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Update

Mission plans to distribute $100 million to guaranty funds

SAN FRANCISCO—Mission Insurance Co.'s liquidator plans to make a $100 million early distribution of the insurer's assets to state guaranty funds that have covered Mission claims.

The Mission estate will make the distribution in April, with the $100 million divided among the states based on the amount of Mission claims each guaranty fund has paid, notes a recent liquidation report prepared by the California Insurance Department.

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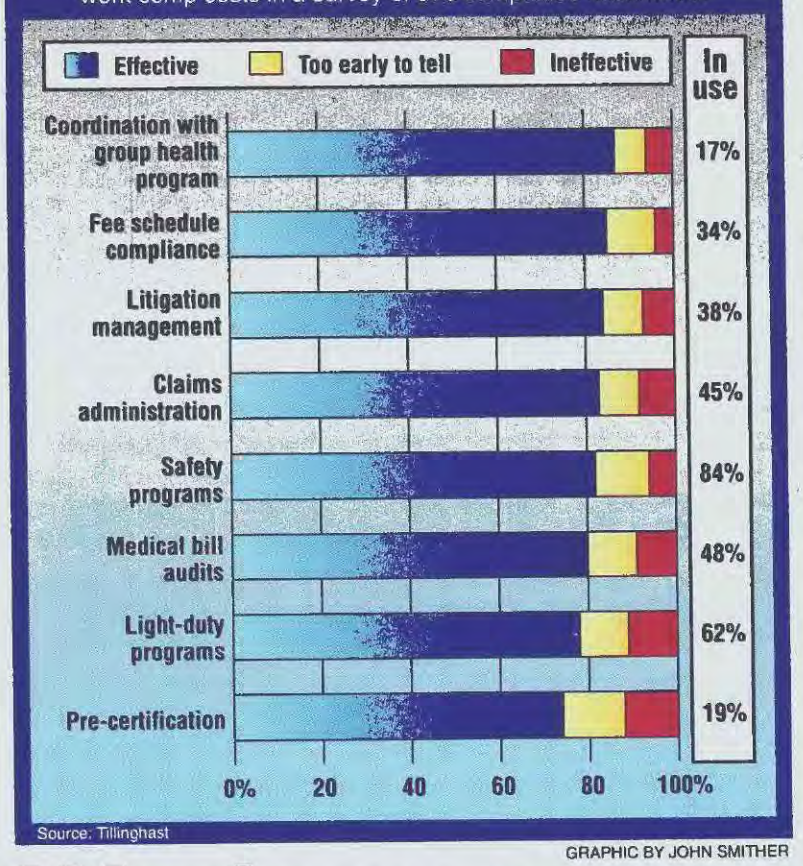
Curbing work comp costs

Employers rate effectiveness of the methods they use to control work comp costs in a survey of 576 companies nationwide.



Source: Tillinghast

GRAPHIC BY JOHN SMITHER

Accounting rule final on retiree health cost

By JERRY GEISEL

NORWALK, CONN.—The Financial Accounting Standards Board this month will issue its final and long-awaited rule on how employers have to recognize retiree health care liabilities on their financial statements.

The final rule is expected to be very similar to an exposure draft that FASB published in February 1989 (*BI*, Feb. 20, 1989). Employers will be required to recognize for accounting purposes retiree health care liabilities as they are accrued rather than as paid (see story, page 67).

However, the final rule includes several changes to the exposure draft that were tentatively approved this summer, said a spokeswoman for the accounting board (*BI*, July 2).

The most significant change FASB approved this summer was pushing back to 1993 from 1992 the effective date of the proposal for most employers.

Small, non-public employers, or those with fewer than 500 participants in their retiree health care plans, will not have to comply until 1995.

Some employers, though, will have to disclose information on retiree health care liabilities much sooner than 1993. A 1987 Securities and Exchange staff bulletin says employers will have to disclose as a footnote to their financial statements the impact, if known, of FASB rules once those rules are adopted.

Small, non-public employers will not have to comply with the FASB rule until 1995.

As a result, some employers will have to disclose retiree health care cost information in their 1990 financial statements, which will be filed with the SEC next year.

The seven-member FASB board approved the rule, FASB 106, through mail balloting earlier this month, although the board is not yet disclosing the actual tally.

A press release is to be issued this week announcing the approval. The actual rule will be published at the end of this week or the beginning of next week, the accounting board said.

Approval of the final rule is the culmination of an 11-year examination of whether and how retiree health care liabilities should be recognized on corporate income statements and balance sheets.

During this lengthy rule-making process, employers' attitude toward their retiree health care programs changed from one of widespread indifference to intense concern.

"Retiree health care plans were an area that was overlooked for

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Workers comp cost controls

Firms rate success of efforts

By DEBORAH SHALOWITZ

Employers are battling rising workers compensation costs with an array of arms, but those claiming the greatest success are the few using a relatively new technique, reports a new survey of nearly 600 employers nationwide.

Employers most often are implementing safety programs, pre-employment screenings, light duty programs and vocational rehabilitation to control workers comp costs, according to the survey.

However, the cost-control mechanism least frequently used by employers—coordinating workers comp and group health benefits—was given the highest effectiveness rating by employers that use it, reports the survey of 576 employers conducted by Tillinghast, the insurance and risk management consulting unit of Towers, Perrin, Forster & Crosby Inc. of New York.

"Fueled in large part by rising medical expenses, job-related injuries in 1990 will cost American employers over $60 billion in direct workers compensation expenses, double the bill of just five years ago," said survey author Jerry A. Miccolis, a Tillinghast vp and head of the firm's workers comp consulting practice.

And, unless employers impose "rigorous" cost controls, workers comp costs could again double within the next five years and threaten corporate financial performance, according to Tillinghast.

Indeed, 69% of survey respondents said workers comp costs are threatening financial results somewhat or a great deal.

The survey, which Tillinghast says is the largest of its kind on these issues, found that an over-

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Auditor ordered to pay in reinsurance failure

By DOUGLAS McLEOD

MIAMI—The New York accounting firm BDO Seidman plans to appeal a jury verdict awarding $15.7 million to the liquidator of a defunct Cayman Islands reinsurer Seidman allegedly failed to properly audit.

A Miami federal jury found Dec. 6 that Seidman was negligent in conducting audits of Universal Casualty & Surety Co. Ltd. over five years before the insurer collapsed in 1984.

The liquidator, Allan Gee, a senior manager with Ernst & Young in Cayman, charged at trial that repeated Seidman audits failed to detect that Universal Casualty's principal asset—more than $10 million in certificates of deposit—never actually existed.

"BDO Seidman is extremely disappointed with this verdict. We believe in the legal system, but we do not believe that justice has been served given the facts that were presented in this case," a spokesman for the accounting firm said.

The spokesman said the firm will appeal. "We are confident that we will prevail in the end," he said.

Seidman is insured for the jury award, but the spokesman declined to provide any details of the firm's coverage.

However, evidence presented at trial showed that Seidman was insured through the Minet Professional Indemnity Ltd. line slip through the mid-1980s. The line slip coverage was led by former Lloyd's of London syndicate 799, which in 1989 was divided into three syndicates. The syndicate was managed by Merrett Underwriting Agency Management Ltd.

Roughly 40 other Lloyd's syndicates and other insurers—including companies managed by H.S. Weavers (Underwriting) Agencies Ltd.—also participate on the slip, according to Thomas M. Sherouse, a partner with Miami law firm Anderson, Moss, Parks & Russo, which represents the liquidator.

Universal Casualty owes $16.2 million to policyholders, including ceding companies Fremont Indemnity Co.; the defunct Kenilworth Insurance Co., now in liquidation in Illinois; and Beacon Insurance Co., now in rehabilitation in North Carolina.

Since the 1984 Universal Casualty liquidation order, the only assets liquidators have been able to recover are $440,000 in reinsurance claim settlements.

If the verdict against Seidman is upheld on appeal, the $15.7 million award will mean Universal

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NEWSPAPER

Update

Mission to pay guaranty funds

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The California Insurance Guaranty Assn. has paid by far the most to date—about $298 million—followed by Florida, $25.5 million; New York, $10.5 million; Maine, $8.9 million; and Arizona, $8.7 million.

As of Sept. 30, guaranty funds had paid a total of $428.1 million to Mission policyholders and had incurred $6.3 million of administrative expenses. After deducting $149.6 million of Mission deposits held by the states, the guaranty funds' net outlay has amounted to $284.8 million, the report says.

The report, which summarizes the history and status of the Mission liquidation, notes that the liquidator had recovered assets totalling $491.2 million and has incurred $78.5 million of expenses as of Sept. 30.

Most of the recoveries—$361.2 million—were from reinsurance commutations and settlements. The balance was from subrogation recoveries, premium payments, letter of credit drawdowns and interest.

The liquidator estimates that recoveries will total $595.5 million and expenses will total $85.4 million by Dec. 31.

As of Sept. 30, the estate had received 157,435 proofs of claim totalling $46.7 billion, but many are believed to be exaggerated.

The report estimates that Mission's ultimate liabilities to direct policyholders and guaranty funds will total $2.2 billion, with liabilities to reinsurance policyholders and other creditors totalling $1.2 billion.

