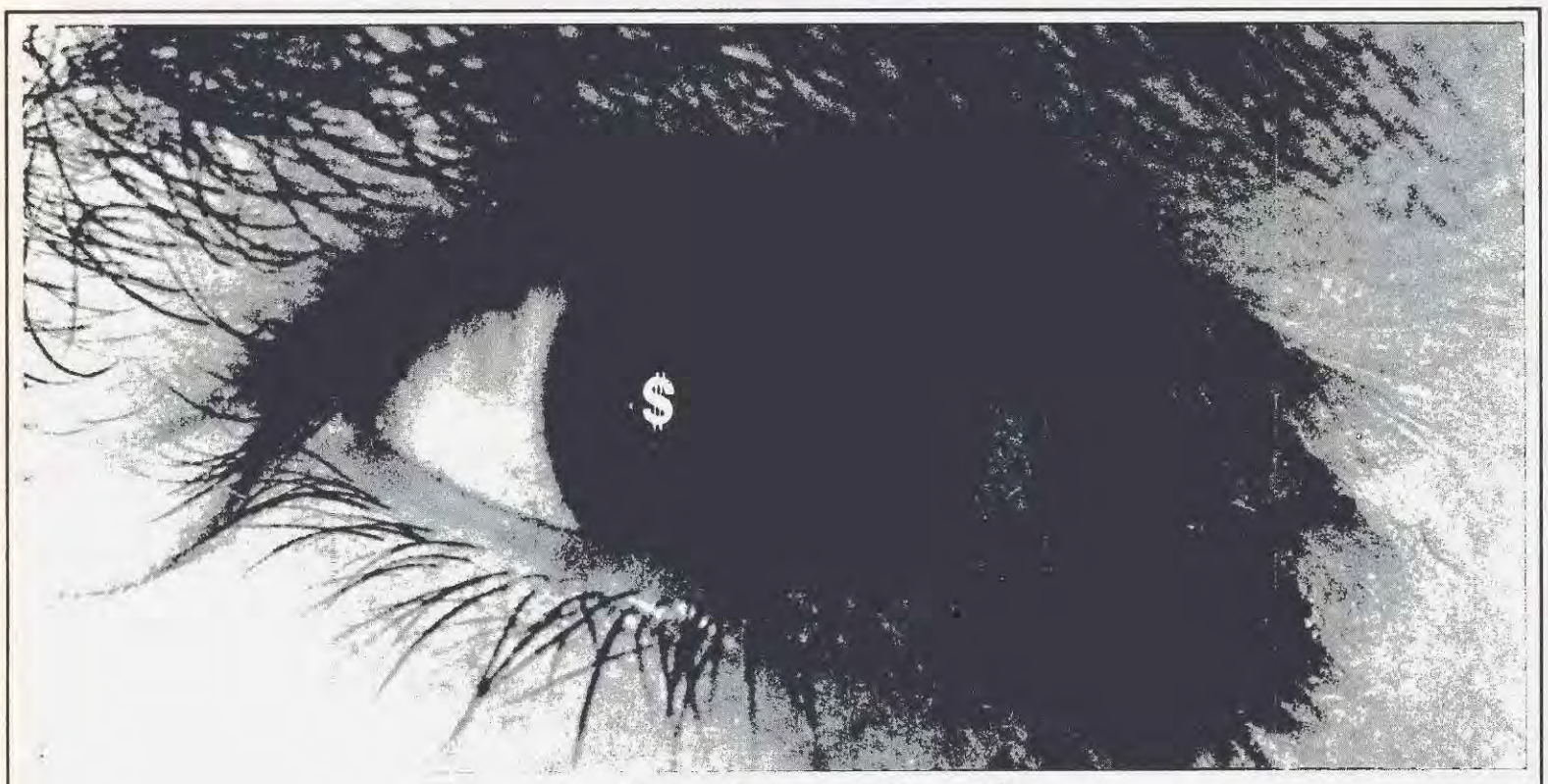
International benefits consulting: 5% of business. Consulting via overseas correspondents, from the U.S.

Compensation consulting: 5% of business. Includes executive incentive, other executive perks, wage and salary administration.

Library facilities: Centralized library with 2,500 volumes and various trade and legal publications.

Computer facilities: In-house IBM 4341-Group 2 system.

Principal officers: John Connors, Dick Sears, Len Mactas, policy committee; total of 30 partners.



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M

M&R Benfo Inc.

1326 Fifth Ave., Suite 460, Seattle, Wash. 98101; 206-624-7940

Parent company: Millman & Robinson Inc.

Staff: 15 total employees; 11 professionals, including one ASA, one MBA, nine CEBS, one attorney.

Clients: More than 125 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $80-$90; junior consultant, $40-$50; secretarial, $30.

1981 gross revenues: Not reported.

Retirement plan consulting: 50% of business. Includes plan design consulting, record keeping work for defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting and data bank design and maintenance.

Communication consulting: 48% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation and audiovisual program preparation.

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

Library facilities: Access to library with pertinent information.

Computer facilities: Timeshared IBM 370/135 and Harris S135 computers.

Principal officers: Gary J. Redman, managing vp; Lee A. Carlson, director of communications.

Management Innovations

5610 Medical Circle, Suite 4, Madison, Wis: 53719; 608-274-4336

Staff: Four total employees; four professionals, including one MBA.

Clients: 60% with more than 500 employees, 40% with fewer than 500 employees; no minimum size client.

Compensation: By the project.

1981 gross revenues: Not reported.

Retirement plan consulting: 15% of business. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 30% of business. Includes plan design consulting, selction of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans, evaluation and design of cafeteria benefit plans.

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

Compensation consulting: 50% of business. Executive incentive, other executive perks, wage and salary administration.

Principal officers: Randall B. Dunham, Roger Formisano.

Maury, Donnelly & Parr Inc.

Commerce & Water Streets, Baltimore, Md. 21202; 301-685-4625

Staff: 22 total employees; 10 professionals.

Clients: 10 clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 60% corporations, 20% multiemployer plans, 20% partnerships.

Compensation: By project.

1981 gross revenues: Recently founded.

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 (in-house), 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: Small portion of business. Consulting from the U.S.

Other consulting services: Includes design, implementation and administration of association welfare plans.

Library facilities: Pertinent reference materials and subscriptions.

Computer facilities: In-house Microdata computer.

Principal officers: John Connelly, vp, employee benefits division; Thomas D.R. Parr, president; Henry A. Parr IV, senior vp; Ross Crosier, Walter Beadell, vps.

Meidinger Inc.

2449 Grinstead Drive, Louisville, Ky. 40204; 502-499-1240.

Staff: 535 total employees; 265 professionals, including 27 FSAs, 31 ASAs, 40 MBAs, five CEBS, 30 CLUs, 22 attorneys.

Clients: Approximately 2,000 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 95% corporations, 2% multiemployer plans; no mimimum size client.

Compensation: By the project; by the hour.

1981 gross revenues: Not reported.

Retirement plan consulting: 73% of business. Includes plan de-

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ENTRY® computer services news

MCDONNELL DOUGLAS AUTOMATION COMPANY

MCAUTO GCPS boosts claim processing output over 80% at The Hartford Group.

Battered by dramatic increases in group health claim costs, The Hartford Insurance Group sorely needed a way to increase productivity—to become more efficient in the face of a rapidly increasing workload.

"We found just what we needed in the MCAUTO Group Claims Processing System," reports John Russo, Assistant Vice-President and director of the planning and administration group.

A team from MCAUTO and The Hartford's group claims and data processing departments modified the system to more precisely fit The Hartford's needs. Then it was pilot-tested before installation in 10 of the company's 12 claims payment locations nationwide.

"Everything went right, and right on time," continues Mr. Russo. "Within a few months, our processors had achieved an 80% increase in claims production over the manual method. We're now handling some 40,000 claims a month—60% of the calculations and payments for medical, dental and disability."

GCPS stores information on each group policyholder, including complete claim history. The processor can display this data on a video terminal, answer any inquiry, add more information, or provide such data as a prevalent fee by area of the country. Special on-line entry and editing ensures that any errors are caught before data gets into the system. Built-in flexibility allows for growth within the system, and also enables management to monitor branch offices, processors, and payments.



The medical profession's efforts to deliver better health care to more people has led to increased claim processing costs and a heavier workload for many health insurance companies. MCAUTO GCPS helps solve the problem at The Hartford Group.

"We've found the system to be most cost effective," concludes Mr. Russo. "It has led to faster, more accurate, more consistent service to all our agents and policyholders. And we're confident it will handle our growth requirements for years to come."

To find out how MCAUTO GCPS can bring better productivity and improved service to your claims handling, call MCAUTO at (314) 232-8021. Or mail the coupon.

W. R. Vickroy, MCAUTO, Dept. KK-500
Box 516, St. Louis, MO 63166

☐ Please send more information on MCAUTO GCPS.

☐ Have your representative phone me for an appointment.

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sign consulting, actuarial work for defined benefit plans, record keeping work for defined contribution systems, record keeping and administrative systems consulting, plan administration consulting, actuarial modeling.

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 administration of self-insured plans.

Communication consulting: 11% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee surveys.

Compensation consulting: 4% of business. Includes executive incentives, other executive perks, wage and salary administration.

Other consulting services: 6% of business. Includes asset planning services.

Locations: Atlanta; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Dallas; Erie, Pa.; Indianapolis; Kansas City, Mo.; Memphis, Tenn.; New York; Milwaukee; Philadelphia; Pittsburgh; Richmond, Va.; Washington, D.C.

Library facilities: Extensive in-house library of pertinent material with a staff of five.

Computer facilities: In-house Univac 1100/60 computer with 60 terminals; on-line access in divisional offices.

Principal officers: Douglas D. Stenger, chairman; Frank Peabody III, president; Timothy Lynch, William 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: 2,583 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, charges range from $50-$200.

1981 gross revenues: $123 million (1980).

Retirement plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record keeping 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, claim 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: Consulting via overseas branch offices, overseas correspondents and from the U.S.

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: A.J.C. Smith, president; John G. Ireland, Diljit S. Juneja, Bernard F. Rogers, executive vps/directors; Barnet N. Berin, director of professional standards.

Midwest Benefits Corp.

22255 Greenfield, Suite 404, Southfield, Mich. 48037; 313-569-9700

Staff: 15 total employees; five professionals, including one MBA, one CLU.

Clients: 100 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; minimum size client, 25 employees.

Compensation: Commissions for insurance placed with underwriters.

1981 gross revenues: $800,000.

Welfare plan consulting: 98% 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 company, actuarial evaluation of self-insured plans, claims management systems consulting and claims management audits.

Communication consulting: 2% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Mount Prospect, Ill.

Principal officers: Frank P. Spadafore, president; Ron Klein, executive vp.

Miller, Arthur & Gregg Inc.

Box 2316, 236 W. Evans St., Florence, S.C. 29503; 803-662-3241

Staff: Ten total employees; four professionals, including three FSAs, one CEBS.

Clients: 3,000 clients; 100% with fewer than 500 employees; 90% corporations, 5% multiemployer plans, 5% individuals; minimum size client, 10 employees.

Compensation: Commissions for insurance placed with underwriters.

1981 gross revenues: $500,000.

Retirement plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting.

Welfare plan consulting: 80% 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.

Compensation consulting: 10% of business. Includes executive incentive.

Principal officers: E. Steward Gregg, Charles Tripp Jr., Roger Jordan.

H.D. Morgan & Associates

2 N. Riverside Plaza, Suite 840, Chicago, Ill. 60606; 312-648-7433

Staff: One professional who is an FSA, affiliations with other firms expands professional staff to 12.

Clients: Total number not provided; 10% with more than 500 employees, 90% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

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Company _____

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B

Compensation: By the project; on retainer; by the hour, senior consultant, $125.

1981 gross revenues: Not reported.

Retirement plan consulting: 87% 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.

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: 8% of business. General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation with affiliates.

Compensation consulting: 2% of business.

Library facilities: Centralized library shared with affiliated actuarial firm.

Computer facilities: Access to Prime 250 II computer owned by affiliated actuarial firm.

Principal officer: Harry D. Morgan.

Mountain States Administration Co. Inc.

15305 E. Colfax, Suite 205, Aurora, Colo. 80011; 303-360-0626

Staff: 11 total employees; eight professionals.

Clients: 75 clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 100% corporations.

Compensation: By the project.

1981 gross revenues: $250,000.

Welfare plan consulting: 100% of business. Includes plan design consulting, in-house claims administration, actuarial evaluation of self-insured plans.

Principal officers: Clarence Gray, president/chief executive officer.

O

Olliver/Pilcher Insurance Inc.

6150 N. 16th St., Phoenix, Ariz. 85016; 602-277-5703

Staff: 175 total employees (seven in employee benefits; 3 professionals, including one MBA, one CLU).

Clients: 10,000 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 90% corporations, 10% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $90-$120; junior consultant, $70-$100; secretarial, $35.

1981 gross revenues: Not reported.

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

Welfare plan consulting: 75% 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: 10% of business. General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 10% of business. Includes executive incentive, other executive perks.

Locations: Mesa, Glendale, Showlow, Globe, Flagstaff, Scottsdale and Cottonwood, Ariz.

Principal officers: W.W. Pilcher, chairman and president; Steve Lindstrom, vp/employee benefits; James Atkinson, senior account manager.

P

PJR Cos.

Box 324, Blue Bell, Pa. 19422; 215-643-1320

Staff: 20 total employees.

Clients: 325 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; no minimum size client.

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

1981 gross revenues: $750,000.

Welfare plan consulting: 60% of business. Includes in-

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Continued from previous page
surer/broker selection consulting, claims administration (subsidiary), actuarial evaluation of self-insured plans, claims management system consulting and claims management audits, computer software sales.

Communication consulting: 5% of business. Includes booklet preparation.

Other services: 35% of business. Includes other insurance sales.

Locations: Baltimore, Pittsburgh.

Library facilities: Collection of pertinent publications.

Computer facilities: Wang 2200 MVP computer with terminals in branch offices; in-house programmer.

Palmer, Goodell, Keeney, Preston & Olmstead

1500 Main St., Springfield, Mass. 01155; 413-781-5940

Staff: 72 total employees; four professionals, including four CLUs, six CPCUs, one attorney.

Clients: 200 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 50% corporations, 5% multiemployer plans, 45% indiviudals; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; by the hour, senior consultant $80; secretarial, $20.

1981 gross revenues: $400,000 (employee benefits only).

Retirement plan consulting: 10% of business. Includes plan design 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.

Compensation consulting: 40% of business.

Other services: 25% of business. Includes executive compensation.

Computer facilities: In-house.

Principal officers: Edward M. Clark and Lawrence S. LaRusse, partners.

T.R. Paul Inc.

14 Commerce Road, Newtown, Conn. 06470; 203-426-8161

Staff: 55 total employees, including three ASAs, three CLUs.

Clients: 1,000 clients; 2% with more than 500 employees, 98% with more than 500 employees; 85% corporations, 5% multiemployer plans, 10% individuals; no minimum size client.

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

1981 gross revenues: $2.5 million.

Retirement plan consulting: 33% of business. 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.

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-insurance plans, claims management system consulting and claims management audits.

Services: 17% of business. Includes life insurance sales.

Principal officers: Robert Levy, president; William Smith, Maurice T. Lamber-, vps.

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; 94% corporations, 5% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $100-$175; junior consultant, $60-$100; secretarial, $20.

1981 gross revenues: $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, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 5% of business. General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 3% of business. Consulting via overseas correspondents.