The liquidator continues to estimate Mission's insolvency at $1.5 billion. Even with no payments to reinsurance policyholders and other claimants, Mission's assets will fall $300 million short of covering direct policyholder claims.

Cap Staffing officials arrested

CHARLOTTE, N.C.—Six officials of a North Carolina employee leasing firm and affiliated companies were arrested last week after a grand jury returned indictments on charges including embezzlement from an employee benefit plan, conspiracy and fraud.

According to court papers filed by the Labor Department's Office of Labor Racketeering, Cap Staffing Inc. of Charlotte, N.C., and affiliated firms defrauded more than 120 businesses by causing them to believe the employees they leased were covered by health insurance.

Employers were led to believe that a Cap Staffing health plan was underwritten by Travelers Insurance Co., but Travelers only provided claims administration services (*BI*, May 7, 1990).

Cap Staffing improperly diverted most premiums that were supposed to be forwarded to Travelers for claims payments, Labor department officials said. Unpaid claims may exceed $2 million, they said.

Named in the indictments are Robert Long, president of Cap Staffing and Cap Programs Inc.; Jerry Wolicki, vp of Cap Programs; Victor Blackwell, vp of Cap Programs; Michael Spieles, president of Cap Staffing for a brief period and Universal Staffing Associates Inc., a successor to Cap Staffing; Michael Krebser, an officer of Universal Staffing Associates; and D. Ronald Harris, secretary of Cap Staffing.

The six were arrested in various parts of the country. Mr. Long, who had not been arraigned as of late last week, was released after posting an unsecured bond of $250,000.

Cap Staffing is now in Chapter 7 bankruptcy proceedings.

Lloyd's contests bond award

LOS ANGELES—Lloyd's of London underwriters must pay $5.8 million of breach-of-contract and bad-faith damages to a Los Angeles-area bank for refusing to pay a blanket bond claim the bank filed, a U.S. District Court jury in Los Angeles has ruled.

However, attorneys for the Lloyd's underwriters say they will ask the court to eliminate or reduce the award, which includes $2.5 million in punitive damages, to Sunwest Bank of Orange County, a unit of Sunwest Financial Services Inc.

The claim involved losses from inadequately collateralized loans—approved by a bank loan officer—that went into default. The bank sought coverage, claiming the loan officer's actions were dishonest.

"We were of the opinion that there was no dishonest or fraudulent act," said Mary Whitaker, an attorney with Lewis, D'Amato, Brisbois & Bisgaard in Los Angeles, who represented Lloyd's.

The $5.8 million award is within the limits of the bond, she said.

New VDT safety law expected

SAN FRANCISCO—The city of San Francisco's Board of Supervisors is expected to approve today the nation's first law regulating workplace use of video display terminals.

The ordinance is intended to protect against an increasing number of disabling hand, wrist and arm injuries as well as eyestrain and headaches, all of which have been associated with VDT use.

By 1993, private and public employers with 15 or more employees would be required to provide adjustable work stations, mandatory 15-minute breaks every two hours and safety education for workers if the ordinance is signed by Mayor Art Agnos.

A similar ordinance in Suffolk County, N.Y., was overturned when a state court ruled that only the state could impose some benefit mandates included in that law (*BI*, March 5). Backers of the San Francisco ordinance modified the measure following the Suffolk County ruling by,

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Errors & omissions

• Due to incomplete information received, two insurers were incorrectly identified as contributing to a settlement of a suit involving a Los Angeles residential subdivision (*BI*, Dec. 10). Protective National Insurance Co. of Omaha, Neb., not Protection Mutual Insurance Co. of Park Ridge, Ill., will contribute to the settlement. In addition, United Pacific Insurance Co. of Dallas, Texas, not Upper Peninsula Insurance Co. of Phoenix, is a party to the settlement.

• Due to a production error, several preferred provider organizations were omitted from the Illinois listing in the *Business Insurance* 1990-1991 Managed Care Market Report, which was mailed to subscribers last week. The omitted listings are printed on page 65 of this issue.

Policing solvency

NAIC demands CPA audits of all insurers

By MEG FLETCHER

LOUISVILLE, Ky.—On the heels of requiring actuarial certification of loss reserves, insurance regulators now are mandating that all insurance company financial statements be audited by a certified public accountant.

Short-circuiting the more cumbersome process of recommending that individual states adopt the requirement, the National Assn. of Insurance Commissioners voted Dec. 6 to amend the "Financial Statement Instructions" all insurers must follow in filing their annual statements with regulators.

All future financial statements filed with states are covered by the new mandate.

Requiring CPA audits is the latest NAIC effort to demonstrate its new commitment to improving solvency regulation.

In June, the commissioners required that an actuary or other specialist certify the adequacy of insurance company loss reserves (*BI*, June 18).

The NAIC also announced a multiprong 1991 agenda for improving solvency regulation during its meeting earlier this month in Louisville, Ky.

While the financial statements of large, multistate insurers and many other insurance companies already are audited by CPAs—representing 90% or more of premiums written, according to the NAIC—the statements of some small insurers are not.

State regulators have been sharply criticized for not requiring such audits.

Though 'ambitious,' the agenda is 'both essential and achievable,' says James E. Long.

The House Subcommittee on Oversight and Investigations, for instance, faulted insurance regulators on that point in a report issued early this year (*BI*, Feb. 26).

Several other measures passed at the commissioners winter meeting also are designed to improve solvency regulation.

Regulators adopted a Model Law on Examination, which "is designed to direct department resources toward the examination of companies most likely to be in financial trouble," the NAIC explained.

Commissioners in states that adopt the model law can examine an insurer as needed. The law also would require examinations at least every five years of all insurers licensed in a state.

State insurance regulators typically examine each insurer every three years, though some regulators complain that healthy companies do not require such direct oversight.

A provision of the model law also would give regulators an incentive to obtain NAIC accreditation. The designation signifies that the department meets minimum standards of authority, resources and programs to effectively regulate insurance company solvency (*BI*, Dec. 3).

Commissioners could accept an exam report from another department on any foreign or alien insurer until Jan. 1, 1994. After that, such reports could be accepted only from accredited departments

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Deadline set for Info issue at Dec. 21

Business Insurance will publish the 1991 edition of its special "Information Resource" issue on Jan. 14.

The issue will contain listings of educational and informational literature concerning programs, products and services related to risk management and employee benefits.

Companies that want to offer literature must complete a special fact sheet that describes each item to be listed and submit it with a copy of the item. The literature must be available to readers at no charge and must be less than a year old.

To request information on how to submit items for publication in the special "Information Resource" issue, call Directory Editor Sarah E. Polster at 312-649-5279.

Business Insurance must receive a completed fact sheet and sample copy of all items to be listed no later than Dec. 21.

Sedgwick Group reshuffles execs; Dick Page is out

By STACY SHAPIRO

LONDON—Seeking improved profits, Sedgwick Group P.L.C. last week announced a management reshuffle that ousts Richard M. Page as chairman of Sedgwick James Ltd., reduces layers of management and puts London-based executives squarely in charge of the retail brokerage unit.

"I am trying to shift Sedgwick onwards," Sedgwick Chairman David Rowland said last week in an interview. "We need a leaner style of management."

The unexpected "retirement" of New York-based Mr. Page at yearend, along with the departure of three other principal officers of Sedgwick James in North America, will reduce the management layers between London and New York.

Also leaving Sedgwick James are: Vice Chairman and Sedgwick group board member Sidney A. Stewart Jr., 64; Executive Vp and Finance Director Ronald J. Berardi, 46; and Executive Vp Ed Morrow, 57.

Mr. Stewart had previously announced his plan to retire.

Mr. Berardi said he had decided to leave because he wasn't "having fun anymore."

No one person is replacing Mr. Page, 58, who has been a key executive in the group since the 1985 merger of Fred S. James & Co. Inc. with Sedgwick.

Instead, London-based Rob White-Cooper, deputy chairman of Sedgwick James, becomes chairman of the operations group responsible for coordinating the worldwide activities of Sedgwick James Ltd. and assumes direct responsibility for all Sedgwick James companies outside North America.

And, Saxon Riley, a vice chairman of the group and chairman of Sedgwick Broking Services Ltd. in London, assumes overall responsibility for the group's activities in North America.

"We're bringing Sax Riley closer

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Inside

- Despite alarming health care cost hikes, companies should not give up the battle to control costs, says this week's editorial. **PAGE 8**
- In Perspectives, Kwasha Lipton's Lance Tane suggests that employers should look at benefits, salary and other forms of compensation as one package. **PAGE 39**
- Case management is more effective than pretreatment review at controlling mental health care costs, experts say at a recent roundtable discussion. **PAGE 61**
- Alexander & Alexander Services Inc. is merging its reinsurance brokerage units. **PAGE 69**
- The Internal Revenue Service has pushed back to 1992 from Jan. 1, 1991, a compliance deadline for pension non-discrimination regulations. **PAGE 70**
- Brokers will weather a slowdown in new business activity, predicts analyst Leonard M. Wilson. **PAGE 71**

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Benefits marketplace

Health plan premiums to increase 10% to 25%

By MICHAEL SCHACHNER

Premium increases next year for managed health care plans will be as little as half the percentage increases charged for traditional indemnity plans.

But, the increased cost of health care plans generally will be more than overall inflation and what employers want to pay.

While premium increases for traditional group health indemnity plans next year are expected to remain at 20% to 25%, most health maintenance organizations say they expect to increase premiums 10% to 15% in 1991, compared with 17% on average in 1990.

One HMO group—Blue Cross & Blue Shield Assn.—predicts that its premiums will increase only 5% in certain geographical areas.

And, employers that have added managed health care elements to their indemnity programs—especially preferred provider options—should see premium increases of 15% to 18%.

Self-insured employers are anticipating that their health care costs will increase between 10% and 20% next year, about the same level at which costs were increasing at mid-year (*BI*, Aug. 20). But, self-insured employers that are introducing managed care components expect health care cost increases to be somewhat less.

Overall health care costs will continue to rise in 1991 because of several factors, including: the aging of the workforce; the increasing use of advanced medical technology; and cost shifting to group health plans from Medicare and Medicaid.

Trend lines used to forecast health insurance cost increases, which reflect these factors, are expected to range from 19% to 23%, nearly identical to 1990's trend line of 20% to 24%.

Rises in the medical care component of the Consumer PriceIndex continue to outpace general inflation. The medical care component of the CPI increased at an annual rate of 7.2% through October, while the overall index increased 4.9% during the same period, according to the U.S. Bureau of Labor Statistics.

In 1989, the CPI's medical care component increased 7.7%, while the overall rate of inflation was 4.8%.

More significantly, the CPI's medical care component jumped 9.4% from October 1989 to October 1990, compared with a 6.3% increase in the overall CPI for the same period.

In 1988, the CPI's medical care component rose to 6.5% from a several-year low of 6.1% in 1987.

"There are still the three big reasons why health care costs are rising," said Tom Billet, managing consultant with A. Foster Higgins & Co. Inc. in New York.

"Society is aging; we're increasing the use and intensity of medical technology; and government is still shifting costs to the private sector. To control costs, employers have to start way down at reason four—and that's prices charged by providers and utilization, which translates into managed care."

For example, the Chicago-based Blue Cross & Blue Shield Assn. says managed care plans it offers cut $53 per day from hospitalization payments, compared with plans without managed care features (*BI*, Nov. 5).

HMO executives and consultants predict that the majority

Continued on next page

Growth slowing for largest consultants

By CHRISTINE WOOLSEY

Growth in employee benefit consulting revenues is slowing, but the 10 largest consultants still averaged an impressive 17% gain in consulting revenues this year.

The 17% growth in consulting revenues among the 10 largest employee benefit consultants to an estimated $2.41 billion in 1990 from $2.06 billion in 1989 is shy of revenue gains in recent years of 20% in 1989 and 1988, 25% in 1987 and a 19.5% increase in 1986.

The 1989 gross revenues of the 10 largest consultants listed last year totaled $2.13 billion, but several of the firms have restated their revenues, and there is a new firm among this year's largest consultants.

Two of the 10 largest consultants failed to break double-digit growth in benefit consulting revenues this year, unlike the across-the-board, double-digit growth last year.

Business Insurance ranks the consultants strictly on revenues generated by employee benefit consulting: giving advice on a fee-for-service basis on benefit issues. Excluded from revenues for purposes of ranking are revenues generated by other activities, including claims administration.

Overall, the consulting firms reported total estimated revenues of $3.03 billion for 1990, a 26% increase from 1989 revenues of $2.4 billion.

All the consultants do more than half of their consulting business in the United States.

Because of slowing consulting revenue growth, consultants controlled staff expansion. Among the 10 largest consultants, total employees increased just 6.2% this year to 27,285, compared with a 16.4% increase in 1989.

Most consultants blame the sluggish economy in 1990 for the slowdown in revenue growth. Others say employers also are reducing benefit consulting services because they fear a recession next year.

And, some consultants point out that extensive legislative and regulatory issues did not materialize this year, decreasing the need for their services.

"The general economic slowdown is probably the largest factor" behind the decreases in revenue growth rates, said Robert D. Krinsky, president of New York-based Martin E. Segal Co., the 10th-largest consulting firm in this year's ranking with $67 million in benefit consulting revenues. Last year, Segal was ranked ninth.

When times are tough, the human resource department is often the first place corporations look to trim costs, Mr. Krinsky said.

"The economy is what we think

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10 largest employee benefit consultants

Ranked by benefit consulting revenues. 1990 figures are estimates

Name (Parent)	Benefit consulting[1] Gross revenues (in millions) 1990	1989	% change	Total operations Gross revenues (in millions) 1989	Offices (U.S./total)	Employees
William M. Mercer Cos. Inc. (Marsh & McLennan Cos. Inc.)	$638	$550[2]	16.0 %	$720	46/99	6,989
TPF&C (Towers, Perrin, Forster & Crosby Inc.)	419	380[2]	10.3	672	28/56	5,300
The Wyatt Co. (Independent)	365	315[2]	15.9	430	30/69	3,700
Hewitt Associates (Independent)	255	210[2]	21.4	300	30/61	3,500
Alexander Consulting Group Inc. (Alexander & Alexander Services Inc.)	174	147	18.4	231	23/89	1,875
Buck Consultants Inc. (Independent)	155	132	17.4	155	16/30	1,390
A. Foster Higgins & Co. Inc. (Johnson & Higgins)	152	141	7.8	208	50/80	1,500
Coopers & Lybrand-Acturial Benefits & Compensation Group (Coopers & Lybrand)	116	83	39.8	121	21/29	1,199
C&B Consulting Group/Corroon & Black Retail Offices Benefit Div./Willis Consulting (Willis Corroon P.L.C.)	70	44	59.1	125	50/70[3]	1,150
Martin E. Segal Co. (Independent)	67[4]	61	9.8	70[4]	15/17	682
Total	2,411	2,063	17.0	3,032	309/600	27,285

1 Excludes revenues from claims administration, compensation consulting, insurance commissions (where no consulting is involved), and other non-benefit consulting. 2 Restated 3 Estimate 4 *BI* Estimate

Source: *BI* Survey

Health plans

Continued from previous page
of employers with HMOs will see premiums increase 10% to 15% next year, which is lower than the average HMO premium increase this year.

The Group Health Assn. of America in Washington, D.C., estimates in its "HMO Market Position Report" that HMO premiums will increase 12.9% on average in 1991.

HMO premiums increased 16.9% on average in 1990 and 16% in 1989, according to the GHAA.

The GHAA report was based on telephone interviews in October with 44 randomly selected plans. Survey respondents reported that they had 11.8 million enrollees, or 35.8% of the more than 33 million HMO enrollees nationwide.

HMOs said that many of the same reasons contributing to health care cost inflation are also responsible for premium increases.

However, a new factor added to their list this year is minimum benefit requirements imposed by states on insured health care plans, which 11% of the plans said put inflationary pressures on premiums.

Utilization and medical expense management, as well as provider contracting, were the two major factors that helped HMOs contain costs, the GHAA reported.

Individual HMOs contacted by *Business Insurance* projected 1991 premium increases roughly in line with the GHAA survey results.

Employers contracting with BC/BS HMOs should expect premium increases ranging from 5% to 15%, said Doug Peters, senior vp with the Blue Cross & Blue Shield Assn.

The Blues operate the nation's second-largest HMO system serving employers with 4.8 million enrolled employees and their dependents (*BI,* December 1990 Managed Care Market Report).

Health Net HMOs will impose some of the lowest rate increases on employers, averaging just 9%, according to Robert F. Greaves, chairman, president and chief executive officer of the Woodland Hills, Calif.-based HMO.

Health Net is the nation's eighth-largest HMO with more than 743,000 enrolled employees and dependents.

HMO premiums will climb 10% to 12% on average for employers that contract with PacifiCare Health Systems Inc. of Cypress, Calif., according to Alan Hoops, chief operating officer and executive vp. The HMO is the nation's 10th-largest HMO with 540,000 enrolled employees and dependents.

Metropolitan Life Insurance Co. of New York expects to increase HMO premiums between 10% and 15%, depending on the level of managed care in use, said Robert A. Chernow, vp in Met Life's Westport, Conn.-based managed care services group.

For example, some closed-network HMOs may impose premium hikes of just 10% to 12%, while an open-ended HMO, where employees can move in and out of the network, will raise premiums 15% on average, he said.

Blue Bell, Pa.-based U.S. Healthcare Inc.—the nation's fifth-largest HMO with nearly 1.1 million enrollees—also expects to raise HMO premiums 10% to 15% on balance next year, said Costas Nicolaides, executive vp and chief financial officer.

Mr. Nicolaides said U.S. Healthcare, which operates HMOs in six Eastern states, already has filed for an 8.5% increase in New York, which he said would be the lowest filing the firm would make. U.S. Healthcare has not yet filed for rate increases in Connecticut, Delaware, Massachusetts, New Jersey or Pennsylvania, he said.