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

Principal officers: James Kahn, president; Donald A. Lockwood, executive vp and actuary; Robert Hruska and Paul D. Robinson, vps and actuaries; Leonard Marinaccio, vp.

Professional Administrators Ltd.

2043 Regency Circle, Lexington, Ky. 40503; 606-276-3581

Staff: 36 total employees; nine professionals, including one FSA, one MBA.

Clients: 4,700 clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 79% corporations, 20% multiemployer plans, 1% individuals.

Compensation: By the project; on retainer; by the hour, senior consultants, $60-$90; junior consultant, $30-$60; secretarial, $10-$20.

1981 gross revenues: Not reported.

Retirement plan consulting: 15% 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: 70% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 15% of business. General consulting on communications programs, benefit statement preparation, booklet preparation.

Locations: Professional Administrators Ltd., Indianapolis; Fringe Benefit Administrators, Memphis, Tenn.; Employee Security Program Inc., Jacksonville, Fla.

Library facilities: Centralized library with pertinent material.

Computer facilities: In-house IBM System 34 computer.

Principal officers: John B. Conrad, president; Joseph M. Whitmer, executive vp.

R

Rand Associates

One Boston Place, Boston, Mass. 02108; 617-523-0044

Staff: Four professionals, including one CLU.

Clients: 250 clients; 80% with more than 500 employees, 20% with less than 500 employees; 80% corporations, 20% individuals; minimum size client, five employees.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $130; junior consultant, $75; secretarial, $30.

1981 gross revenues: $300,000.

Retirement plan consulting: 20% of business. Includes plan design consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 30% 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 systems consulting

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Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, audiovisual program preparation.

Compensation consulting: 35% of business. Includes executive incentive, other executive perks.

Reed Stenhouse

Box 250, Toronto-Dominion Centre, Toronto, Ontario M5K 1J6; 416-868-5500

Parent company: Reed Stenhouse Cos. Ltd.

Staff: 545 total benefits employees; 250 professionals, including 16 FSAs, six ASAs, eight CLUs, four attorneys.

Clients: More than 5,000; 83% corporations, 2% multiemployer plans, 15% individuals; no minimum size client.

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

1981 gross revenues: Approximately $23 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, asset accumulation/investment counseling.

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, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 2.5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 15% of business. Consulting via overseas branch offices.

Compensation consulting: 2.5% of business. Includes executive incentive, other executive perks.

Locations: More than 180 offices worldwide.

Library facilities: Centralized libraries in the United States, Canada and Great Britain.

Computer facilities: Datapoint minicomputers, other minicomputers.

Principal officers: William M. Wilson, president and chief executive officer.

S

Martin E. Segal Co.

730 Fifth Ave., New York, N.Y. 10019; 212-586-5600

Staff: 430 total employees; 310 professionals, including 10 FSAs, 18 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.

1981 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, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits, analysis of investment performance.

Communication consulting: Approximately 3% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: Approximately 3% of business. Consulting via overseas branch offices, via overseas correspondents,

Continued on next page



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Continued from previous page
from the U.S.

Compensation consulting: Approximately 3% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; San Francisco; New Orleans; Phoenix, Ariz.; 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; Earl Palay, president; Robert D. Paul, Vincent F. O'Hara, vice chairmen; Robert D. Krinsky, Berton Jacobson, executive vps.

Donald Shaffer Associates Inc.

11 Grace Ave., Great Neck, N.Y. 11021; 516-466-4642

Staff: Nine total employees, including two CLUs.

Clients: 100 clients; 10% with more than 500 employees, 80% with fewer than 500 employees; 50% corporations, 10% multiemployer plans, 10% individuals; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; by the hour, senior consultant, $50

1981 gross revenues: $600,000.

Retirement plan consulting: 15% 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: 30% 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: Includes general consulting on communications programs, benefit statement preparation, booklet preparation only in relation to retirement and welfare plans.

Compensation consulting: 15% of business. Includes executive incentive.

Other services: 40% of business. Includes risk management consulting, financial planning, property/casualty insurance, life insurance and tax shelters.

Principal officers: Donald Shaffer, president.

E.W. Siver & Associatesinc.

9400 Fourth St. N., St. Petersburg, Fla. 33743; 813-577-2780

Staff: 14 total employees; eight professionals, including five CLUs, three attorneys.

Clients: Not reported.

Compensation: By the project; on retainer; by the hour, senior consultant $60-$100; junior consultant, $36-$60; secretarial, $12-$15.

1981 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. Consulting done from the U.S.

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.

T

TIC International Corp.

3901 N. Meridian St., Suite 500, Indianapolis, Ind. 46208; 317-924-5311

Staff: 400 total employees; nine professionals, including three FSAs, two ASAs, one attorney, one Ph.D., two CPAs.

Clients: 315 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.

1981 gross revenues: $14,094,800.

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.

Principal officers: Ronald B. Woodard, president/chairman; Stephen E. Kraabel, executive vp/chief executive officer; John M. Meyer, treasurer.

Tierney Associates Inc.

855 Worcester Road, Framingham, Mass. 01701; 617-872-1773

Staff: Five total employees; one professional, including one FSA.

Clients: Not reported.

Compensation: By the project, by the hour; senior consultant, $110; junior consultant, $55; secretarial, $30.

1981 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 plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, asset accumulation with limited work in selection of funding media consulting and investment consulting.

Welfare plan consulting: 25% 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, with limited work in claims management system consulting and claims management audits.

Communication consulting: 5%

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

International benefits consulting: 5% of business. Includes limited consulting from the U.S for Canadian firms.

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

Library facilities: Collection of materials.

Computer facilities: Work done on an IBM 370 system

Principal officers: Thomas P. Tierney, consulting actuary.

Tillinghast, Nelson & Warren Inc.

Tower Place, 3340 Peachtree Road, Atlanta, Ga. 30326; 404-261-5420

Staff: 250 total employees; 125 professionals, including 50 FSAs, 20 ASAs, 10 MBAs, three CLUs, two attorneys, 16 FCAS, six ACAS, one AIC, one ABC.

Clients: 2,250 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 70% corporations, 10% multiemployer plans, 20% public; no minimum size client.

Compensation: By the project; by the hour; senior consultant, $70-$200; junior consultant, $40-$70; secretarial, $30-$40.

1981 gross revenues: $20 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, 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, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 5% of business. Via overseas branch offices, from the U.S.

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

Locations: Newtown, Boston, Mass.; Columbus, Ohio; Dallas; San Antonio, Texas; 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: In-house DEC System 2060, 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; 212-661-5080

Staff: 1,500 total employees; 950 professionals, including 155 FSAs, 69 ASAs.

Clients: 4,000 clients; 100% corporations; no minimum size client.

Compensation: By the hour.

1981 gross revenues: $120 million.

Retirement plan consulting: 54% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping and administration systems consulting, plan administration 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, claims management system consulting and claims management audits, consulting on HMOs.

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

Continued on next page

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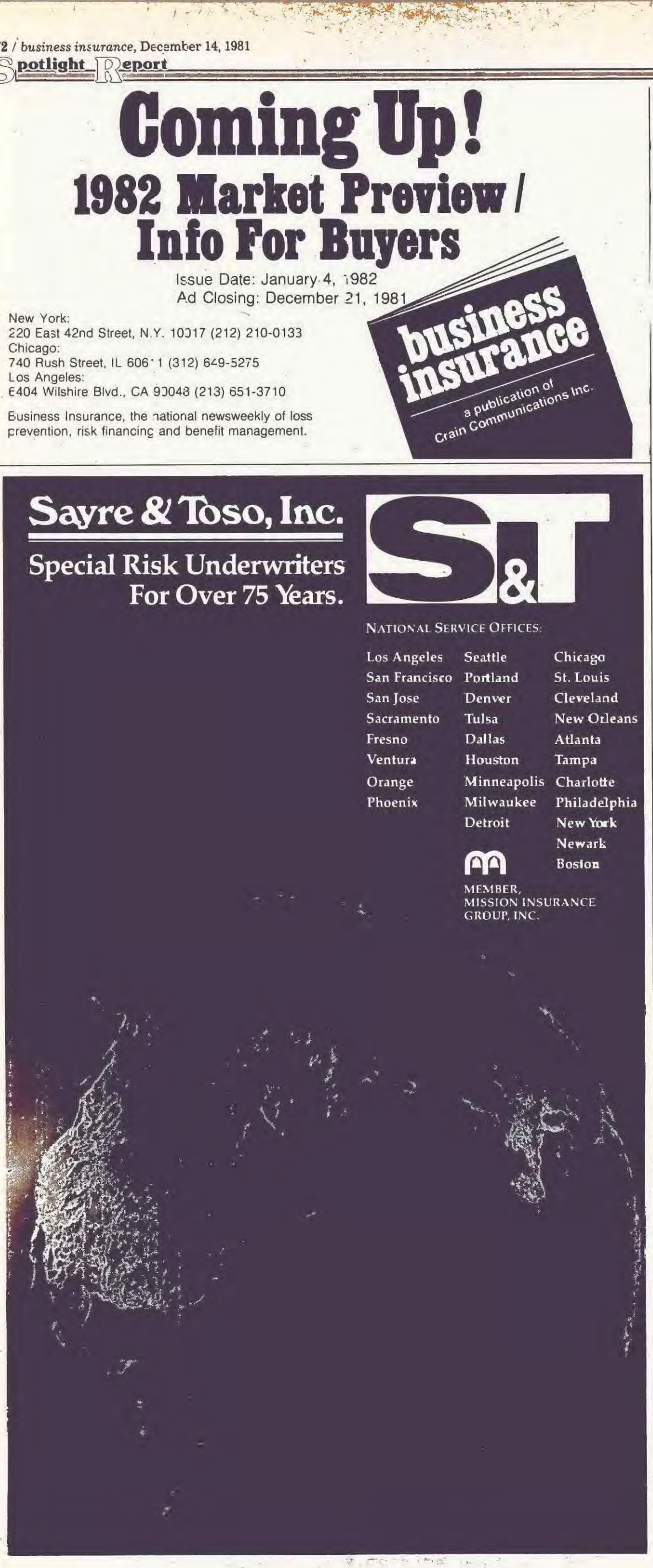
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MEMBER, MISSION INSURANCE GROUP, INC.



Continued from previous page

International benefits consulting: 14% of business. Consulting via overseas branch offices and from the U.S.

Compensation consulting: 18% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Atlanta; Boston; Chicago; Cleveland; Dallas; Detroit; Los Angeles; San Francisco; Minneapolis; New York; Philadelphia; Pittsburgh; St. Louis; Seattle; Stamford, Conn.; Tampa, Fla.; Washington, D.C.; Calgary, Alberta; Montreal; Toronto; Vancouver, British Columbia. Ten other offices throughout the world.

Library facilities: Central library staffed by librarians in corporate office; regional offices have smaller facilities.

Computer facilities: IBM computers used in-house with some time-sharing use outside company.

Principal officers: Q.I. Smith, chairman/chief executive officer; J.E. Kielley, president; D.E. Sullivan, vp for employee benefits; L.N. Margel, chief actuary; C.F. Fretz, vp for human resource services.

U

Unruh & Morse Co. Inc.

Suite 640, 331 Fulton, Peoria, Ill. 61602; 309-673-9167

Staff: 11 total employees; four professionals, including three CLUs.

Clients: Number of clients not reported; 5% with more than 500 employees, 95% with fewer than 500 employees; 99% corporations; 1% multiemployer plans; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; on retainer; by the hour; senior consultant, $50; junior consultant, $35; secretarial, $10.

1981 gross revenues: Not reported.

Retirement plan consulting: 20% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping work for defined contribution plans, plan/trust legal document drafting, selection of funding media consulting, asset accumulation/investment consulting, individual employee pre- and post-retirement 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, claims administration (by subsidiary, Self-Assurance Co. Inc.), actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

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

Compensation consulting: 35% of business. Includes executive incentive, other executive perks.

Computer facilities: Datapoint 1800 system used in-house for proposals and administration; time-sharing system used for pension services.

Principal officers: James E. Morse, president; Paul R. Unruh, secretary/treasurer.

W

Waidelich & Associates of Wausau Inc.

205 E. Thomas St., P.O. Box 1124, Wausau, Wis. 54401

Staff: Three total employees: two professionals.

Clients: Total number of clients not reported; 100% with fewer than 500 employees; 50% corporations, 20% multiemployer plans, 30% individuals; no minimum size client.

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

1981 gross revenues: $121,622.

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.

Welfare plan consulting: 50% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, hiring other consultants for evaluation of service providers, claims administration, actuarial evaluation of self-insured plans and claims management consulting and audits.

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

Compensation consulting: 25% of business. Includes executive incentive, other executive perks, wage and salary administration.

Other consulting services: Analysis of executive capital needs for personal goals.

Principal officers: Kenneth Buelt, president; Thomas Waidelich, 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% corporations, 5% multiemployer plans; minimum size client 75 employees.

Compensation: By the project.

1981 gross revenues: Not reported.

Welfare plan consulting: 90% of business. Includes claims administration (in-house), claims management system consulting and claims management audits.

Communication consulting: 10% of business. Includes booklet preparation.

Locations: Anchorage and Juneau, Alaska; Boise, Idaho; Boston; Chicago; Dallas; Las Vegas and Reno, Nev.; Los Angeles; New York; Omaha, Neb.; Phoenix, Ariz.; Portland, Ore.; Salt Lake City; San Francisco; Seattle; Spokane and Tacoma, Wash.; Tampa, Fla.; Twinsburg, Ohio; Washington, D.C.

Library facilities: Libraries with pertinent periodicals and reference 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, Kenneth Rosser, senior vps; Myron Soltau, vp of corporate services.

Williams, Thacher & Rand

330 N. Charles St., Baltimore, Md. 21201; 301-659-0074

Staff: 18 total employees; nine professionals, including one FSA, six ASAs, one attorney.

Clients: 140 clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour; senior consultant, $90-$150; junior consultant, $50-$90; secretarial, $25-$35.

1981 gross revenues: More than $1 million.

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/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, broking the insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 5% of business. Consulting from the U.S.

Compensation consulting: 10% of business. Includes executive incentive, other executive perks.

Locations: Rockville, Md.; New York.

Principal officers: Robert L. Williams, Charles G. Thacher, Thomas O.S. Rand, co-principals.

Wittner Hanahan & Peck Inc.

P.O. Box 24450, Tampa, Fla. 33623; 813-384-3000

Staff: 12 total employees; four professionals.

Clients: 24 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; minimum size client 100 employees.

Compensation: By the project.

1981 gross revenues: $312,000.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration (in-house), actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

Locations: St. Petersburg, Fla.

Principal officers: Ted P. Wittner, chairman; James L. Hanahan, president; John L. Peck, vp.

Wolper Ross & Co.