Kaiser Foundation Health Plans' HMOs also are likely to impose premium hikes of 10% to 18% next year, said Bob Crane, senior vp-national accounts in Oakland, Calif.

The Kaiser Permanente Medical Care Program is the nation's largest HMO with 5.6 million enrolled employees and dependents nationwide.

Kaiser's planned premium hikes are partly attributable to a multi-million-dollar expansion program on which the company has embarked to service its rapidly growing enrollment, he said.

Kaiser's HMOs gained 275,000 new enrollees during the first three quarters of 1990, following a surge of 615,000 new members in 1989, Mr. Crane said.

FHP Health Care of Fountain Valley, Calif., the nation's ninth-largest HMO with 566,000 enrolled employees and dependents, plans to raise premiums between 12% and 13% in 1991, said Jim Smith, associate vp-national accounts.

CIGNA Healthplan Inc.'s closed-end HMOs will raise premiums about 13%, while its open-ended HMOs will raise premiums between 13% and 24%, depending on individual plan experience, said Chip Sharkey, senior vp-employee benefits in Hartford, Conn.

CIGNA Healthplan, CIGNA's managed care subsidiary, is the nation's third-largest HMO group with 2 million enrolled employees and dependents.

Employers purchasing fully-managed health care coverage through an HMO managed by Aetna Life & Casualty Co. in Hartford, Conn., will see premiums increase by about 15%, said Charles T. Bell, senior vp-managed care.

But, some Aetna HMOs will increase premiums only 10% to 12%, while others will impose hikes of 18% to 20%, depending on employer size, he said.

Aetna operates the nation's fourth-largest HMO group with 1.2 million enrolled employees and dependents nationwide.

The Prudential Insurance Co. of America of Roseland, N.J., anticipates HMO premium hikes of about 14% or 15%, said Joe Maginnis, vp-group underwriting.

PruCare is the nation's seventh-largest HMO with 800,000 enrolled employees and dependents.

Employers that sponsor insured indemnity plans with managed care components will see lower premium increases than employers with traditional indemnity plans.

For employers offering traditional indemnity plans without managed care features, "there just haven't been any environmental changes that will help the situation," said Aetna's Mr. Bell.

Premiums for "unmanaged indemnity plans will go up by about 20%," he said.

However, premiums for Aetna's indemnity programs with a preferred provider option will increase less, by 15% to 20%, he said.

"Employers with indemnity plans are in for more of the same," projected Lawrence Leisure, a consultant in the San Francisco office of TPF&C, the employee benefits consulting arm of Towers, Perrin, Forster & Crosby Inc. of New York.

"Next year will be a continuation of cost escalation fueled by widespread cost-shifting against private payers," Mr. Leisure said.

Met Life is sticking to trend lines in forecasting next year's indemnity plan premium hikes, said actuary Frank Keenan.

Premiums for traditional indemnity programs will increase by about 22% next year, he said.

However, Met Life typically will seek 16% premium increases for indemnity plans with an open-ended PPO option, he said.

Prudential will bump up indemnity premiums between 19% and 21% next year, said Mr. Maginnis.

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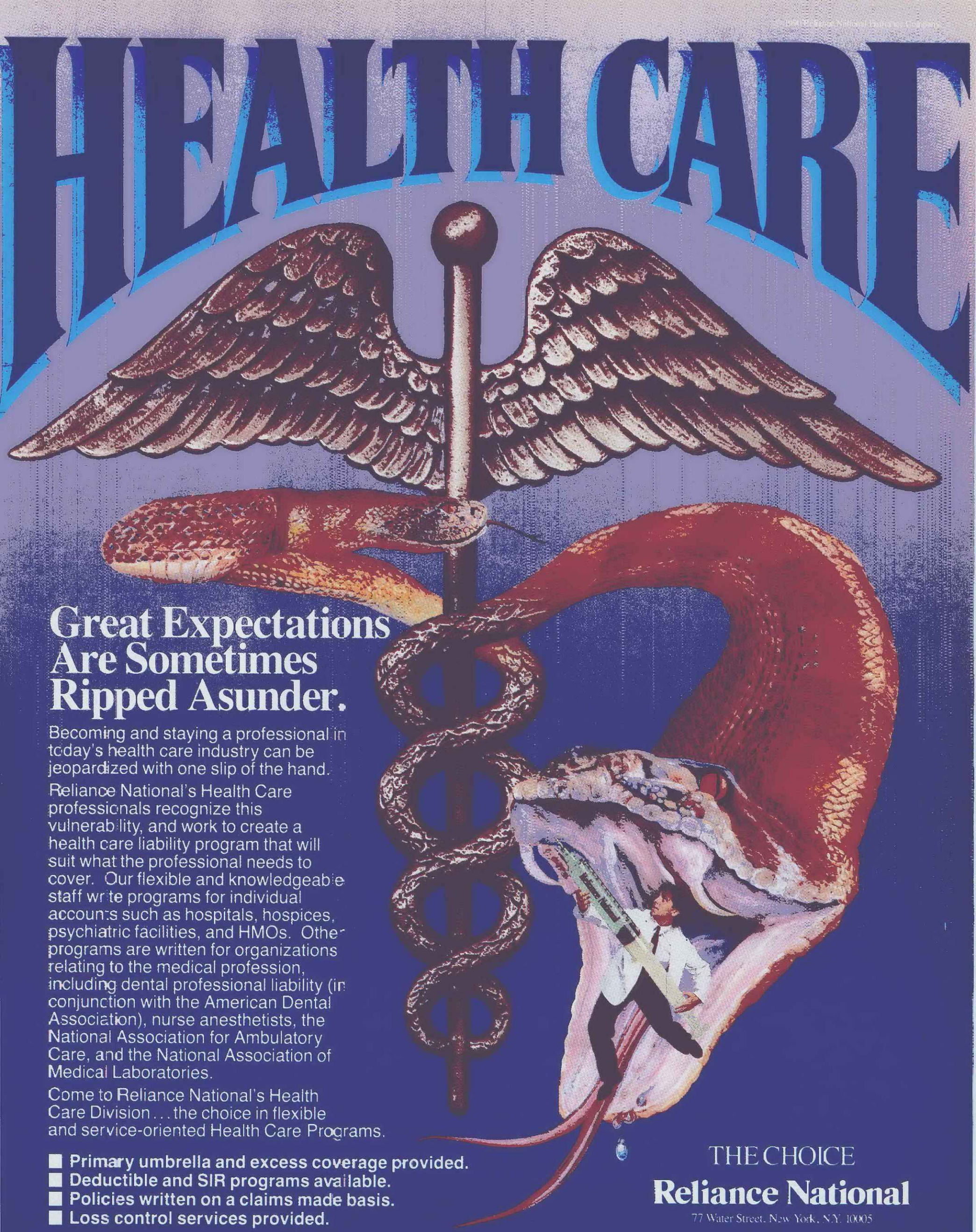

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Health plan costs

Continued from page 4

But, Prudential's indemnity plans with a PPO option should see increases in premiums of about 17%, he said.

The premiums CIGNA will impose on employers with traditional indemnity premiums will be 20% to 25% higher in 1991, while those for indemnity plans with open-ended PPOs will increase by 15% to 19%, said Mr. Sharkey.

Lincoln National Corp. of Fort Wayne, Ind., will increase traditional indemnity plan premiums by 20% to 25%, said John P. Cole, executive vp-employee benefits.

Lincoln National, though, will raise premiums for indemnity plans with a PPO option about 18% in 1991, he said.

Lincoln National estimates that its managed care programs saved the company almost $100 million through September.

But, "hospitals and doctors are already starting to shift costs to private payers in preparation for 1992," said Mr. Cole, referring to recent changes in Medicare. "The new tax bill calls for Medicare to slash payments by $8 billion over five years. So, the trend lines that were dropping at mid-year seem to be taking off again."

The Travelers Corp. of Hartford, Conn., intends to raise indemnity plan premiums 20% to 25% in 1991, said Tom Burton, chief financial officer of managed care and employee benefits.

"We made adequate progress this year" toward keeping costs under control, Mr. Burton said.

"But that doesn't trigger decreases in rates. There are still very real causes for concern that just don't permit a reduction in the rates of increase. Inflation, recent tax legislation and an apparent recession will keep indemnity rates increasing," he said.

However, Travelers plans to increase premiums for indemnity plans with a PPO option by 15% to 20%, Mr. Burton said.

Provident Life & Casualty Insurance Co. of Chattanooga, Tenn., anticipates raising indemnity plan premiums by about 19% to 21% next year, said Jim Pesnell, vp-marketing.

"The market shouldn't be any worse than this year," Mr. Pesnell said. "It could even be a little bit better. Trends have come down some from the start of 1990 when they were sitting at about 23%."

But, Mr. Pesnell declined to predict how much premiums for Provident's indemnity plans with open-ended PPO options will increase. "PPO pricing is based on pricing with providers, and we're still not sure exactly what that will be."

BC/BS plans probably will increase premiums for indemnity plan products between 7% and 20% in 1991, depending on the level of managed care included in individual plans, said Mr. Peters.

He added that the low end of the range of premium increases represents the lowest premium increases since the mid-1980s.

"The cumulative impact of cost-management features, like precertification and other things, has had a major impact on hospital cost savings. Also, with past rate increases, we have been able to bolster reserves, which were in real trouble at one time," he said.

Based on third-quarter results, BC/BS plans nationwide expect to report a $2.2 billion gain in reserves in 1990, following a $1.2 billion gain in 1989, he said.

Because of the success HMOs and other managed care products had this year in controlling costs, "we will definitely see a continuation of the absolute shift toward managed care in 1991," predicted Jim Braun, a consultant in the Washington, D.C., office of benefit consultant The Wyatt Co.

For example, Stamford, Conn.-based Xerox Corp., which offers its workers a self-insured indemnity plan option and an HMO option, hopes that "greater enrollment in managed care programs" can help the company trim cost escalation, said Sharon Diehl, manager-benefits operations.

Xerox, which offers HMOs to its 55,000 U.S. employees, believes that its health care costs will increase by "less than 20%" next year, after going up more than 20% this year, according Ms. Diehl.

Ms. Diehl said Xerox will attempt to further trim costs in 1991 by adding a hospitalization precertification requirement to its indemnity plan—offered to 42,000 of its 52,000 employees—as well as capping annual mental health benefits, which had been unlimited.

And, San Francisco-based Wells Fargo & Co. is hoping that a new self-insured managed care plan administered by Travelers will keep health care cost increases at 10% in 1991 and between 7% and 8% in subsequent years, according to Martha Clark, vp and manager of compensation and benefits.

Costs had been rising 30% to 40% annually under the bank's indemnity plan, which will be terminated at year-end. But, including the bank's seven HMO plans, the bank's health care costs this year are expected to rise by about 10%, she said.

The new self-insured managed care plan, called SelectCare, will establish a network of providers for all of the bank's 15,000 employees.

Wells Fargo in 1991 also will begin offering workers only one HMO option, Ms. Clark said.

Other self-insured employers expect that their health care costs will increase by about the same percentage or slightly more than they did in 1990: between 10% and 20%.

For example, the Gillette Co. of Boston is "optimistically" predicting that health care costs will increase 15% in 1991, said Bob Messing, group insurance manager.

Gillette's health care costs this year are rising 14%, Mr. Messing said.

Seventy-three percent of Gillette's 30,000 employees, or 22,000, are enrolled in an indemnity plan, with the remaining workers enrolled in various HMOs.

But, unlike most employers, Gillette is not channeling employees to managed care, because it would adversely affect loss experience in the company's indemnity plan, Mr. Messing said.

"We are trying to protect our risk pool on the indemnity side. We're not trying to bias employees. What we try to do is keep the benefit levels in the indemnity plan competitive with the HMOs'," Mr. Messing said.

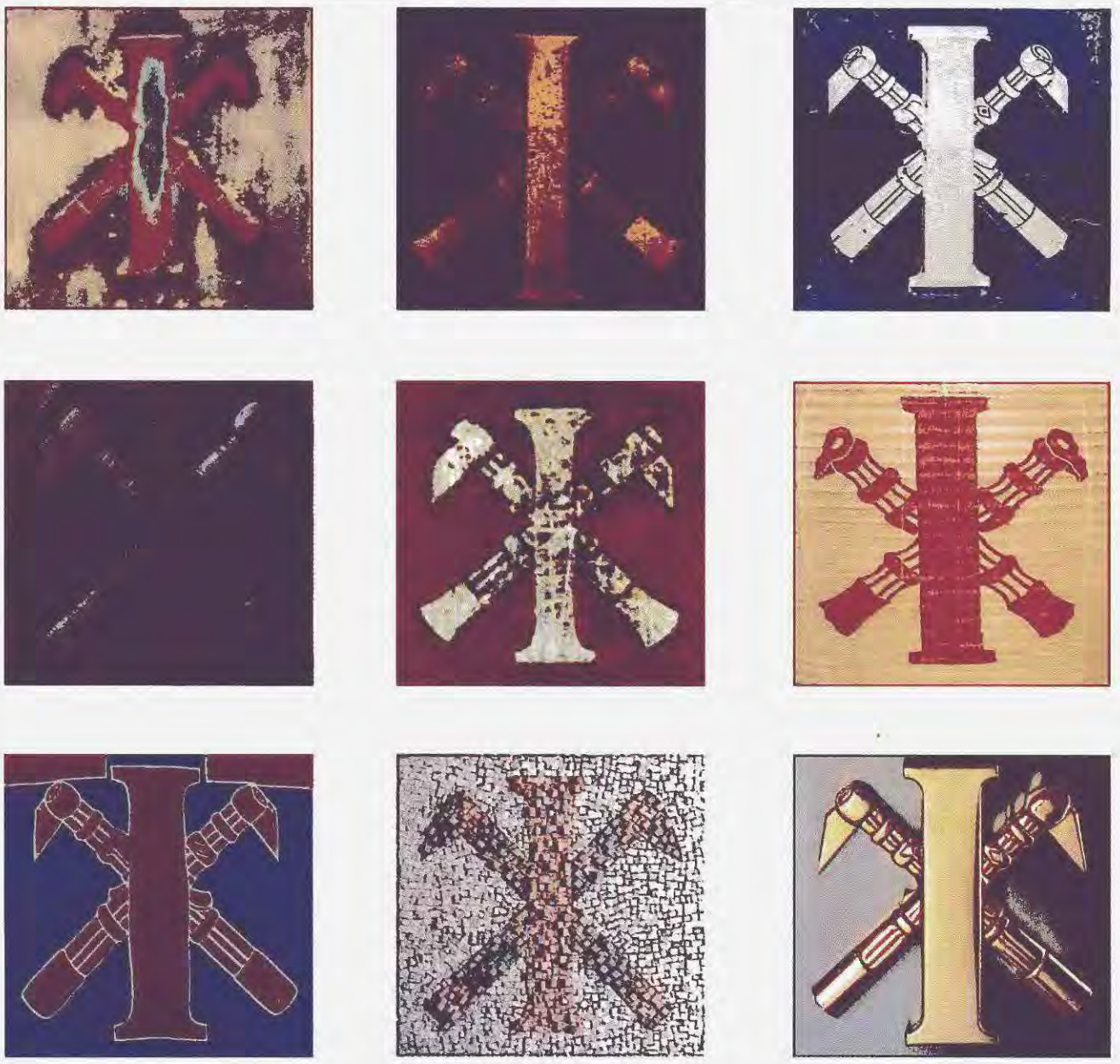
Washington, D.C.-based Marriott Corp., which offers an indemnity plan with a PPO option, as well as HMOs, to more than half of its 82,000 employees, is forecasting health care cost increases of 12% to 15%, said Robert Dankmyer, vp-employee benefits.

Costs for the hotel chain should increase by 11% or 12% in 1990, he said.

"Those costs are lower than at some companies and worse than at others. We're not satisfied with cost increases if they exceed general inflation," he said.

Currently, 52% of Marriott's employees are enrolled in HMOs, 28% are enrolled in the company's self-insured traditional indemnity plan and 20% participate in the indemnity plan with a PPO option.

Mr. Dankmyer said Marriott will expand the availability of the indemnity plan with a PPO option in 1992. It is currently available to 53% of the company's employees in 25 locations. ■



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SUBSTANCE ABUSE IN THE WORKPLACE— THE WHITE COLLAR VIEW.

Part three of an ongoing series of conversations between Argonaut Insurance Company, our clients and their brokers, dealing with issues important to their business. The intent is to keep the lines of communication open. We invite your participation.

THE PARTICIPANTS: **MICHAEL DUNLOP,** *VP Risk Management for Countrywide Mortgage Bank, one of the nation's largest.* **ELISE KAPLAN,** *Personnel Manager for Countrywide.* **DON SCHAEFER,** *with Frank B. Hall Corporation, Countrywide's broker.* **STEVE LA SHIER,** *Senior VP Safety Management, Argonaut Insurance Company* **LARRY EVANS,** *Manager of Safety Management, Argonaut Insurance Company.*

MODERATOR We've been talking about substance abuse among employees and how we can help supervisors and managers become more aware and helping. But who is monitoring the supervisors and managers? How big a problem is substance abuse at the higher management levels?

SL: Well, that is one of the issues that must be dealt with. One of the legal problems that a company will get into is not being prepared to do with your senior staff what you do with your other employees. I have listened to people at other companies argue about whether or not to institute a substance abuse program and I can tell you why the company is reluctant. Because the problem is at the top. If you look at the statistics to see who's abusing prescription drugs and alcohol and cocaine, these are not poor people. You've got a problem at high levels in corporate America. Some of them are simply reluctant to admit the problem exists. Others are part of the problem.

We are buying 60% of the world's drugs.
We are less than 6% of the world's population.
We have a problem.

MODERATOR How do you deal with that?

SL: You have to deal with your management the same way you deal with your other employees. Your senior executives have to be as clean as everyone else. If you want your program to be totally successful, the first one through the drug screening laboratory should be your CEO, followed by the president and every senior executive. You set a standard by setting an example.

MODERATOR Is there a high degree of reluctance for senior management to go through the screening?