444 Brickell Ave., Suite M 100, Miami, Fla. 33131; 305-379-7611

Staff: 62 total employees; 30 professionals, including five MBAs,

Continued on next page

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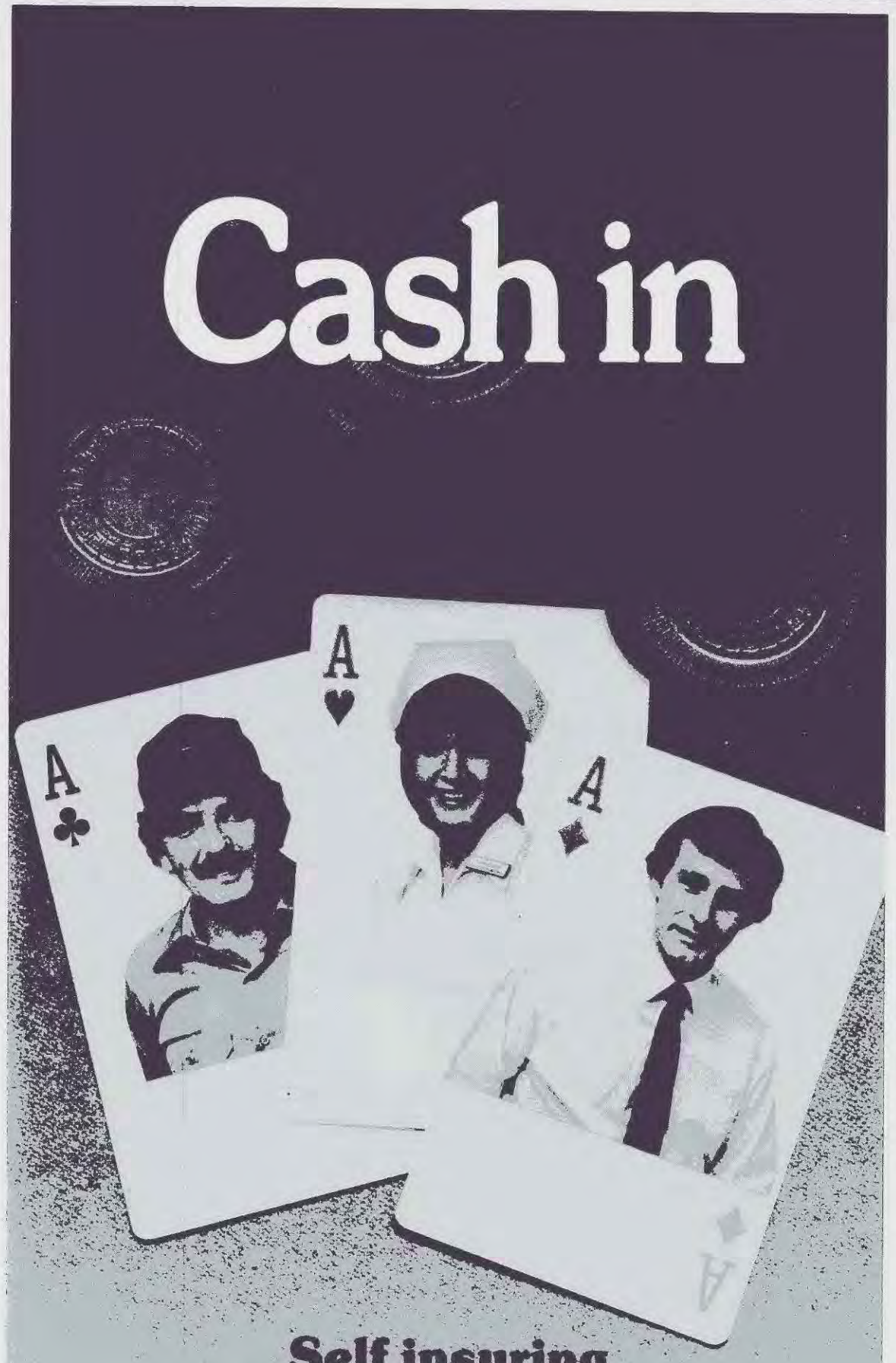
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Continued from previous page
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Clients: 1,200 clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $150-$250; junior consultant, $75-$150; secretarial, $40.

1981 gross revenues: $2.5 million.

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.

Welfare plan consulting: 5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers.

Communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 20% of business. Includes executive incentive, other executive perks.

Locations: San Francisco, New York, New Orleans.

Library facilities: Centralized library with librarian and assistant, including tax, labor and pension regulations.

Computer facilities: In-house computer; outside time-sharing.

Principal officers: Marshall Wolper, Mark E. Ross, Robert Kramer, George Jahn, Robert Katz, Sam Gallardo.

The Wyatt Co.

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Staff: 1,300 total employees; 500 professionals, including 116 FSAs, 91 ASAs, 24 attorneys, seven CPCUs.

Clients: 8,000 clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 97% corporations, 2% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the hour; senior consultant, $90-$158; junior consultant, $40-$90; secretarial, $15-$30.

1981 gross revenues: $83 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. Via overseas branch offices, from the U.S.

Compensation consulting: 6% of business. Includes executive incentive, other executive perks, wage and salary administration.

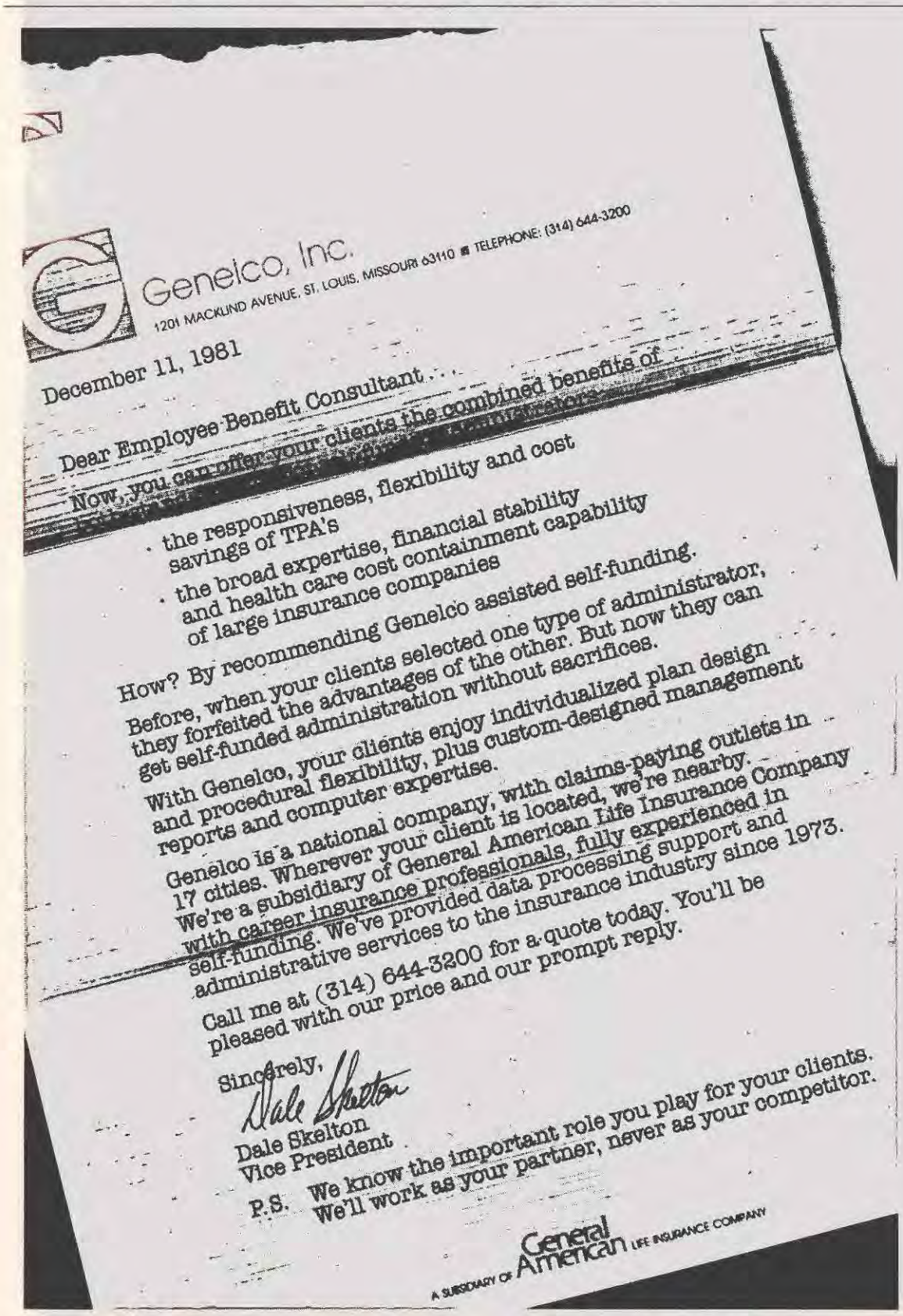
Other consulting services: 5% of business. Risk management consulting.

Locations: Twenty-three offices throughout the U.S., six in Canada, seven others worldwide.

Library facilities: Centralized research department and local facilities.

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.



Compare benefit quantity, quality, consultant says

CHICAGO—Employers can compare their employee benefits by eyeballing the competition, but that alone won't produce a clear picture, a consultant says.

Employers need both qualitative and quantitative measures for accurate comparison, says William H. Kooser, a vp at William M. Mercer Inc.

Qualitative methods include comparing benefits to the competition and seeking so-called "expert opinion" from employee benefit consultants like Mercer.

But, Mr. Kooser remarks, a consultant should shudder at telling employers what benefits they should offer without first performing a Quantitative Benefit Comparison, or QBC.

The QBC is an actuarial analysis of benefit values that provides a mathematical basis for benefit comparison and goes beyond the traditional qualitative methods that most companies depend upon.

"In most companies, benefit planning remains an imprecise management function. Despite large expenditures for benefits, the decision to modify or improve a benefit plan is rarely based on solid, objective information," he says.

Some studies say as much as 37% of payroll is devoted to employee benefits, but management's perception of the worth or value of benefit plans to employees is most often developed in a purely subjective manner, Mr. Kooser says.

"Companies survey their competition in an attempt to compare their benefit plans to an external norm, but interpretations of the data are usually subjective, too," he adds.

The QBC that Mercer developed starts with a traditional benefit survey, but the final product is a numerical ranking of the benefit plans of the participating companies.

Under the plan, the employer and the consultant jointly choose companies that will be invited to participate in the comparison. Benefit plans designs are drawn from those companies that agree to take part in return for the results of the research.


Mr. Kooser

The employer that contracts for the QBC has complete freedom to choose the number of employees to be compared and to specify the age, earnings, service and employee classification characteristics to be used in the comparisons.

Certain assumptions like mortality rate, employee turnover, interest and salary increases are plugged into the QBC and result in the benefits of each participating company —ranked according to consistent employee characteristics and assumptions.

"This means that the plans of the companies are evaluated using a common standard of measurement, one that reflects the unique characteristics of that type of business," says Mr. Kooser.

Employers should keep in mind, however, that the value of a benefit to the employee is probably different from the actuarial value to the employer.

Even among employees, perceptions of the benefits will differ, Mr. Kooser says. ■

datebook

JAN. 7-8. **Protecting Computer-based Information and Preventing Computer Abuse** symposium in San Francisco, sponsored by Bureau of National Affairs Education Systems; $300; three or more from same company, $250. Also **Feb. 3-4** in Washington. Symposium Secretary, Suite S-602, 1231 25th St. N.W., Washington, D.C. 20037.

JAN. 7-8. **Products Liability, Defense Techniques and Trial Tactics** seminar in Houston, sponsored by the Defense Research Institute Inc.; members, $210; non-members, $235. Tony Karpowitz, Public Relations, Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233; 414-272-5995.

JAN. 11-12. **Executive Compensation and Employee Benefits** seminar in New York City, sponsored by Law & Business Inc., Legal Times of Washington, Harcourt Brace Jovanovich and Fordham University School of Law; $350. Also **Feb. 25-26** in Denver. Law & Business Inc., 757 Third Avenue, New York, N.Y. 10017; 212-888-2652.

JAN. 15. **Risk Management Information Systems** seminar in Denver, sponsored by the Public Risk & Insurance Management Assn. and Warren, McVeigh & Griffin; PRIMA members, $95; non-members, $170. Also **Feb. 5** in St. Louis. C.C. (Bud) Griffin, President, Warren, McVeigh & Griffin Inc., 1420 Bristol St. N., Newport Beach, Calif. 92660; 714-752-1058.

JAN. 18. **Vermont, The Risk Retention Act and the Expanding Role of the Captive** seminar in New York, sponsored by the American Risk Management Group; $85. Also **Jan. 20** in Cleveland and **Jan. 22** in Chicago. Cathy Conrad. American Risk Management Group, 1 Executive Drive, Fort Lee, N.J. 07024; 201-592-7100.

JAN. 18-19. **Mine Accident Liability** seminar in La Vegas, Nev., sponsored by The Energy Bureau Inc.; $50. Robert W. Nash, Executive Director, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

JAN. 18-19. **Preparation of Annual Disclosure Documents** program in New York, sponsored by the Practising Law Institute; $290. Also **Jan. 28-29** in San Francisco. Practising Law Institute, Department UYC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JAN. 18-20. Physical Security workshop in Orlando, Fla., sponsored by the American Society for Industrial Security; members, $295; non-members, $375. ASIS, Education and Seminar Programs Department, Suite 651, 2000 K St. N.W., Washington, D.C. 20006; 202-331-7887.

JAN. 19-21. Financial Analysis for Risk Management Decisions seminar in Dallas, sponsored by Cozzolino Associates Inc.; $685. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

JAN. 25-27. Fundamentals of Property and Casualty Insurance seminar in Dallas, sponsored by the American Management Assns. AMA members, $625; non-members, $720. Also **Feb. 1-2** in New York. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

JAN. 25-28. Industrial Safety Awareness course in Los Angeles, sponsored by the University of Southern California; $525. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523.

JAN. 25-28. National Insurance and Protection Conference of Financial Institutions in New Orleans, sponsored by the American Bankers Assn.; financial institution employees, $375; non-financial institution employees, $475. Shelly Davis, Program Coordinator, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4048.

FEB. 1-2. Captives, Texas and the 1980s seminar in Austin, Texas, sponsored by Risk Alternatives Inc.; $350. Risk Alternatives Inc., P.O. Box 1765, Austin, Texas 78767; 512-442-0954.

FEB. 1-2. Construction Insurance Costs conference in Dallas, sponsored by the International Risk Management Institute, $395; for the half-day primer, $95; for half-day session on cash flow, $95. International Risk Management Institute, Suite 208, Building III, 10300 N. Central Expressway, Dallas, Texas 75231; 214-363-9656.

FEB. 1-2. Financial Costing of Risk Management seminar in Irving, Texas, sponsored by the Risk Management Institute, University of Dallas; $395. Professor Bruce D. Evans or Julie Allan, University of Dallas, Risk Management Institute, University of Dallas Station, Irving, Texas 75061; 214-579-5360/5330/5299.

Salvage operation good as gold for underwriter

By STACY SHAPIRO

london line

LONDON—A salvage company that recovered gold bars valued at 45 million pounds from the sunken HMS Edinburgh also made some insurance history.

If it had recovered less than 2.5 million pounds worth of gold and filed no claims, diving contractors Wharton & Williams Ltd. of Aberdeen, England, would have paid no premium for the unlimited employers liability policy it carried on the divers.

But because almost all the gold was recovered, the diving contractor paid a 50,000-pound premium.

"The employer's liability on the divers is the biggest risk of the whole thing," said Michael Payne, the Lloyd's of London underwriter who insured the risk.

This "no cure, no pay" premium payment was based on a unique policy carried out by Mr. Payne and is thought to be the first arrangement of its kind, a Lloyd's spokesman said.

The divers were only paid if they retrieved the gold so a proposed insurance rate based on divers' salaries was estimated, Mr. Payne said. Wharton & Williams then initially paid 10,000 pounds premium on the policy. The money was put into Mr. Payne's syndicate account.