SL: Just a month ago I was invited by a president of a company to speak on substance abuse to his senior staff. At the dinner the night before, a couple of the members were very curious as to what level of alcohol I recommended they use as the limit. They were interested not because they wanted to know what the point was, they wanted to know if they were going to get caught by their own program. I could see it in the way they talked to me. That's a real issue you have to be prepared to deal with.

MODERATOR Do you see any trends in the way companies are handling the problem?

SL: There are several companies now with programs that specify if you have a drink at lunch, you're gone for the afternoon.

LE: Where you find a problem is when you're not consistent with your policies. If you terminate an employee for drinking on the job and don't do the same thing to the executive who's had four martinis at lunch, that employee will be the first one to run to an attorney.

SL: When you set up the substance abuse program and specify alcohol in your program, you had better specify unauthorized use of alcohol. If you don't, and your Christmas party serves alcohol, it is totally against your policy and everybody in your corporation is then subject to your requirements, from CEO on down. That's why I don't recommend that companies go with a hard line. I don't think you need the hard line if you set the policy up correctly. But if you want to land in court, have two separate policies: One for employees and another for management. That will get you in court faster than anything.

MODERATOR Are there good resources of information about substance abuse?

MD: The insurance trades have a lot in them about substance abuse. And then I can access the Director of Health who has stacks of information relevant to our operation. No, we don't have a problem gathering information.

DS: It's easy for brokers and managers and people related to insurance and health to get information. That same information, though, is not nearly as available to top management.

SL: Once in a while Fortune or Business Week will do an article on it. Last April the Wall Street Journal had a story on the front page about a lawsuit that came about as a result of a positive test.

If you want to land in court, have one policy for employees and another for senior management.

DS: But these seem to be pretty much isolated articles, whereas within the health and insurance business there is a lot of information. But I don't believe top management grasps the magnitude of the problem. It hasn't reached them to the same degree it has middle management.

SL: Well, the need for testing is still not widely accepted in our society. The really frightening statistic that isn't widely known is that although the United States comprises 6% of the world's population, we consume 60% of the illicit drugs sold in the world. That's horrifying. Yet corporate America, and our own government, still refuse to accept that we have a problem.

MODERATOR Why is that?

SL: People don't want to accept it's happening in their homes, in their plants, in their offices.

MODERATOR Is cost a concern in deciding whether or not to institute a substance abuse program?

EK: No matter what it costs, it will save you money in the long run.

DS: The issue almost all companies have is the cost of instituting programs. And the problem that you have when you propose a program is being able to come up with the kinds of numbers to show that it's really a savings, not a cost. That it's an investment rather than an expense.

EK: I think that's true in all of these programs we're talking about.

DS: And it doesn't matter what company. Anybody responsible for the bottom line of a company has to say, "What's it going to cost me to do this?" And, "What are the savings?" And the numbers are not easily available to support a bottom line statement: "This is what you're going to save."

MODERATOR Why is it so hard to find the documented data, the surveys, the information to back you up?

MD: It's hard to identify the numbers. It's even hard to identify how many substance abuse related claims we have, because all the claims are coded and they don't want to tell you because of legal reasons.

SL: We have the numbers on a national scale. The direct health care cost to this nation due to substance abuse last year was 17 billion dollars. Those are documented personal health claims, not workers' comp. 17 billion dollars off the bottom lines of U.S. corporations.

MODERATOR Compared to what?

SL: The comp market in this country last year was around 50 billion dollars in premiums paid.

MODERATOR Is there a fear among corporations that if they institute a drug screening or testing program they won't be able to attract applicants?

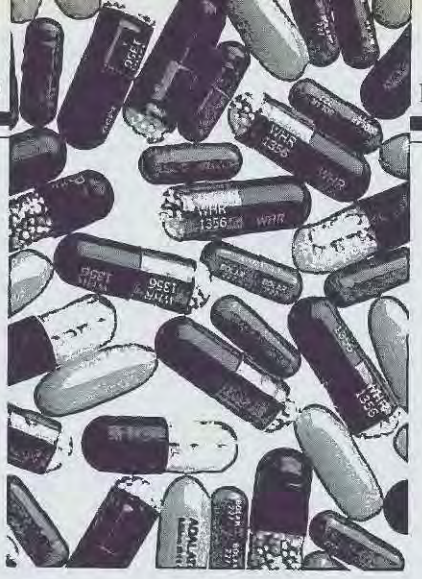
SL: Companies that have screening programs usually have a sign in the lobby that says "We do pre-employment drug screening." All those companies say that a certain number of applicants walk in, look at the sign, and turn around and walk out. That's the good part. The frightening part is that those people will go and get hired by someone who doesn't do screening.

MODERATOR What does it cost an employer to do drug screening?

SL: The average cost runs from $60-$90. You must go through the initial screening, and then you must go through GC mass spectrometry to confirm every positive test, or you will end up in court. So this corporation, with roughly 1,000 employees, is looking at $60,000-$90,000. Now you'll be on the low end because you're not out in the remote areas and you have easier access to screening. If you're talking $60,000 or $90,000, and one stress claim costs you $27,000, it's not hard to see how quickly drug screening pays for itself.

MODERATOR Are there figures to show how much other companies have saved by instituting screening programs?

SL: AT&T is a good example. For every dollar they invested in their EAP, they're now getting an average of $4.50 back. I wish I could make that kind of money on the stock market.



MODERATOR If the return on investment is so great, why aren't more corporations implementing programs?

SL: Because for the most part, corporate America doesn't have this information. They read one article in the Wall Street Journal about a drug testing lawsuit. That's because that company did not confirm that test with GC mass spectrometry. An example: I have a bad shoulder. I take Advil and play golf every weekend. I would test positive for marijuana for days after I took it because Advil shows up like marijuana. But GC mass spectrometry would show that I took 400 milligrams of Advil on Sunday. If you don't go the next step and confirm the preliminary test, you'll end up in court.

MODERATOR As a broker, don't you have case histories that would show what other companies have done? What happened in Company A after the EAP program was put in, in Company B after a drug testing program was put in, et cetera? It seems that would be pretty powerful evidence.

DS: It would be, but it's difficult to find the numbers. It would also be very costly to compile it, and once you compiled it, what are you selling? As an insurance broker, we sell our services for insurance and placing insurance. From a practical standpoint, as a broker, there's no sale from providing somebody with that kind of information. The source I feel is most appropriate, and Argonaut obviously agrees, is the insurance carrier. They can provide that information to both clients and brokers. One of the benefits to doing that is to help sell Argonaut.

SL: I think one of the things corporate America does is when they hear about drug abuse, they see it as a national problem. They don't personalize it to their own company. I had a steel contractor that would not enforce a proper double tie-off rule. They killed a guy once a year for ten years. Then they had a double fatality: The owner's godson and his nephew. Now they have a rule. That was three years ago and they haven't lost a single man. Until it hits home, we are reluctant to act.

MODERATOR Are you basically optimistic about the future?

SL: Since I started my national speaking campaign last year, I have been encouraged by the positive response. I've talked to a lot of presidents of companies, CEOs, top management people. They are starting to realize there is something they can do about it. But we have to educate them that education programs and testing programs are not a legal taboo. Corporate America is either going to have to get with it or the government is going to try to legislate morality, which we all know you can't do.

We'd like to hear what you have to say about substance abuse in the workplace, and about our discussions on topics that concern your business. Send your comments to Mike Crall, President, Argonaut Insurance Company, 250 Middlefield Road, Menlo Park, CA 94025.

For a copy of the complete discussion on substance abuse in a white collar environment, please write to Argonaut Insurance Company at the address above.

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Opinions

Fight health care cost hikes

THERE IS LITTLE holiday cheer for employers in the latest round of group health care plan cost increases.

As we report in this issue, employers with traditional indemnity plans next year can expect to be hit by their insurers—for the second year in a row—with 20% to 25% premium increases. Employers that have added managed health care elements to their indemnity programs—especially preferred provider options—should see premium increases of 15% to 18%. And, health maintenance organizations, on average, will be raising premiums 10% to 15%, a shade better than this year when rates climbed an average of 17% (see story, page 3).

A new survey by the U.S. Chamber of Commerce provides yet more proof that group health care plan costs are going through the roof. The Chamber found that between 1987 and 1989, employers' medical plan costs leaped 36.3% to $2,150 per employee on average from $1,577.

Medical and medically-related expenses—which include employee and retiree hospital and medical benefits, short and long-term disability benefits and dental and vision care benefits—climbed to 9.3% of payroll in 1989 from 8% in 1987.

We agree with a Chamber official who describes these cost increases as "striking and scary" (*BI*, Dec. 10).

While the cost increases are alarming, companies should not give up their battle to control costs. Indeed, rising health care costs should be a call for action, not corporate acquiescence. Employers have to ask themselves whether they have taken the basic but vital steps to control costs. Those steps include reasonable cost sharing with employees and adopting managed care techniques—at the very least stringent utilization review.

Accessing a preferred provider organization also is proving effective. The lower price increases projected by insurers for indemnity plans with a PPO option should be convincing evidence that these programs help contain health care costs.

•TUG-OF-WAR•

And, while there is corporate skepticism about how effective HMOs are at controlling costs, these plans are projecting the smallest increases in costs.

Larger employers with buying clout also have to make more of an effort to negotiate fixed price agreements with hospitals. Companies that are tough as nails in negotiating with other suppliers should not be pushovers when it comes to paying health care bills.

And, employers must resist the temptation during these recessionary times to cut their benefits department staffs to save on salaries.

We believe that the health care plan savings that can be achieved by a well-run employee benefits department will far exceed any temporary payroll savings when staff is reduced.

Letters

CIGNA answers health plan critique

To the editor: In a Sept. 24 Perspective article, "A Few Unanswered Questions: Widely Praised Allied-Signal Plan Still Needs Critical Analysis," health care consultant David Aquilina raised questions regarding the results of the Health Care Connection, Allied-Signal Corp.'s new benefits program.

On behalf of CIGNA Corp. and Allied-Signal, I would like to take this opportunity to address the questions.

The first question involved the possible impact of benefit changes. Mr. Aquilina uses as an example mental health/substance abuse benefits under the HCC program.

An integral part of managed care programs is the primary care physician who serves as "care manager" guiding employees to appropriate health care services. This approach results in more appropriate delivery of care than is provided in an unmanaged environment.

In some ways managed care provides richer benefits than traditional indemnity programs. For example, the cost of physical examinations, well-baby care and vision and hearing examinations are covered (less a modest co-payment) in the in-network portion of the HCC program to emphasize the importance of preventive care.

The mental health/substance abuse benefits in the HCC program reflect the same approach to ensure employees receive the most appropriate care. Care is managed on the basis of medical appropriateness. This approach results in the use of fewer inpatient days, which is evident in the HCC experience. This is driven by a treatment philosophy that looks to treat patients in the least restrictive setting.

Another issue raised by Mr. Aquilina is the effects of phased implementation by location and the initial concentration of enrolling non-union workers on cost savings.

Saving from the HCC program were determined by comparing actual HCC costs to the projections of what indemnity costs would have been for the same population.

This was done by taking actual indemnity costs from the prior year, adjusting these costs for the changes in demographics between the prior year's indemnity population (only for those who enrolled in HCC) and the total HCC population, and trending the result forward using the indemnity trend for the non-HCC population for the same period of time. By including only the prior experience of HCC participants, the saving calculation is unaffected by the prior cost and use patterns of individuals in non-HCC locations and/or those who are unionized.

As an aside, the HCC program is in higher cost and use areas than the indemnity program by an estimated 22%. This is not surprising since CIGNA's managed care networks are generally located in major metropolitan areas. The demographic adjustment recognizes the enrollment in the HCC program of those who were previously enrolled in other HMO programs and for whom there was no prior claims experience.

The indemnity trend adjustment used was 18%, which was substantially below published indemnity trend levels for that period of time and a conservative factor to use to calculate savings. Overall, this approach eliminates most, if not all, of the potential selection issues raised by Mr. Aquilina.

Another issue raised in the article is the impact of switching providers.

Months before the HCC program was to go into effect, Allied-Signal embarked on a massive communication effort to introduce the new benefits program and to ensure a smooth transition. To assure continuation of care, employees undergoing extended care were able to remain with their current physician and receive in-network benefit levels for a period of time after the HCC program went into effect.

While some disruption is inevitable with the introduction of a new benefit program, there is no evidence that members did not seek necessary care. In fact, the design of the HCC program, which allows individuals to select a provider at point of service, is intended to address this very issue.

CIGNA and Allied-Signal will continue to analyze data to determine patterns of cost, utilization and quality associated the program.

Regardless of the result of this more detailed examination, it remains clear that the Health Care Connection has proven to be successful.

Robert L. McGoldrick
Senior Vp-National Accounts
CIGNA Corp.
Hartford, Conn.

■ *Editor's note: Both CIGNA Corp. and Allied-Signal had been invited to review Mr. Aquilina's article and submit comments to be published in the same issue.*

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Top consultants

Continued from page 3

is causing a slowdown," agreed John Feldtmose, president of seventh-ranked A. Foster Higgins & Co. Inc. in New York. "Clients aren't buying the services they used to. Caution is the word."

Foster Higgins slipped a notch in this year's ranking, posting revenues of $152 million in 1990, a 7.8% increase from $141 million in 1989.

"Most of the people I talk to at the various firms all had the same problem—the economy," said A.M. D'Alessandro, chief executive officer of The Alexander Consulting Group Inc.

The Lyndhurst, N.J.-based consulting division of Alexander & Alexander Services Inc. in New York ranked fifth again, with 1990 consulting revenues of $174 million, in this year's *Business Insurance* listing of the Top 10 consulting firms.

"The economy forced employers to give up discretionary spending," so many corporations eliminated benefit statements and interactive communications, he said.

William E. Giegerich, president and chief executive officer of New York-based Buck Consultants Inc., said he's witnessed "a general slowdown due to companies postponing some discretionary studies." Clients "are putting off things that they don't have to do now."

Buck's consulting revenues, nonetheless, grew 17.4% to $155 million, making Buck the sixth-largest consultant—a notch higher than 1989.

"One of the areas that seems to be softest to us is communications," Mr. Feldtmose said. "If an employer is very squeezed and profits are down, they'll drop communications."

When buying consulting services, employers also are becoming much more sophisticated shoppers, the consultants say. More than ever before, clients are looking at the price of different services and often times choosing the consultant that can deliver the biggest bang for the buck.

Robert A. Brochu, executive vp in charge of U.S. operations for New York-based William M. Mercer Cos. Inc., the world's largest benefit consultant, said revenue growth reductions may be due to more "client concern about the level of consulting services they need and the price of those services."

"I think as an industry we are moving into some tougher times in terms of the costs of our services," said Warren Winer, president and chief operating officer of C&B Consulting Group in St. Louis. "Clients are looking more closely at the prices of our services."

The firm—as part of C&B Consulting Group/Corroon & Black Retail Offices Benefit Division/Willis Consulting—entered the list of the 10 largest benefit consultants this year ranked ninth. The consulting unit is the product of the October merger of broker Corroon & Black Corp. in New York and Willis Faber P.L.C. in London, which created Willis Corroon P.L.C.

The unit estimated 1990 benefit consulting revenues at $70.1 million.

Mr. Winer said competition among the leading consulting firms is becoming more price-related. "Even the very large clients are more cost sensitive now than they used to be." Employers are scrutinizing hourly rates and asking for maximum fees, capped fees and multiple year rate guarantees, he said.

This price sensitivity is driving more employers to perform more tasks in-house, like defined contribution and defined benefit plan record keeping, consultants agree.

"On the retirement side, you have a lot of clients that are taking data collection in-house," which is contributing somewhat to a slowdown in consulting firms' revenues, said Edward J. Davey Jr., a principal in the New York office of Foster Higgins.

"If you are looking at absolute revenue dollars, this will result in a reduction of revenues," agreed Mercer's Mr. Brochu. However, he pointed out that the consultants' job is to control costs for clients, and many times that can be achieved by bringing systems in-house.

As a result, most of the leading consultants have developed administrative and record keeping systems for clients to operate.

"There are some tools that the clients want themselves, and we have to supply them," said Buck's Mr. Giegerich. "Ideally, we would have been the ones to suggest it."

Peter E. Friedes, chief executive of Hewitt Associates in Lincolnshire, Ill., said that many employers do not want the additional work of bringing systems in-house. However, he said, "it is important to offer (clients) the ability to take things in-house."

Hewitt is the fourth-largest consultant, based on 1990 estimated gross revenues of $255 million.

Some consultants point to a slowdown in compliance-related legislation as a reason for decreasing demand for their services in 1990.

"We have been largely demand-driven in the past as far as tax regulation," said J. Russell Southworth, managing director of TPF&C, a division of Towers, Perrin, Forster & Crosby Inc. in New York.

But, growth in compliance-related services was "flat or negative" in 1990, significantly hurting growth for the company, he said. Nonetheless, the firm kept its place as the world's second-largest benefit consultant, based on estimated 1990 revenues of $419 million.

Foster Higgins' Mr. Feldtmose said less legislation is the "second most important reason" for its slowdown in revenue growth. "There hasn't been a major piece of pension legislation in the last couple of years. Plus, Section 89 was yanked."

Congress last year repealed Section 89 of the Internal Revenue Code, which required companies to collect an immense amount of data and run complex tests to prove that their health care plans did not discriminate in favor of highly compensated employees.

That legislation was a driving force behind the top consultants' growth before its demise, and many observers expected it to generate hundreds of millions of dollars in consulting revenues.

Laws and regulations governing benefit plans in other countries, however, continue to create more demand for consulting services, other say.

"There is still an awful lot of work around, thanks to legislators," said David J.D. McLeish, chairman and chief executive officer of Godwins International Holdings Inc.

The Briarcliff Manor, N.Y.-based unit of Frank B. Hall & Co. Inc. ranked as the 10th-largest consulting firm in 1989, but failed to make this year's ranking of the Top 10 benefit consultants. The consultant fell short with 1990 estimated benefit consulting revenues of $66 million.