"If 2.5 million pounds or less of gold had been recovered, then it was agreed that I would rebate the premium if they had no claims," Mr. Payne said.

If there had been a claim, but no gold, Wharton & Williams would have paid twice the initial premium or 20,000 pounds. If most of the gold had been recovered and there had been a claim, the premium would have been multiplied by 10 for a total of 100,000 pounds.

But the gold was recovered and no claim was made on the policy, so the diving expedition paid a 50,000-pound premium, Mr. Payne said.

"They could have paid anywhere from zero to 100,000 pounds," he said.

Two-thirds of the gold, recovered from the ship resting 800 feet below the surface of the North Sea, was given to the Soviet Union, which owned the gold before the Edinburgh sank during World War II. The remainder was divided between the British government and the diving expedition.

Wharton & Williams' portion of the booty—48 gold bars worth 4.32 million pounds—was recently displayed at Lloyd's.

Wharton & Willaims was also insured for confiscation by Insurance Co. of North America.

Lloyd's bill

The international business of Lloyd's of London brokers could be jeopardized if they are required by the Lloyd's self-regulation bill to sell their underwriting agencies within five years, said Ronald Comery, a director of Alexander Howden Group Ltd.

"The larger broking groups are insurance supermarkets operating on a global basis, transforming the insurance distribution system. We've done this for the clients' needs—they need global-operated services," Mr. Comery said.

"If we are declared by Parliament to be unfit to manage underwriting agencies, you destroy everything we've created. Our services are in peril," he said.

That's just one of the reasons why the divestment clause should not be included in the bill, according to Howden officials who are scheduled to argue against divestment before a House of Commons committee this week.

"Your petitioners allege that they, their property and their interests are injuriously affected by the bill as proposed to be amended," said Howden's petition against the divestment clause.

"Divestment would reduce the competitiveness and market share of the United Kingdom firms in the international insurance market at a time when there is unprecedented competition worldwide," it continued.

Divesting Lloyd's brokers from underwriting agencies would also reduce the flow of insurance and reinsurance business into London, thus reducing an important British export.

"The proposal would be damaging to the community of Lloyd's, to the London insurance market as a whole and consequently to the economy of the country," said the petition.

"The only beneficiaries of divestment would be London's foreign competition."

Mr. Comery also said that forcing Lloyd's brokers to sell their underwriting management agencies also defies insurance evolution. The trend is for brokers to provide more worldwide insurance services, as seen by Alexander & Alexander Services Inc.'s bid to acquire Howden. Brokers are also becoming more and more service-oriented, with special departments in risk management, loss control and underwriting, he said.

"Divestment is a retrograde step, which is contrary to total post-war development of the global insurance distribution system," said Mr. Comery. "U.S. brokers provide these broad ranges of insurance services. We pioneered it."

The petitioners stress that they are not opposed to the self-regulation bill, but only the divestment clause, which was added last summer after Lloyd's members overwhelmingly approved it.

The whole issue of mandatory divestment, triggered by the Fisher report, was first fought last spring by another group of petitioners, who were backed by Ian Postgate, a Howden director and chairman of its underwriting group. ■



Lloyd's Chairman Peter Green, left, underwriter Michael Payne, Richard Wharton and Malcolm Williams pose with the salvaged gold.

Intensive care costs rise 18% nationally, study says

NEW YORK—The average daily cost of a day in a hospital intensive care unit has increased more than 18% this year to a record $356 from $300.50, according to a recently released survey.

In some major cities, the cost was much higher than the national average, according to an Equitable Life Assurance Society survey of 2,658 of the nation's 6,000 non-federal hospitals.

For example, in Los Angeles, where medical care costs have been skyrocketing, a bed in an intensive-care ward costs an average of $687 a day.

In several other smaller California cities, such as Granada Hills, daily intensive care bed costs topped $700, the Equitable survey reported.

The lowest average daily intensive care cost was in Cleveland, Miss., where it is $91.

Hospital trade association officials blame part of the cost increase on a shortage of nurses across the country.

Hospitals are rapidly boosting wages for nurses to attract staff, they say.

Other observers note that this is the first year since 1976 that hospitals haven't faced the threat of federal cost controls. That may have reduced pressure to keep costs down.

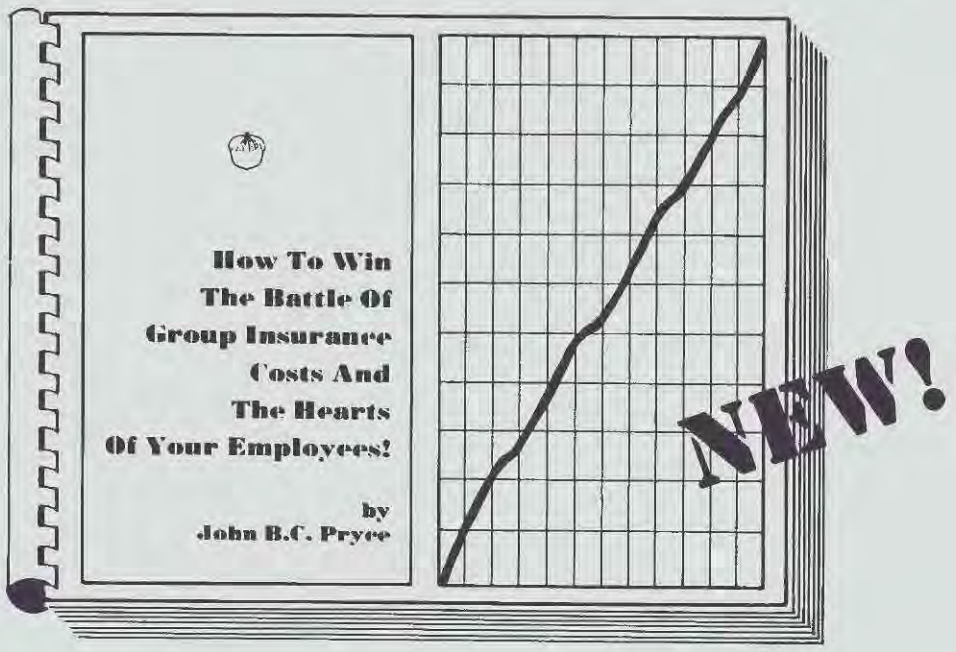
Equitable's "1981 National Survey of Hospital Room and Board Charges" also found that the average room and board bill for patients in private rooms was $152.50 a day, up 18% from 1980.

The average charge for semiprivate rooms increased to $151 a day, up from $131 in 1980, a 15% increase.

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Free copies of the report, "1981 National Survey of Hospital Room and Board Charges," can be obtained from Joe Fesler, Equitable Life Assurance Society, Area 5-G, 1285 Ave. of the Americas, New York, N.Y. 10019.

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BUSINESS EDITORS RESEARCH GROUP, 757 South Eton Road, D-25, Birmingham, Michigan 48008

Radiation disease standard needed: Lawyer

By JOHN W. MILLIGAN

NEW YORK—Radiation, tiny particles of energy invisible to the human eye, leaves no telltale evidence when it commits a biological crime.

This lack of evidence—or "fingerprint," as some would say—makes it tough for judges, juries and lawyers when they litigate cases involving radiation exposure.

The question: How do insurers of nuclear facilities defend against a radiation exposure claim when it is impossible to determine whether a plaintiff's cancer was caused by radiation?

It has been assumed for some time that exposure of the body to any level of radiation carries an attendant risk of cancer or birth defects in offspring, says Dr. Victor Bond, executive director of the Brookhaven National Laboratories on Long Island, New York.

Yet, it is impossible to show that a particular case of cancer was caused by radiation exposure, Dr. Bond says.

"There is no way to differentiate a given leukemia. . .whether it's natural or radiation-induced," he says.

What is needed, says Philadelphia attorney Edward W. Madeira, a partner at Pepper, Hamilton and Scheetz, is a medical standard that automatically triggers compensation when such a case ends up in court.

Experts need to be able to say that any exposure above and beyond a certain point can lead to greater incidents of cancer than normally found in a particular population.

Mr. Madeira represented American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters, a nuclear insurance pool, in federal litigation stemming from the accident at the Three Mile Island nuclear plant near Harrisburg, Pa.

The pool, which insured the TMI facility, later agreed to a $25 million out-of-court settlement which covers economic loss, radiation monitoring and medical research (*BI*, Aug. 31).

The lack of a standard or threshold that can open a claim applies to other industrial carcinogens too, Mr. Madeira says.

Yet certain substances, like asbestos, lead to specific diseases that provide a link between cause and effect.

This same link—the fingerprint—does not exist in cancer caused by exposure to radiation.

One can say that any exposure constitutes some, "albeit infinitesimal" risk, Mr. Madeira concedes. But what you cannot predict, he adds, is that if you "expose 5,000 people to chest X-rays, all or some will get cancer."

"You'll never be able to say, 'That person has a radiation-induced cancer,'" he concluded.

Under the present litigation process, a plaintiff files a lawsuit claiming, "I was exposed and now I have a condition," says Mr. Madeira.

Two experts then provide conflicting testimony in court on whether the cancer is radiation-induced and the jury decides.

When the condition in question also occurs naturally in a given population, a jury must determine whether the plaintiff's cancer is natural or part of the "excesses."

"If you have a handful of excesses," asks Mr. Madeira, "are you going to compensate everyone just to take care of the excesses?"

If the link between cancer and radiation cannot be proved epidemiologically, Mr. Madeira says, then some other standard must be used.

This relationship can be demonstrated on a linear basis—greater exposure gives you an increased statistical risk of cancer—but the attorney wonders if this is good enough.

The scientific and legal communities must become better at quantifying what levels of risk accompany varying increments of radiation exposure, Mr. Madeira says.

If not, he concludes, there will a real mess in state courts across the country as radiation compensation cases increase.

Mr. Madeira says plaintiffs in the future may sue just on risk alone, long before any medical condition exists.

The TMI settlement did not include any awards for radiation exposure. Yet there are a number of individual exposure claims pending in U.S. District Court in Harrisburg.

Many of these cases, which have just reached the pre-trial conference stage, are for emotional stress resulting from possible radiation exposure near the TMI facility. ■

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"Software packages for large scale or mini systems."

Berkeley named director of new A&A department

comings & goings: industry

Herbert H. Berkeley has been named executive vp and director of strategic business development, a new department at Alexander & Alexander Inc. Mr. Berkeley is responsible for the marketing strategy for A&A sales efforts in all product areas.

Mr. Berkeley is now a senior vp at A&A. His appointment and the new department is part of the restructuring of Alexander and Alexander Services Inc. (*BI*, Nov. 23).

Four other promotions were announced at Alexander & Alexander. **James H. Dunard** named managing vp of the Los Angeles office of A&A. He will be replaced as managing vp of the San Antonio office of A&A of Texas by **Harry A. Boggs. Giles H. Madray Jr.** named director of Gulf Coast states, a new position. Mr. Madray will be located in Houston and will responsible for A&A offices in Louisiana, Texas, Alabama and Mississippi. **Robert J. Morris** named managing vp of the Atlanta office. He was previously the property department manager in the office.

Other agent/broker changes:

James C. Stewart elected chairman of Rollins Burdick Hunter of Michigan Inc. He had been executive vp. **Warren B. Huey** elected president of RBH of Michigan.

Arthur W. Weatherford named senior vp and manager of Reed Stenhouse's Seattle office. Mr. Weatherford was previously with Marsh & McLennan in their Seattle and Los Angeles offices.

Edwin A. Flinn named president of Assurex International for 1982. Assurex International is an insurance brokerage owned by independent brokers and agents throughout the United States.

Garet J. Ten Cate elected vp of Johnson & Higgins of Ohio Inc. Mr. Ten Cate had been an account manager in the production/coordination department.

Insurers

Thomas S. Murphy elected vp of risk management systems for Wausau Insurance Cos. Mr. Murphy is responsible for the development and use of company programs pertaining to risk management. He is also a senior vp of the risk management division of Countrywide Services Corp., a subsidiary of Wausau Insurance Cos.

Karl Maser appointed vp responsible for national auto and general liability claims at Fireman's Fund Insurance Cos. Mr. Maser had been the manager of auto claims at Fireman's Fund.

A. J. Harris II elected vp of the INA Corp. Mr. Harris continues to serve as head of the Washington office and government liaison.

James L. Davis appointed vp for loss control for the U.S. Insurance Group, a subsidiary of Crum & Forster in Morristown, N.J. Mr. Davis replaces **Harry G. Mott,** who was named vp/administration at U.S. Insurance Group.

Reinsurers

Gerald M. Olney named senior vp at Lincoln National Reinsurance Co., a subsidiary of Lincoln National Corp. Mr. Olney is responsible for all marketing, underwriting, claims, facultative and actuarial services of the company. Mr. Olney was previously with SCOR Reinsurance Co. in Dallas.

Excess/surplus

James F. Donahue appointed senior vp of The Blades Group in Houston. Mr. Donahue supervises the property/casualty departments in addition to his duties as head of the financial services department and five branch offices.

Thomas S. Bloom elected president and chief operating officer of McAlear Associates Inc. in Grand Rapids, Mich.

Vera Pennison joined Mid-Continent Underwriters of New Orleans as marine department manager. She was previously with American International Marine Agency of Louisiana.

Richard E. Seghers named vp of Global Special Risks Inc., an excess/surplus broker in New Orleans. Mr. Seghers was previously a vp in the marine division of George S. Kausler Ltd.

Other suppliers

Jack H. Perry named president and chief operating officer of Laverack & Haines Inc., self-insurance administrators in Buffalo, N.Y. Mr. Perry succeeds **Donald Rae,** who was appointed chairman. Laverack & Haines is a subsidiary of Pinehurst Corp. ■

Two top NAIC executives leaving posts

By BILL DENSMORE

On the eve of its annual meeting, two top executives of the National Assn. of Insurance Commissioners are leaving their posts amid speculation about continued insurance industry dissatisfaction with the budget of the NAIC's support center in Milwaukee.

NAIC officials, who declined to speak for the record, said there was no connection between the two departures and reports of unusual budget and personnel discussions by an executive subcommittee.

James H. Ryan, director of financial services, confirmed that he has accepted a job as comptroller of the newly chartered Illinois Insurance Exchange in Chicago.

And David J. Brummond, the NAIC's director of government liaison and legal services, will head the new Milwaukee office of Miller & Daar, a law firm headquartered in Beverly Hills, Calif.

Mr. Brummond, 31, has been with the NAIC since 1975. He said family considerations were behind his decision. He said he would remain at the association into January to prepare an amicus curiae brief the NAIC may file in a case before the U.S. Supreme Court.

He said an exact departure date "depends on what the NAIC says down in New Orleans (at the annual meeting)."

The brief Mr Brummond is completing would be filed in a case, New York State Chiropractic Assn. vs. Pireno, that involves the definition of the "business of insurance" under the McCarran-Ferguson Act, and antitrust questions, he said.

The NAIC's executive subcommittee, which oversees internal administration, met Nov. 30 in Atlanta, participants confirmed, and discussed budget and personnel matters. Three of the four commissioners attending the meeting declined to comment on details and the fourth was unavailable.

"I'm not going to comment on any personnel-related matters," said NAIC Chairman William H.L. Woodyard III, the Arkansas insurance commissioner and a member of the subcommittee. "We make recommendations to the executive committee."

The 14-member NAIC executive committee scheduled a meeting for Dec. 13.

Minnesota Insurance Commissioner Michael D. Markman, who is active in NAIC activities but is not on the administration subcommittee, said he was aware of a dispute between the insurance industry and the NAIC staff over the cost of the association's data base facility in Milwaukee.

The facility, which records and monitors insurance company financial data, is financed by assessments on insurance companies.

At last year's annual meeting, the NAIC increased to $1,300 from $330 the fee that the largest insurance companies must pay in order to file their annual statements with the NAIC data base. The data base budget during the current fiscal year was $2.1 million. The entire NAIC budget was $5 million.

"I think the amount of time the insurance industry spent (on this dispute) could have funded the whole thing for 15 years," Mr. Markman said.

Another commissioner who is on the executive subcommittee on administration, Texas' Lyndon Olson Jr., said the subcommittee has been conducting a "very intense evaluation of internal operations" and that some members seek more "accountability" from NAIC executives.

Mr. Olsen said it was "no secret" that some insurance commissioners are aggravated that while they must trim their budgets, the NAIC's budget is relatively untouched by cutbacks. ■

Company offers financial advice

Continued from page 3

nancial situation without being specific," explains John Grady, director of corporate relations for the Consumer Financial Institute. "We don't make suggestions like 'sell your American Can stock and purchase IBM.'

"We tell the person what aspects of the new tax act apply to him," Mr. Grady adds. "We have a section on investments and we tell them about insurance and how to satisfy their insurance needs."

In addition to the personal financial profile and projection report, each participant receives six easy-to-read reference books on:

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- Building a financial foundation—savings accounts, life insurance, Individual Retirement Accounts, home ownership and taxes.
- Taxes, gifts and property ownership—taxes, federal personal income taxes, wills, gifts, estate and inheritance taxes, jointly held property.
- Trusts and wills—wills, duties of the executor, trusts and living trusts.
- Plans and prospects—the planning process, lifestyle goals, savings, emergency funds, making assets grow, the budget worksheet, your family's capital and income requirements, preserving your estate and being self-employed.

About 20% of American Can's eligible employees have signed up. Mr. Felder says the program could be extended to hourly workers depending on the success of the program.

So far, the benefit is appealing mostly to employees between 30 to 52 who earn annaul salaries of $25,000 to $60,000, Mr. Grady says.

"We think there's a need with today's financial pressures for this type of service," says Mr. Felder. "We believe it's a good benefit for our employees. Given the new tax laws, the cost of sending kids to college, employees generally need assistance in organizing and planning for their financial future.

"There was an absence of programs to help employees plan for the financial future," he adds.

American Can's flexible benefits program, which was begun in 1978, offers employees a myriad of life insurance, health insurance, dental and vision care, disability and retirement income programs. The company also has added an adoption benefit, effective next month. ■



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U.S. insurers consider new bank coverage

Continued from page 3
mestic broker is Marsh & McLennan.

Now, the Alder Syndicate has pulled together immediate capacity from London underwriters to provide other financial institutions with up to $25 million of insurance to cover computer crimes.

Colin Spreckley, lead underwriter at the Alder Syndicate, has arranged for other Lloyd's of London syndicates and London insurance companies to follow him automatically for prearranged shares of the risk, making Alder the lead syndicate.

"I bind the slip for all of the underwriters there," Mr. Spreckley says of the $25 million primary layer.

Mr. Spreckley added, however, that there are two or three London underwriters who require that they first see the policy declaration before they will follow.

Robin Jackson, director of Merrett Syndicates Ltd. at Lloyd's, confirmed Merrett is among those on the slip that wants to see all risks, making Merrett a binding underwriter.

Mr. Jackson adds that asking to review each policy is not an unusual procedure when a new coverage is underwritten.

Mr. Spreckley notes that the slip is open to all London underwriters and more have said they are interested in signing up on the $25 million line slip.

While blanket bonds were all any bank needed during the days of "Jesse James and Willie Sutton," banks now rely on electronic money fund transfer systems that must be protected, says Robert B. Budelman Jr., a partner in the New York law firm of Bigham Engler Jones & Houston, which assisted the Alder Syndicate in developing its policy.

The policy knows no geographic boundries. It protects a system wherever it is located and covers incidents wherever they may occur, he said during a presentation to bank officials at a recent conference of the Banking Administration Institute.

Major banks in the United States are giving the flexible new coverage considerable attention, industry sources say.

Many banks, including some major institutions based in New York, have expressed an interest in the Lloyd's policy.

The banks are "looking at it carefully" and giving a great deal of attention to its "concept," says Walter S. Tomenson Jr., senior vp at Marsh & McLennan and manager of the broker's financial institutions division.

Since each bank has its own "tailor-made" bankers blanket bond policy, Mr. Tomenson says the interest depends on what type of coverage each has secured individually.

"We're seeing considerable interest from banks nationwide in some expansion of coverage," Mr. Tomenson says.

The response of U.S. insurers to the policy is hard to gauge. Three leading underwriters of bankers blanket bonds contacted by *Business Insurance* said they had not heard from London underwriters and considered the policy too new to discuss now.

Mr. Tomenson of M&M says most major U.S. insurance companies that sell bankers bonds have been approached "indirectly" by London brokers, asking if they would like to participate in the new program.

Hopefully, Mr. Tomenson adds, these insurers will make some decision soon whether to get directly involved or offer similar coverage for banks.

A second layer of $25 million excess of $25 million is being put together in London now, Mr. Tomenson says.

Even $100 million through various excess layers "would not be difficult," he predicted, since the $25 million primary level is already in place.

One U.S. insurer that is still waiting to hear from the Alder Syndicate is Firemen's Fund Insurance Cos., a major market for bankers blanket bonds.

Firemen's Fund has not been approached by London as of yet, says Assistant Vp Bob Capossela, although the company had some "information" a few weeks ago that brokers there might be contacting the major markets and inviting them to London for an explanation of the new policy.

Other U.S. markets have indicated that they have yet to receive any definite contact either, he adds.

A spokesman for Aetna Casualty & Surety said while the company is in the process of "evaluating" the Lloyd's policy, it is not prepared to discuss it at this time.

A similar comment came from Chubb, where a spokesman said the policy is still too new to comment upon.

Firemen's Fund, Aetna and Chubb are each members of a Surety Assn. of America subcommittee that is studying broader coverage for computer theft.

Mr. Capossela of Fireman's Fund expects the subcommittee members, which also include Continental Corp. and Fidelity & Deposit Co., will be some of the U.S. companies contacted by the London brokers.

An association subcommittee is presently looking at expanded coverage for the Bank Wire, Fed Wire and the Clearing House Interbank Payment System, three electronic payment, transfer and advising systems.

The association started its study prior to the announcement of the Lloyd's policy, says SAA Secretary Frank LeMunyon.

Should the subcommittee recommend that broader coverage be offered, it could lead to a standard policy form and rate that would then be offered to all SAA member companies for their use, Mr. LeMunyon says.

Mr. Capossela says the subcommittee will meet Dec. 16 to determine "where we are and where we're going" with the concept of broader coverage. ■

Details on Lloyd's new policy

Here are the details of the computer crime policy developed for financial institutions by Lloyd's of London.

It covers direct financial loss sustained by a bank for having transferred, paid or delivered any funds or property or having established credit or given any value as the result of certain defined criminal acts.

The loss must be discovered during the policy period.

The coverage also includes eight insuring agreements, which cover losses resulting from:

- Fraudulent input of electronic data into the bank's computer system, including modification of stored or transmitted data.
- Fraudulent input of data directly into the bank's automated teller machines.
- Fraudulent input, modification or destruction of data in a service bureau's computer system.
- Fraudulent preparation of electronic computer instructions by independent contractors under contract with the bank.
- Malicious destruction of data while stored in the bank's computer system, including destruction or theft of punched cards, magnetic tapes, punched tapes or magnetic disks and other media on which data are recorded.
- Relying on instructions to debit or credit a customer's account through an automated clearing-house association.
- Relying on instructions purportedly sent by other financial institutions when received through an electronic communications system at the bank's computer. This includes communication systems like Bank Wire, Fed Wire, CHIPS, SWIFT and others.
- Acting upon fraudulent instructions purportedly sent by customers when they are input into the bank's computer system, or received at the bank's teletype, teleprinter or video display terminal.

Certain policy exclusions include:

- Losses caused by an employee, or those in collusion with an employee, since this protection is provided by bankers blanket bonds.
- Loss of negotiable instruments, securities, documents or written instruments except when they have been converted to electronic data processing media form.
- Telephone communication systems.

It is very difficult to determine exactly when a telephone-related loss occurred, noted Robert B. Budelman, an attorney who worked on the policy.

One solution might be to tape all phone conversations.

Lloyd's may consider providing coverage for telephone-related losses on an individual basis, he adds, depending on the bank's system and the type of identification used. ■

Shand covers electronic funds transfers

EVANSTON, Ill.—Shand, Morahan & Co. Inc. now offers $25 million in errors and omissions liability insurance coverage for five bank wire systems used by financial institutions.

The new coverage follows last month's announcement of a computer crime policy now available from Lloyd's of London covering not only wire systems but also financial institutions' own computer systems.

The new Shand policy represents a growing interest among insurers in providing broader coverage for the electronic funds transfer systems of U.S. banks.

Shand Morahan's new coverage is actually a rider to the company's banker's blanket bond.

Such bonds protect banks and other financial institutions against losses from employee fraud and other acts.

Shand Morahan provides the rider through Evanston Insurance Co. in Evanston, Ill., or Potomac Insurance Co. in Philadelphia. Shand Morahan is the underwriting manager for both insurance companies.

The policy covers the legal liabilities of banks for EFT transmissions over five separate systems, says Keith Oestreich, an underwriter and electronic funds transfer specialist at Shand Morahan.

The systems are: FedWire or Federal Reserve Communication System; Bankwire II or Payment & Telecommunications Services Corp.; NACHA or National Automatic Clearing House Assn.; CHIPS or Clearing House Interbank Payment System; and SWIFT or Society for Worldwide Interbank Financial Telecommunications.

The rider provides coverage for losses resulting from negligence of bank employees, including both compensatory and punitive damages.

Coverage for punitive damages is provided where allowable by state law.

Shand Morahan's banker's blanket bond also contains a forgery section covering incidents in which outsiders gain access to the bank's EFT system.

Grant Hubbard, vp of underwriting at Shand Morahan, says the new rider now gives his company a "superior product" to that offered by Lloyd's since it also provides a liability cover that Lloyd's does not.

The Shand rider, however, only covers losses relating to wire transfer systems.

Mr. Oestreich says that the company decided to provide the coverage through a rider, rather than a separate policy, since some of the risks covered by the Lloyd's of London computer crime policy already are included in Shand Morahan's banker's blanket bond, including third-party intrusion into the transfer system.

It makes sense for the buyer to have all its insurance coverage with one insurer, Mr. Oestreich added.

The policy carries a combined single limit of $25 million. Deductibles increase with the size of the bank, Mr. Oestreich says.

The company does require that all banks undergo a risk analysis, although it is neither as extensive or costly as that required by Lloyd's, says Assistant Vp Jim Willis.

Pricing, says Mr. Oestreich, is based on:

- Average dollar amount of a bank's daily transfer transactions.
- The number of employees in a bank's EFT system and related departments.
- The number of transfer systems used by the bank. ■

Company must continue to pay penalty

Continued from page 2
Multiemployer Amendments Act.

These suits charge, among other things, that the act violates constitutional guarantees of a right to a jury trial before property can be taken away.

Johnson and other employers have won court orders barring the multiemployer pension plans from collecting withdrawal liability payments until their suits can be heard.

On Feb. 14, 1980, R.A. Gray, an 18-year-old contracting firm with about 65 employees and annual sales of between $10 million and $12 million, told the Oregon-Washington Carpenters Employers Pension Trust Fund that it was withdrawing from the plan, effective June 1.

At the time, Gray didn't know that Congress was on the verge of passing the Multiemployer Amendments Act that would soon make it liable for a share of the plan's $27 million in unfunded vested benefits.

Prior to the Multiemployer Amendments Act, an employer's liability to a multiemployer pension plan was limited to a negotiated contribution rate. And companies could escape that penalty if the plan did not collapse within five years of their withdrawal.

"You don't worry about a law until it is passed," said John Bentley, Gray's secretary-treasurer.

On Sept. 26, 1980, President Carter signed the Multiemployer Amendments Act, but the law applies to all withdrawals from multiemployer plans after April 28, 1980.

On July 24, 1981, the plan told Gray that it owed the plan $201,359 in withdrawal liability payments. The firm had the option of making quarterly payments of $16,000 instead of one large payment.

Gray filed suit against the plan on Sept. 29. It questioned whether it was subject to withdrawal liability because it told the plan of its intent to leave before the new law's effective date.

Gray also questioned the constitutionality of the act because disputes involving claims must go to arbitration, depriving the firm of its right to a jury trial. The firm sought a preliminary injunction to prevent the plan from collecting withdrawal liability payments until its suit could be heard.

But Judge Redden said the company presented no evidence that the $16,000 quarterly withdrawal payments or arbitration costs would cause "irreparable" harm. Gray's net worth is about $600,000.

"Gray has not alleged that the payments will jeopardize the existence of the company. Even if ERISA does not provide an explicit mechanism for the return of moneys determined to be wrongfully paid, Gray's loss would be recoverable," Judge Redden said.

The judge noted that the trustees of the plan have agreed to place Gray's withdrawal liability payments in escrow while the litigation continues.

"This issue is particularly appropriate for resolution through the arbitration process. Such a resolution would be in accord with the well-settled principle that the constitutionality of a statute should be addressed only as a last resort," Judge Redden said.

The Pension Benefit Guaranty Corp., the federal agency that insures workers' vested pensions, said the significance of the case is that a federal court is telling employers, in no uncertain terms, to settle their disputes with multiemployer plans through arbitration, not in the courts, according to Baruch Fellner, PBGC associate general counsel. ■

New cargo policy written to replace centuries-old form

Continued from page 2

ment and these clauses are designed to assist the layman in understanding marine cargo insurance," said A.F. Jackson, chairman of the technical and clauses committee of the Institute of London Underwriters. "If this leads to less litigation, then so be it."

Besides being easier to read, the new cargo form contains more inclusions and exclusions than the 1779 version. Piracy is now a marine risk, not a war risk. Exclusions contained in the Marine Insurance Act of 1906, like losses from faulty packaging, are now specified. And loss, damage or expenses arising from financial insolvency or default of a vessel's owner or charterer is now specified as being not insurable.

The five new cargo insurance clauses comprising the new marine policy will probably be adopted by most Lloyd's and London marine insurers, Mr. Gibson said. Eventually marine markets around the world also will adopt them, he said.

"They will eventually affect all cargo insurance in the U.K. market and in many other markets since the London Institute clauses are widely followed overseas," he said.

Existing marine cargo coverages probably will be amended when they are renewed in 1982, the institute says. And by March 1983, all marine cargo will be insured under the new guidelines, it says.

The insurance buyer has the option of choosing among the five cargo insurance clauses that can be inserted in the new marine form.

Institute Cargo Clause A insures "all risks of loss or damage to the subject matter insured," except as specified in the exclusions.

Institute Cargo Clause B specifies what perils are covered, like loss due to fire or explosion, earthquake, volcanic eruption or lightning.

Institute Cargo Clause C is not as comprehensive as Clause B and excludes some perils, like earthquakes.

All three of these options exclude loss, damage or expense due to:

- Ordinary leakage, ordinary loss in weight or volume or ordinary wear and tear of the cargo.
- Insufficient or unsuitable packing or preparation.
- Insolvency or financial default of the owners, managers, charterers or operators of the vessel.
- Any weapon of war employing atomic or nuclear fission and/or fusion or other similar reaction or radioactive force or matter. (War risks also are not included because they are covered in a separate clause.)
- Strikes, lockouts, labor disturbances, riots and civil commotions.
- Any terrorist action or action by a person with a political motive.

The insurance buyer, however, can pick up some of these exclusions in the institute's two other clauses, which apply to war risks and strike coverage.

"You can't compare the new clauses with the old ones," said Mr. Jackson. "But cover can be added to the marine policy if necessary."

Insurers don't expect the new cargo policy language to bring more direct insurance buying back to London, Mr. Gibson said. Lloyd's underwriters must now depend on marine reinsurance for premiums, he said.

"The only way to get business here these days is through reinsurance," Mr. Gibson said. "We are standing behind most of the world's marine insurance in foreign countries today."

But even marine reinsurance is "appalling" for London underwriters to write under current market conditions, he said.

"You used to be able to reinsure at a rate of 3%, but now you are lucky to get 0.045%," Mr. Gibson said. "It's appalling."

It is hoped, however, that other insurance companies who reinsure marine cargo policies in the London market will use the new ILU insurance form, Mr. Gibson said. ■

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High court refuses to hear asbestos cases

Continued from page 1

"We're disappointed in the decision," added John F. Shea Jr., vp and claims counsel for Aetna Casualty & Surety Co, which petitioned the court in the Porter case.

"We were hoping the court would take certiorari and clarify the decisions that have caused confusion," he said.

He pointed out that the court could change its mind when it considers how the Keene decision conflicts with the 5th and 6th Circuit decisions, but that "if you want to be realistic, it (the Supreme Court) may not change its decision."

Mr. Shea added that the court's refusal does not resolve the issues. "It certainly doesn't resolve any of the problems," he said. "They are still left up in the air to some extent."

Aetna, which contends that manifestation is the correct theory, "will just have to consider what the law is of the particular jurisdiction," Mr. Shea added. "And we've been doing that anyhow."

Predicting that the Supreme Court would deny certiorari in the Keene case also, San Francisco attorney Victor B. Levit said last week's high court ruling was a sound one that involved "questions of state law. There were no federal questions presented."

Mr. Levit, who filed briefs on behalf of The Travelers Insurance Cos. that argued against the Supreme Court taking jurisdiction, said that different rulings are appropriate.

"It's part of the way the legal system operates," he says. "There are different rules in different jurisdictions. That is true in most areas of the law."

There is no undue confusion that would be created, he added, contending many in the insurance industry believed the court would deny certiorari.

Floyd Knowlton, a vp in The Travelers' claims department, added that he could only assume the court believed there was no substantial federal question and that the exposure theory did not violate state law.

He expects a similar outcome when the court reviews Keene and said insurers and manufacturers will have to work together to resolve the handling of asbestos claims.

Jerold Oshinsky, a Washington attorney for Keene Corp., agreed that last week's ruling by the court could be a preview of a similar ruling in the Keene case.

INA filed a petition for certiorari in Keene on Nov. 30 and Liberty Mutual is also contemplating filing a petition with the high court.

"It tends to indicate the Supreme Court is not going to take it," he said.

"If the Supreme Court were interested, it would probably have deferred 48 Insulations until Keene was ripe.

> 'If the Supreme Court were interested, it would probably have deferred 48 Insulations until Keene was ripe,' Jerold Oshinsky, an attorney for Keene Corp. said.

"But there is never any certainty as to what is going to happen," he said. "We believe that the Supreme Court recognized that these cases are not appropriate for certiorari and are confident it will continue to believe that."

Mr. Oshinsky added that there won't be much confusion created by the Supreme Court's refusal to hear the cases, and despite many contrary views, there is not much difference between the 48 Insulations, Porter and Keene approaches to insurer liability.

Other attorneys are contending that there are valid reasons for the court to take jurisdiction in the Keene case and also that it is very difficult to predict how the high court will rule.

One insurance industry attorney emphasized that last week's Supreme Court ruling does not mean it will refuse Keene when it comes up for consideration, probably in the next 60 to 90 days.

He contended that Keene "is an entirely separate case" from Porter and 48 Insulations and raises additional constitutional and federal issues.

"The Keene case created the conflict in the cases," he said, indicating that a basis for consideration by the court should be the confusion caused by the conflicting decision in the various circuits.

Moreover, he argued that the ruling on the Porter and 48 Insulations cases is applicable only to those companies and their insurers. "They are potential precedents," he said. "They do not automatically bind anybody other than the companies and their insurance carriers."

The attorney said that a refusal by the high court to consider Keene would create confusion as to insurer liability and "forum shopping" by plaintiffs.

"How would an insurance company assess its exposure or determine a premium?" he asked. "It would take an awful lot of certainty out and leaves things to pure guesswork."

"We have won a victory," said William C. Murphy of the Aurora, Ill., law firm of Reid, Ochsenschlager, Murphy & Hupp, which represents 48 Insulations. "It puts to rest the unsupportable shibboleth that you don't have insurance till someone gets sick 30 years down the road. The alternative was ruin for 48 Insulations if manifestation had been upheld."

But he said that no one, not even the Supreme Court, knows what will happen with Keene before it comes up for consideration. He said that some have suggested the court might cut the Keene case down to the Circuit Court rulings in the Porter and 48 Insulations cases, applying the exposure theory.

Attorneys for asbestos plaintiffs also were pleased with the high court's ruling. "Most of the plaintiffs' lawyers are delighted the Supreme Court denied certiorari," said Ronald Motley, an attorney in Barnswell, S.C., explaining that under the exposure theory there is more insurance coverage for plaintiffs.

"I'm rooting for the asbestos companies. The more insurance they get, the better it is for my clients."

"As far as I'm concerned, the decision was absolutely right," said Fred Baron, a Dallas attorney who helped form the plaintiffs' Asbestos Litigation Group.

He said also it was possible the high court may reverse Keene to conform to Porter and 48 Insulations. ■

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*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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More Hyatt coverage questions raised

Continued from page 1

Alternatively, the Hyatt insurers are willing to be billed on a pro rata basis for all claims to the extent of the coverage.

In a counterclaim against Commercial Union filed as part of the court response, Occidental says that the management agreement between Hyatt and Hallmark placed the responsibility for liability insurance on Hallmark, so Hallmark's insurers should be primary.

Northbrook Excess & Surplus Insurance Co. of Northbrook, Ill., the next Hyatt insurer in line after Occidental with $25 million in coverage, filed a slightly different response. It doesn't admit or deny that Hallmark was on the Hyatt coverage at the time of the loss. However, Northbrook is now defending suits as Hyatt's insurer pending a court decision.

Hallmark's insurers, however, contend in their response they should not be on the risk at all, except as last-resort excess coverage under the terms of the same management agreement between Hallmark and Hyatt.

Commercial Union alleges that while Hallmark was responsible for arranging liability insurance, Hyatt reserved the right to bid on the coverage, did so and assumed the responsibility by asking its broker, Marsh & McLennan, to add Hallmark and Crown Center Redevelopment onto its insurance program led by Occidental.

In additional cross-claims filed as part of the response, Commercial Union further alleges that if Hyatt failed to provide the insurance, it is liable "to Hallmark and Crown Center and to responding defendants as subrogees," and that Hallmark would have a right of indemnity against Hyatt.

Commercial Union further claimed that Marsh & McLennan "breached their contractual undertaking to Hallmark, Crown Center and/or Hyatt by failing to procure proper and effective comprehensive general liability insurance coverage from the Occidental Group of companies."

M&M was "negligent" and is liable for "any and all payments, if any, required to be made by such responding defendants (Commercial Union Group)" arising out of the Hyatt disaster, according to the Commercial Union filing.

Commercial Union, however, admitted that Hyatt was indeed an additional insured on Hallmark's coverage but contends Hyatt was listed only temporarily until some internal construction was completed.

A third line of coverage totaling $10.5 million for the hotel's builder, Eldridge & Sons Construction Co., is led by Home Indemnity Co. Home has not filed a response yet.

Although most of the insurer responses to the Hyatt suit repeat their previously stated positions, the lead insurers all admit Hyatt and Hallmark were both listed as additional insureds on each other's policies and that broker Marsh & McLennan, to their knowledge, had been asked by Hyatt to add Hallmark and its subsidiary, Crown Center Redevelopment, to its coverage.

The most obvious link between the two insurance programs and the hotel owner and manager is their mutual broker, Marsh & McLennan. It filed the most puzzling answer to the Hyatt petition.

In its point-by-point response to the Hyatt petition, M&M admits to being Hyatt's broker but denies that it ever functioned as an agent for all or some of the Occidental line of insurers.

The broker did not confirm any of the coverages it allegedly arranged and asked that the language of the insurance policies stand on its own.

Moreover, M&M appears to deny that it was ever asked by Hyatt to add Hallmark and Crown Center to its insurance policies as additional insureds and that it ever functioned as an agent for all or some of Hyatt's and Hallmark's 25 insurers.

Responding to key assertions in the Hyatt petition for a declaratory judgment filed in October, Marsh & McLennan denied all description of how it allegedly handled and delivered Hyatt insurance that included Hallmark and Crown Center Redevelopment.

M&M responded negatively to the assertion in count III, paragraph 2 of the Hyatt petition that "prior to July 17, 1981, plaintiff requested of defendant Marsh & McLennan Inc. . .that Crown Center Redevelopment Corp., owner of the Hyatt Regency Hotel in Kansas City, Mo., and Hallmark Cards Inc. . .each be included as an additional insured on each policy of insurance (provided by the 25 insurer defendants).

"These defendants deny the allegations and legal conclusions of paragraph 2," says the M&M court response.

M&M also responded negatively to an assertion in the next paragraph of the Hyatt petition, count III, that "on or about June 8, 1981, defendant Marsh & McLennan Agency Inc., duly authorized to and acting as an agent for each of the insurer defendants, issued a Certificate of Insurance, duly executed by one of its authorized representatives, which document certified that each of Crown Center Redevelopment Corp. and Hallmark Cards Inc. was an 'additional insured' under each of the insurance policies issued by the insurer defendants. . .defendant Marsh & McLennan Agency Inc. delivered or caused to be delivered said certificate to plaintiff, to Crown Center Redevelopment Corp. and Hallmark Cards Inc., thereby causing plaintiff to believe that each of Crown Center Redevelopment and Hallmark Cards Inc. had been made an additional insured to plaintiff by the insurer defendants."

"These defendants deny the allegations and legal conclusions of paragraph 3," says the M&M court document.

Marsh & McLennan's attorney, John W. McCullough of Peterson, Ross, Schloert & Seidel in Chicago, refused to further explain the M&M response and told *Business Insurance* that the denials "stand on their own."

Hyatt's attorney Thomas Deacy Jr. had not yet read the M&M response and had no comment on the denials.

Pending a court decision, Occidental, underwriter of Hyatt's first layer of $1 million of general liability insurance, had already begun defending and settling suits but since has exhausted its limits (*BI*, Nov. 23).

Northbrook, the next insurer in the Hyatt's program with $25 million in liability coverage, has taken over defense and settlement pending a court decision on Hyatt's petition for a declaratory judgment on the insurance and is reserving rights to indemnification from other insurers. ■

Suit would bar out-of-court settlements

KANSAS CITY, Mo.—A roadblock to continued out-of-court settlements of claims from the Kansas City Hyatt Regency Hotel disaster could be built as a result of hearings in progress late last week.

More than 100 attorneys jammed a federal courtroom last Thursday to argue the merits of a class action suit, which seeks an estimated $350 million in damages on behalf of as many as 2,700 people who were at the hotel when the walkway collapsed. If U.S. District Judge Scott O. Wright approves, it would stop individual settlements until the class action is settled.

The class action suit was originally filed in Jackson County Circuit Court July 30 on behalf of Molly Riley, 33, a nurse who suffered cuts and bruises when she was struck by falling debris.

A companion suit was filed in U.S. District Court to include Hyatt-related cases filed in that court on Sept. 1. Ms. Riley's attorneys have claimed that there might not be enough insurance money to go around. ■

Rockford plan to merge with Chicago BC/BS

Continued from page 1

for the state Department of Insurance, said he was "dumbfounded" by the announcement when informed of it by *Business Insurance*. He noted a merger would need approval of state and federal regulators because the plans are competitors.

"I have no document whatsoever," said Mr. Hahn. "If they are intending to merge, they should have filed a document here because it would be subject to (state) approval."

However, Philip R. O'Connor, Illinois insurance commissioner, said he had been informally briefed by the two plans on their merger talks and had failed to tell some department officials.

The merger would be the first between two Blue Cross or Blue Shield plans since Jan. 1, 1978, a Blue Cross & Blue Shield Assns. spokeswoman said. It would also rank the new Illinois Blue Cross & Blue Shield as the No. 6 plan nationwide in assets, edging Philadelphia from that spot.

Under the agreement, the liabilities and assets of Illinois Hospital & Health Service Inc.—the Rockford plan's official name—would be acquired by the Chicago-based Health Care Service Corp. The Rockford plan, founded in 1939, was the first plan in Illinois to acquire the Blue Cross trademark.

Based on 1980 figures of the Chicago-based associations, the Chicago corporation would remain No. 3 in net subscription income at $1.1 billion, compared with Detroit's $2.4 billion and New York's $1.7 billion. Rockford's net subscription income in 1980 was reported at $59.8 million.

"Negotiations have been underway for the past six to eight weeks," says Robert F. Ewald, president of Rockford Blue Cross. "Tentative talks had been underway for 6 to 8 weeks before that."

He said Rockford's board of trustees approved the merger Nov. 24—the same day as Chicago's board of directors. But the announcement had to await final approval of Rockford's larger board of corporate members.

Francis E. Hickey, chairman of the Rockford plan's board of trustees, acknowledged that the Chicago plan has a more advanced computer system than Rockford's. "The age of computers is here and Chicago is on-line," he said. ". . .It didn't make much sense to have two Blue Cross plans."

Mr. Hickey said three other commercial insurers expressed interest in assuming the assets and liabilities of the Rockford plan before the agreement was reached with the Chicago plan.

State examiners began an audit of Rockford Blue Cross in September 1979 and became concerned about the non-profit company's position when management had difficulty coming up with an exact figure for loss reserves, a highly placed state regulator said.

"They said what their surplus was, but it was more fiction than fact," the regulator added. "Only recently had they been able to accurately set premiums because of lousy management information systems."

Mr. Ewald acknowledged that the Rockford plan's auditors, Peat, Marwick, Mitchell & Co. qualified their 1979 audit report on the plan after the discovery that management had inadvertently understated claims liabilities by at least $800,000. Subsequent examination by the accounting firm and state regulators showed the understatement to be $4.8 million, state officials said.

Examiners, in a report to Mr. O'Connor in January, criticized accounting records for cash receipts and disbursements and statistical records on claims and recommended Rockford Blue Cross be required to furnish within six months plans for improving its accounting. It did so.

Rockford Blue Cross reported a surplus of $15.4 million at the end of 1978. At the end of 1979 the surplus had dropped to $8.5 million and it slid further to $4.8 million by the end of 1980. Chicago's surplus, despite a 1980 operating loss of $41 million, stood at $101 million at the end of 1980, down from $133.1 million the previous year.

Chicago officials say their surplus for the nine months ended Sept. 30 stood at about $45 million and operating losses through that period were $52 million.

"Our feeling here is that things have bottomed out and we're coming around," says Gus Rose, a spokesman for Chicago Blue Cross/Blue Shield.

The Rockford plan reported to the state it lost $4.7 million in 1980 on premiums of $59.2 million. That compares with a $782,000 operating gain on premiums of $62.6 million in 1979.

The state regulator also cited as a trouble spot Rockford's 1975 agreement to jointly market its services with those of a north suburban Chicago health maintenance organization.

Rockford is an industrial city of about 137,500 residents about 85 miles northwest of Chicago. The North Shore suburbs of Chicago are heavily populated with generally well-to-do people and offer a competitive health-care market.

"I know that the Chicago market killed Rockford," said the highly placed state regulator. "They took a bath because of their information systems."

Mr. Ewald, who replaced Kenneth K. Clark in 1979 as president of Rockford Blue Cross, acknowledged "heavy losses" in the Chicago-area market and attributed them to poor underwriting and the assumption of risks with poor claims histories.

The marketing agreement was with the North Communities Health Plan Inc. of Glenview, Ill., which earlier this year became part of Prudential Insurance Co.'s HMO subsidiary, state officials said.

The rapid growth of Rockford Blue Cross coincided with the 1975 agreement with the Glenview-based HMO. In 1974, Rockford reported premium volume of $16.3 million. In 1975, the figure was $22.0 million and it had risen steadily to $65.6 million by 1979. Last year, it dropped to $59.2 million.

Since 1973, Rockford Blue Cross handled in partnership with Chicago Blue Cross/Blue Shield a contract for health insurance for about 150,000 state employees. This contract generated premium volume in fiscal 1981 of $110 million for both companies, said Thomas P. Wall, supervisor of group insurance for the state Department of Personnel.

Under the partnership, said Mr. Wall, Rockford Blue Cross took 10% of the risk and an equal amount of premium.

This year, Chicago submitted a bid without Rockford and the state accepted it, resulting in a $11 million loss in premium volume for Rockford for the year starting July 1, said Mr. Wall.

"It was no great loss, frankly," Mr. Hickey said. State officials project a loss of $3.8 million for the state plan in the year ended June 30. Rockford's share of the loss will be $380,000, Mr. Wall estimated.

Records compiled by the Chicago-based Blue Cross & Blue Shield Assns., the umbrella groups for the 111 affiliated not-for-profit corporations nationwide, show Rockford was among 11 plans suffering losses in 1980 that would eat up their reserves in less than two years. Of the 111 companies, 70 are licensed to use the Blue Cross trademark, and 69 are permitted to use the Blue Shield trademark. Some use both.

Only the tiny Concord, N.H., plan reported negative reserves—$268,000. Among Blue Cross plans reporting in 1980 operating losses which, if sustained, would exceed reserves in less than a year were those serving areas around Utica, N.Y.; Parkersburg, W. Va.; Rochester, N.Y.; Buffalo, N.Y.; and North Haven, Conn., (the only Connecticut-based plan).

Among Blue Cross plans reporting operating losses in 1980 which, if sustained, would exceed reserves in less than two years were Rockford; New York City; Denver; Great Falls, Mont.; Wheeling, W.Va.; and Topeka, Kan.

Nationwide, the 70 Blue Cross or combined plans reported total losses of $355.6 million against reserves of nearly $3 billion. The 69 Blue Shield or combined plans nationwide reported losses of $338.1 million against reserves of $2.37 billion.

Among Blue Shield plans reporting operating losses in 1980 which, if sustained, would exceed reserves in less than one year were Buffalo, N.Y.; Parkersburg, W.Va.; Newark, N.J.; Dallas; Providence, R.I., and Roanoke, Va.

Among Blue Shield plans reporting operating losses in 1980 which, if sustained, would exceed reserves in less than two years were Rochester, N.Y.; Reno, Nev., and Charleston, W.Va. ■

Manufacturers want tougher federal tort bill

Continued from page 3
industry trade associations, the Alliance of American Insurers and the American Insurance Assn., expressed their backing for federal product liability legislation. Those two influential groups previously only supported state product liability legislation.

"It seems to me that businesses are realizing that the only answer (to product liability problems) is a uniform, federal law," said Victor Schwartz, an attorney with Crowell & Moring.

However, public interest groups say the measure takes away too many consumer rights. It "represents an unacceptable abandonment of principles developed by courts over the last 100 years," according to the Consumer Federation of America.

The Kasten bill, which is expected to be revised based on comments the Commerce Committee receives and then introduced in Congress in February, would bar many product liability suits involving old products (*BI*, Oct. 19).

For example, product liability suits involving major capital goods, like printing presses, would be prohibited 30 years after the product is delivered; manufacturers of major home appliances, like dishwashers, could not be sued 20 years after they delivered their products. A 10-year cutoff would be imposed for other products.

But these time limitations on filing suit would not apply in cases where the injury was caused by prolonged exposure to a product like asbestos.

Other provisions in the Kasten proposal, which the Reagan administration is now reviewing, include:

- Making wholesalers and distributors in general immune to product liability suits. A wholesaler still could be sued, however, if a plaintiff could not recover damages because a manufacturer of a defective product was bankrupt.
- Making most manufacturers responsible only for the useful safe life of their products. Employers have complained that in some cases they can be held liable for their products long after the life expectancy.
- Absolving manufacturers of liability for failing to warn of obvious dangers.
- Protecting manufacturers from most product liability suits if their products were altered or misused.
- Reducing product liability awards by the extent that a plaintiff's negligence caused an accident.
- Making a plaintiff identify the specific manufacturer in order to file suit.
- Presuming products are free of defects if the manufacturer complied with appropriate government safety standards. Such a presumption would make it difficult for a plaintiff to win a product liability case.
- Prohibiting the employer or his insurer to obtain compensation from the manufacturer to recover workers compensation costs in product liability cases involving workplace accidents.

Employers, however, suggested a series of substantive and technical changes to the Kasten proposal. For example, most corporations said the time limitations on filing suits were too long.

The Portland, Ore., Chamber of Commerce suggested a provision similiar to that state's 1977 product liability law that requires product liability suits to be filed within eight years from the date a product was purchased.

The Beloit Corp. in Beloit, Wis., said the statute of repose should be fixed somewhere between six and 12 years after a product is made. In any case, the 30-year statute of repose for major capital goods is too long, the company argued.

"The volume and expense of maintaining detailed records for 30 years just in case a product liability suit is brought. . .is a deplorable waste of a manufacturer's resources," said Kenneth Cooper, a patent attorney with Beloit.

Other companies were disappointed that the proposal didn't propose capping the amount of punitive damages a jury can award a plaintiff. For example, the National Solid Wastes Management Assn. in Washington suggested a ceiling on punitive damages not to exceed three times the amount of the compensatory award made in a product liability case.

Whirlpool Corp., the home appliance manufacturer in Benton Harbor, Mich., wants to go even further. It told the committee that punitive awards ought to be eliminated because such awards "may bankrupt firms," resulting in the elimination of jobs.

Gulf Oil Corp. in Houston favors removing wholesalers and retailers from product liability suits. "A product seller which had no control over the design, production, warnings or representations of a manufacturer. . .would have trouble providing a defense," Gulf said.

A few insurance experts who filed comments with the committee rejected the need for federal tort reform legislation. Al Lewis, superintendent of the New York Insurance Department, said the "states should be permitted to take their own steps to remedy the problem on a local basis before the federal government steps in to take so drastic a step as to codify a federal product product liability tort law."

And Marshall Shapo, a professor at Northwestern University's School of Law in Chicago, believes product liability issues should be left to the courts "rather than enact a comprehensive statute which achieves in one swoop solutions to dozens of controversial problems."■

New insurance pools favored

Continued from page 3
industries also can purchase product liability insurance on a group basis.

That provision pre-empts legal barriers in about 45 states that block businesses from purchasing liability insurance in groups.

As a result, many smaller firms can buy product liability insurance as a group, giving them the purchasing clout now enjoyed by large corporations.

"The thought is if you can get a big group together. . .you'll win premium savings due to the law of large numbers," added Victor Schwartz, an attorney specializing in product liability issues.

Mr. Ruoff said the current lack of employer interest in setting up risk retention groups is a reflection of current competitiveness in commercial insurance market.

Manufacturers don't have an incentive to set up risk retention groups with the bargains now available from insurers. But that could soon change, Mr. Ruoff predicted.

"The downside of the market is bound to come. When the market tightens, that is when risk retention groups will be used," the Continental senior vp said.

Mr. Ruoff said the strongest interest in utilizing the Risk Retention Act has been shown by regional trade associations.

He said the Risk Retention Act, which Continental supported while it was being considered by Congress, is not the ultimate solution to manufacturers' product liability insurance problems.

"But at least it gives small manufacturers another alternative," Mr. Ruoff said. ■

'Keep out,' states warned

WASHINGTON—Business groups will be back on Congress' doorstep demanding further liberalization of the Risk Retention Act if states pass laws that interfere with the establishment or operation of risk retention groups, a lawyer warns.

When Congress was considering the Risk Retention Act, manufacturers agreed to compromises to appease insurers and regulators to assure passage of the product liability pooling legislation, according to attorney Victor Schwartz of Crowell & Moring.

Those compromises included not allowing new risk retention groups to be set up offshore after Jan. 1, 1985, and requiring groups formed in Bermuda and the Cayman Islands to meet the insurance capitalization requirements of at least one domestic state.

In a warning clearly directed at state insurance commissioners, Mr. Schwartz told a symposium sponsored by broker Fred S. James & Co. Inc. that any moves now to interfere with the legitimate operations of risk retention groups could trigger a business protest leading to the expansion of the act.

Mr. Schwartz said he believes that once insurance commissioners realize that risk retention groups can write coverage only for their member-owners—and not for the public—the commissioners' wariness of the new groups will ease.

Decision will restrict foreign suits

Continued from page 3
The appellate court decision in the Piper case could pose substantial practical problems for defendants and courts, making the doctrine of an inconvenient forum useless, the court said.

It would also increase foreign litigation. "The American courts, which are already extremely attractive to foreign plaintiffs, would become even more attractive," the court said. "The flow of litigation into the United States would increase and further congest already crowded courts."

In addition, the court said that a presumption in favor of the plaintiff's choice of forum is not as persuasive where the party bringing the suit is foreign.

It said also that a decision based on the doctrine of inconvenient forum is within the trial court's discretion and should be reversed only if there is a clear abuse.

Attorneys in the case agreed that the decision would reduce the number of product liability suits brought by foreigners in the United States.

"I'm certain it will have an impact on product liability cases," said Charles McKelvey, an attorney with McNerney, Page, Vandarlin & Hall in Williamsport, Pa. "It's going to have a real impact on serious accidents overseas."

Until now, someone injured overseas through the use of an American product would consider suing in the United States, he said. From now on they will have to more seriously consider filing the suit in their own country's court.

Daniel C. Cathcart, attorney for the plaintiffs, said the case "dignifies a trend going on during the last several years," pointing out that judges have been finding ways to reduce court congestion and litigation in this country.

He said manufacturers now have an enormous geographical advantage and very substanial dollar advantage because it is now more difficult to bring suits in this country.

Ronald Scott, an attorney for Hartzell, also said the case was significant. "I think the court put up an entirely appropriate barrier to what could have resulted in a very dangerous line of cases," he said.

There are many pending cases that were waiting for a determination in this case, Mr. Scott said. "As the decision stands, a number of these cases will be dismissed.

"There will be little if any incentive for foreign plaintiffs to bring suits in the U.S. for foreign accidents," he said. "There's no question it will reduce them (foreign suits) and reduce them substantially."

Mr. McKelvey added that the plaintiffs will not be denied a forum under the decision and that Piper has agreed to appear and defend a suit if brought in Scotland. ■

Society offering classes

PHILADELPHIA—Registration for spring term courses at the Insurance Society of Philadelphia is now underway. The society is offering more than 25 courses during the spring term, many in multiple time slots.

The courses include Insurance Institute of American programs, a Chartered Property/Casualty Underwriter program, agent/broker licensing examination prepartation and rating courses.

The society will also once again offer its accelerated course in insurance principles for individuals who require an overview of the insurance industry and who have involvement with insurance contracts and theory.

All classes meet for two hours each week for 14 to 16 weeks.

Tuition fees vary with each course. The final registration date for all courses except the CPCU program is Jan. 15. Final registration for CPCU classes is Feb. 12.

Additional information can be obtained from the Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306. ■

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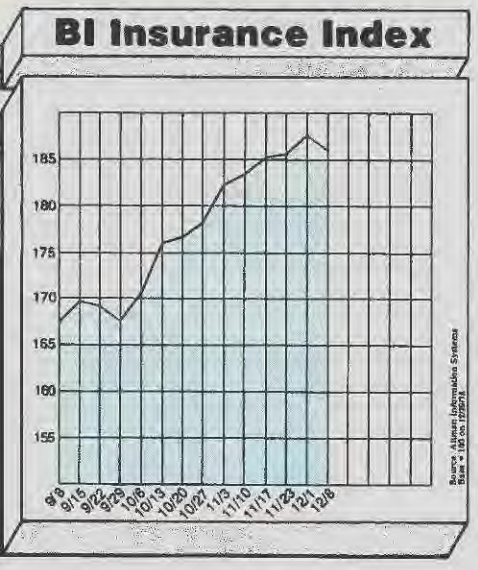
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Insurance industry stocks fared poorly last week as the *Business Insurance* stock index declined 1.9 points to 186.0 from 187.9. Twenty issues posted gains, 39 suffered losses and 13 were unchanged. Leading the advances were: Washington National Corp., 10.5%; Appalachian National Corp., 5.4%; American International Group Inc., 4.6%; Avemco Corp., 3.6%; Banks Iowa Corp., 3.3%. Stocks suffering the largest losses were: Aneco Reinsurance Ltd., 14.3%; Statesman Group Inc., 7.4%; Ryan Insurance Group Inc., 7.0%; St. Paul Cos. Inc., 6.7%; and Corroon & Black Corp., 5.5%. The 1% index decline was about the same as the major stock market indicators.

British Issues

12/8 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	129	8.6	16.07	12.5	134—	129
Eagle Star	340	11.0	21.43	6.3	341—	330
Genl Accident	332	7.1	21.07	6.4	342—	330
Gdn Royal Exch	304	7.9	23.21	7.6	312—	302
Phoenix	246	8.5	22.43	9.1	258—	246
Royal	348	9.3	35.00	10.1	357—	346
Sun Alliance	850	8.5	53.57	6.3	870—	850
Brokers						
CE Heath	270	9.0	15.71	5.8	283—	270
Hogg Robinson	108	8.6	8.57	7.9	109—	107
Alex Howden	138	10.6	10.71	7.8	138—	136
JH Minet	131	10.9	6.80	5.2	136—	131
Sedg Grp	141	10.2	7.50	5.3	143—	140
Stenhouse Hldg	92	8.4	6.64	7.2	93—	91
Stew Wrightson	218	10.9	17.14	7.9	225—	218
Willis Faber	365	12.6	17.85	4.9	370—	365

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Decline in interest rates not panacea for brokers

By LEONARD M. WILSON
Special to Business Insurance

INTEREST RATES ARE finally on the way down, or so it seems. Can a firming of the commercial lines market be far behind?

The decline in interest rates, both short-term and long-term, appears to be more than just transitory, although no one can be certain. Some pundits still expect interest rates to rebound as business activity strengthens in 1982, but credit demand and inflation ultimately will determine their direction.

For now, the rates are on the skids and that ought to be good news for publicly owned insurance brokers. For many months, almost every industry contact has maintained that commercial insurance markets would tighten once interest rates retreated.


Wilson

After all, lofty interest rates induced the insurance companies to write business for cash flow. With a drop in interest rates, underwriters should be compelled to price more realistically.

We don't dispute the logic of this premise. But what about timing? How quickly will premium rates stabilize? What is the time lag between a decrease in interest rates and an increase in premium rates?

This is an important issue for the public brokers. For three years, soft insurance markets have impeded operating progress. For the public brokers as a group, it is estimated that commissions and fees from property/casualty insurance have expanded at a single-digit rate since 1978. Contrast that with annual investment income gains of 20% to 50% over the same period.

Leonard M. Wilson, a senior analyst 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

The trend in investment income continues to be relevant. Marsh & McLennan is the only publicly owned broker likely to register an earnings increase in 1981. Without incremental investment income, the gain in earnings disappears.

For the other brokers, advancing investment income has tempered what otherwise could have been a pronounced contraction in results. Investment income, on average, still accounts for less than 10% of the brokers' revenues, but it now amounts to 30% to 50% of pretax income, well up from 15% to 20% of a few years ago.

The rise in investment income is justified, we think. Commissions expressed as dollars per unit of business have been hammered by falling premium rates, while expenses continue to rise. Accordingly, investment income has mitigated the severe squeeze on profit margins.

We are not in the habit of trying to forecast interest rates, but some quick calculations are in order. Investment yields for most of the public brokers are likely to average at least 16% in 1981, even when including a dip in fourth-quarter yields. The current yield on 30-day certificates of deposit is running at 11%.

If that were the investment yield for 1982, excluding any growth in invested funds, investment income could fall 25% from 1981 levels.

And if short-term rates slip further, the decline in investment income could be greater.

But there will almost certainly be some growth in invested funds. How much will depend primarily upon premium throughout (a function of growth in the existing book of business), the level of new business and the effect of insurance rates.

Realistically, then, the decline in investment income could be less than 25% next year, particularly if invested funds increase modestly. Moreover, there are offsetting factors for some brokers. Marsh & McLennan still has a sizable amount of outstanding short-term debt, incurred in the Bowring acquisition, that provides a partial hedge against lower yields. Leslie & Godwin provides Frank B. Hall a significant amount of investment income that responds to UK money markets.

Nonetheless, earnings increases in 1982 will almost certainly be held back by the decline in interest rates. Whether slippage in reported earnings can be avoided depends heavily upon the course of premium rates. If premium rates do not firm quickly, then earnings could easily erode in the first half of 1982. In fact, gains could be hard to achieve for the year as a whole.

As a consequence, the national brokers will likely continue to adhere to tight cost-control programs. Maybe austerity would be an accurate description for 1982 profit plans. Managements are generally postured to expect a slow turn in premium rates and the possibility of continued pressure on profit margins.

For our part, we expect a gradual winding down of premium-rate competition through 1982. The combination of lower interest rates and deteriorating underwriting results should bring about a stabilization in premium rates by the latter part of next year.

Thus, it seems as if the long-awaited decline in interest rates is a mixed blessing for the public insurance brokers. Looking toward the end of 1982, if interest rates stay down, the brokers could at last find themselves in a favorable premium rate environment.

Tax benefit leases, as discussed in last month's column (*BI*, Nov. 9), could contribute modestly to earnings in 1982, though, and partly offset the reduction in investment income. Marsh & McLennan already has completed its lease transactions, and all of the public brokers may evenutally utilize leases to reduce tax liability in 1982.

While lower investment income has negative implications for earnings, it is entirely possible that the stocks of the public brokers could shrug off several more quarters of mediocre results, particularly if investors become convinced that the decline in interest rates will bring about a reduction in premium rate competition. ■

Industry results

The U.S. property/casualty insurance industry sustained an underwriting loss of $4.25 billion in the first nine months of 1981, but compiled after-tax earnings of $5.19 billion, according to statistics released by the Insurance Services Office and the National Assn. of Independent Insurers.

The underwriting loss, which equates to an industry combined ratio (after policyholder dividends) of 106.2%, compares with a underwriting loss of $2.33 billion in the first nine months of last year.

The industry's earnings, which were about level with last year's corresponding period, were boosted by a net investment gain of $9.74 million.

The property/casualty industry compiled net investment income of $7.97 in the first nine months of 1980.

Cincinnati Financial

Cincinnati Financial Corp. has declared a regular quarterly dividend of 41 cents per share, payable Jan. 15 to shareholders of record Dec. 29.

Cincinnati Financial is a holding company for various property/casualty, life and health insurance companies.

Jefferson-Pilot

Jefferson-Pilot Corp., an insurance holding company, has authorized the open-market purchase of an additional 500,000 shares of its own stock to be retained as treasury shares and used for general corporate purposes.

Jefferson-Pilot Corp., headquartered in Greensboro, N.C., has life, title, fire and casualty insurance subsidiaries. ■

BI Industry Stock Report

Insurance Cos.		DEC. 8, 1981 Price	% Chg.	P/E	$ Div.	% Yld.	12/2/81 THRU 12/8/81 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	44.75	-4.0	7.5	2.32	5.2	46.13	44.75	606.7
American Bankers Ins Group	OTC	7.50	-3.2	8.0	0.48	6.4	7.75	7.50	101.3
American Gen Ins Co	NYSE	43.38	-1.1	6.3	2.00	4.6	43.75	43.38	41.0
American Indty Finl Corp	OTC	14.75	0.0	6.2	1.12	7.6	14.75	14.63	4.8
American Intl Group Inc	OTC	68.75	4.6	11.9	0.40	0.6	68.75*	65.75	157.3
American Natl Ins Co	OTC	14.38	1.8	6.1	0.76	5.3	14.50	14.38	35.0
American Sts Life Ins Co	OTC	17.00	1.5	5.4	0.72	4.2	17.00	16.75	2.2
Aneco Reins Ltd	OTC	2.25	-14.3	0.0	0.00	0.0	2.50	2.25*	75.2
Appalachian Natl Corp	OTC	2.44	5.4	0.1	0.00	0.0	2.44	2.31	6.4
Avemco Corp	AMEX	10.88	3.6	7.4	0.54	5.0	11.00	10.63	12.9
Banks Iowa Inc	OTC	46.50	3.3	6.8	1.44	3.1	47.00	45.50	14.7
Bitco Corp	OTC	40.00	-2.4	4.7	2.16	5.4	40.25	39.75	2.7
Carolina Cas Ins Co	OTC	6.88	0.0	6.9	0.32	4.7	6.88	6.88	5.0
Central Natl Finl Corp	OTC	33.25	3.1	10.8	0.65	2.0	33.25*	32.25	2.3
Chubb Corp	OTC	51.13	-0.5	6.3	2.92	5.7	51.25	50.63	201.7
Combined Intl Corp	NYSE	23.63	3.3	6.1	1.80	7.6	23.63	22.63	100.8
Connecticut Gen Ins Corp	NYSE	53.00	-1.6	6.8	1.76	3.3	53.25	52.50	137.3
Continental Corp	NYSE	28.13	1.4	8.8	2.40	8.5	28.25	27.75	116.7
Crawford & Co	OTC	16.25	0.0	12.6	0.52	3.2	16.25	16.25	1.9
Crown Life Ins Co	OTC	77.00	2.7	8.4	2.80	3.6	77.00	75.00	2.4
Crum & Forster	NYSE	33.38	-4.3	5.5	1.64	4.9	34.25	33.38	867.7
Employers Cas Co	OTC	33.00	-1.5	5.2	1.20	3.6	33.00	32.50	5.5
Equifax Inc	NYSE	22.50	-2.2	5.1	2.40	10.7	22.75	22.50	9.4
Excelsior Ins Co	OTC	16.75	0.0	14.4	0.70	4.2	16.75	16.75	2.0
Farmers Group Inc	OTC	31.25	-1.6	9.2	1.12	3.6	31.25	30.50	123.3
First Colony Life Ins Co	OTC	57.50	-0.9	16.3	1.00	1.7	58.00	57.50	27.0
Foremost Corp Amer	OTC	31.00	-0.8	8.8	0.80	2.6	31.00	31.00	11.6
Great West Life Assurn Co	OTC	235.00	0.0	8.7	10.00	4.3	235.00	235.00	0.0
Hanover Ins Co	OTC	35.25	-0.7	4.3	0.72	2.0	35.50	35.25	9.6
Hartford Steam Boiler Insptn	OTC	44.50	0.0	7.8	2.60	5.8	44.50	44.00	8.4
Jefferson Natl Life Ins Co	OTC	33.75	-0.7	19.4	0.64	1.9	33.75	33.75	2.3
Kemper Corp	OTC	34.63	0.7	5.4	1.60	4.6	34.63	34.38	27.2
Lincoln Natl Corp Ind	NYSE	42.50	-3.4	6.6	3.00	7.1	43.88	42.50	39.3
Majc Invt Corp	NYSE	42.50	-3.4	10.6	1.28	3.0	44.38*	42.50	843.1
Mission Ins Group Inc	NYSE	38.13	3.0	6.7	1.00	2.6	38.25	37.25	25.2
Nationwide Corp Ohio	OTC	25.50	2.0	8.4	0.70	2.7	25.50*	25.00	5.6
Northwestern Natl Life Ins	OTC	25.00	1.0	5.4	1.36	5.4	25.13	24.75	23.3
Ohio Cas Corp	OTC	44.50	-4.0	6.8	2.04	4.6	45.88	44.50	50.2
Old Rep Intl Corp	OTC	19.75	-0.6	4.8	0.92	4.7	19.88	19.63	79.2
Preferred Risk Life Ins Co	OTC	21.25	1.2	5.7	0.80	3.8	21.25	21.00	11.8
Provident Life & Acc Ins Co	OTC	55.50	-1.8	7.2	2.20	4.0	56.50	55.50	29.6
Ryan Ins Group Inc	OTC	16.50	-7.0	7.1	0.12	0.7	17.75	16.50*	1.2
St Paul Cos Inc	OTC	48.63	-6.7	7.9	2.32	4.8	51.38	48.63	233.4
Safeco Corp	OTC	39.00	-0.6	7.5	2.20	5.6	39.00	38.63	112.1
Sri Corp	OTC	23.25	-1.1	4.6	1.00	4.3	23.50	23.00	37.1
Seibels Bruce Group Inc	OTC	28.88	7.9	16.2	0.80	2.8	29.00*	27.50	84.5
Statesman Group Inc	OTC	6.25	-7.4	5.4	0.15	2.4	6.75	6.25	26.2
Tokio Marine & Fire Ins Co	OTC	122.75	1.1	9.8	1.00	0.8	125.00	122.50	9.4

		DEC. 8, 1981 Price	% Chg.	P/E	$ Div.	% Yld.	12/2/81 THRU 12/8/81 High	Low	Vol. (000)
Travelers Corp	NYSE	46.75	-4.1	5.5	2.88	6.2	48.00	46.75	166.6
United Fire & Cas Co	OTC	35.50	0.0	8.1	1.10	3.1	35.50	35.50	1.3
United States Fid & Gty Co	NYSE	45.50	2.0	7.4	3.20	7.0	45.50	44.38	101.4
United Svcs Life Ins Co	OTC	14.88	-4.8	5.8	1.00	6.7	15.63	14.88	14.1
Uslife Corp	NYSE	21.88	-1.7	5.2	0.80	3.7	21.88	21.38	404.9
Washington Natl Corp	NYSE	21.13	10.5	6.4	1.08	5.1	21.38	19.00	73.4
Zenith Natl Ins Corp	OTC	16.50	1.5	8.6	0.60	3.6	16.75	16.25	18.5
INSURANCE COMPANIES	AVERAGE			6.3		4.0			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	28.25	0.0	9.9	1.84	6.5	28.25	28.25	124.8
Baldwin & Lyons Inc	OTC	31.00	0.0	5.4	0.80	2.6	31.00	31.00	0.0
Corroon & Black Corp	NYSE	19.25	-5.5	11.4	1.76	9.1	20.13	19.25	65.9
Crump E H Cos Inc	OTC	11.38	-1.1	13.4	0.40	3.5	11.38	11.38	18.0
Hall Frank B & Co Inc	NYSE	29.25	0.0	11.0	1.66	5.7	29.88	29.00	119.6
Integrated Res Inc	AMEX	15.25	-4.7	6.2	0.00	0.0	16.00	15.25	19.5
James Fred S & Co Inc	NYSE	24.75	-3.4	11.6	1.60	6.5	25.63	24.75	37.0
Marsh & Mclennan Cos Inc	NYSE	35.50	0.0	11.4	2.00	5.6	35.50	35.25	58.3
Penncorp Fincl Inc	NYSE	6.13	-2.0	8.9	0.16	2.6	6.38	6.00	110.6
Pinehurst Corp	OTC	8.50	0.0	0.0	0.00	0.0	8.50	8.50	11.1
Poe & Assoc Inc	OTC	9.75	-2.5	11.0	0.80	8.2	10.00	9.75*	0.0
Reed Stenhouse Cos Ltd	OTC	11.75	-4.1	9.3	0.60	5.1	12.25	11.50	23.2
Rollins Burdick Hunter Co	OTC	21.25	-4.5	12.1	1.32	6.2	21.50	21.00	15.7
AGENTS/BROKERS	AVERAGE			9.7		5.1			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	45.75	-2.4	8.2	2.20	4.8	47.38	45.50	692.2
Anderson Clayton(Ranger/PanAm)	NYSE	26.25	0.5	5.5	1.32	5.0	26.25	25.50	40.5
Armco Inc	NYSE	29.00	-3.3	3.3	1.80	6.2	29.13	28.63	143.5
City Investing Co. (Home Ins.)	NYSE	24.13	0.5	6.9	1.60	6.6	24.13	23.75	190.1
CNA Finl Corp (CNA)	NYSE	14.50	-3.3	6.0	0.00	0.0	15.00	14.13	34.4
Control Data (Comml. Credit)	NYSE	37.13	-1.7	8.7	0.50	1.3	37.63	36.50	682.2
General Re Corp	NYSE	86.50	0.7	11.1	1.76	2.0	86.50	84.75	88.3
Gulf Utd Corp	NYSE	19.50	-2.5	6.8	1.32	6.8	20.00	19.50	173.2
INA Corp (Ins. Co. of NA)	NYSE	46.25	-3.6	6.4	2.40	5.2	47.75	46.25	348.0
ITT (Hartford Group)	NYSE	30.00	-0.8	7.9	2.68	8.9	30.25	29.75	845.6
Optimum Hldg Corp	OTC	11.25	0.0	14.4	0.00	0.0	11.25	11.25	7.0
Reliance Group Inc	NYSE	98.50	-1.4	10.7	3.00	3.0	100.25*	98.50	175.6
Sears Roebuck & Co. (Allstate)	NYSE	16.25	-5.1	8.1	1.36	8.4	16.88	16.25	926.8
Baldwin Utd Corp	NYSE	54.50	1.4	9.3	1.60	2.9	55.00	53.25	70.2
Teledyne Inc (Argonaut)	NYSE	136.75	-5.5	7.1	0.00	0.0	141.50	134.25	289.1
Transamerica Corp (Occidental)	NYSE	24.25	2.1	7.0	1.40	5.8	24.25	23.75	152.3
CONGLOMERATES/HOLDING COS.	AVERAGE			7.6		3.3			

*Record high/low since Jan. 1, 1981. System design: Altman Infomation Systems

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