Michael H. Davis, president and chief executive officer of The Wyatt Co. in Boston, also says Washington issues continue to fuel revenue growth. "The final budget bill fortunately did not impose" a great deal of regulations for corporate benefit managers to deal with, Mr. Davis said. But, "getting there was a very interesting exercise."

As the budget unfolded, Wyatt spent a great deal of time keeping its clients up to date on how the changes would affect their benefit plans, he explained.

Other emerging employee benefit issues are keeping consultants busy. For example, Financial Accounting Standards Board rules on accounting for retiree health care costs have kept consulting staffs occupied over the last year.

"FASB is still driving one segment of our growth," said Jerome Y. Halperin, vice chairman of Coopers & Lybrand-Actuarial, Benefits & Com-

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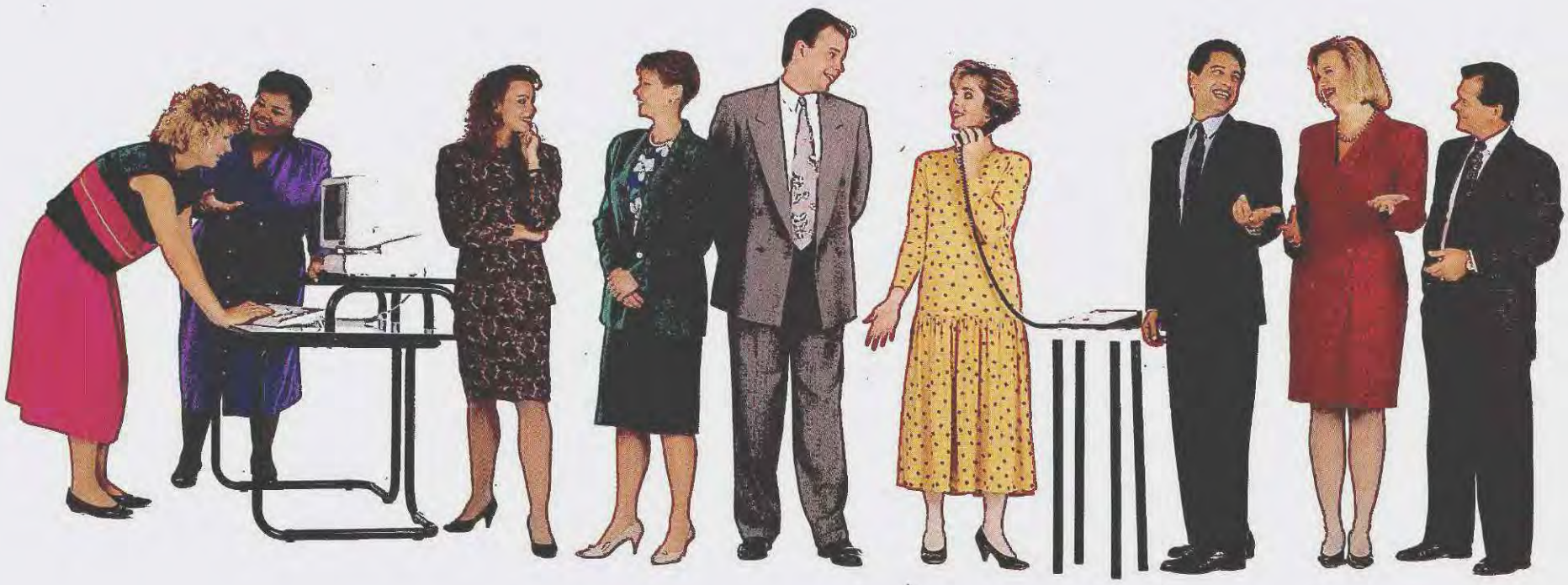

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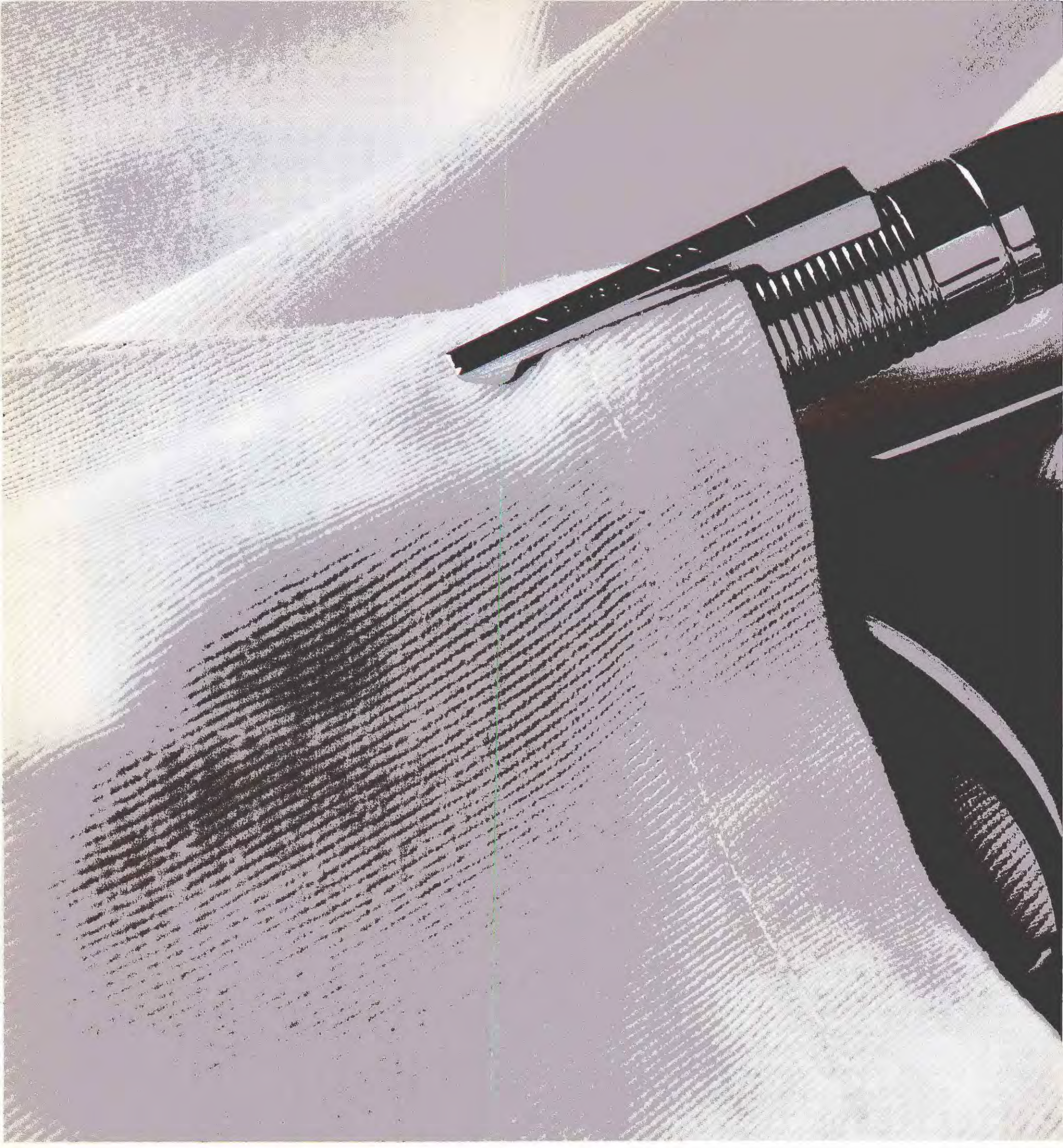

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Top consultants

Continued from page 10
pensation Group. The Detroit-based division of Coopers & Lybrand in New York ranks eighth in this year's list of benefit consultants based on 1990 estimated gross revenues of $116 million.

Many executives expect revenue growth in 1991 to be modest at best. Projections range from a low of 5% to a high of 25% at the 10 firms.

Some executives noted that the benefit consulting business traditionally has been "recession-proof." And, they say, the slow economy may actually increase their revenues as client companies hire consultants to help them control benefit plan costs.

"There is so much we can do to help clients cope in a lean economy," said Wyatt's Mr. Davis. "It's naive to think the recession won't affect us, but we aren't as exposed as some other industries might be."

Given economic conditions, most firms say they will take a closer look at the efficiency of their operations.

"As an industry, we've had growth that has averaged 15% to 20%. Now we have to control expenses and manage our staff size, which we've never had to do before," said Foster Higgins' Mr. Feldtmose.

"It is fair to say we are trying to get a wee bit more conservative," Mercer's Mr. Brochu said. "This is not the time to expand aggressively" given the state of the economy.

Mr. Friedes said Hewitt has become more cautious about hiring. "We certainly aren't laying off, but we are getting close to a hiring freeze. We want to be sure we have the business to justify hiring." And, he said the company plans to take a closer look at expenses.

But, generally there is little talk at the largest consulting firms of hiring freezes, layoffs or widespread office closings.

Profiles of the 10 largest employee benefit consultants follow:

William M. Mercer Cos. Inc.

Revenue growth at William M. Mercer Cos. Inc. slowed in 1990 but not so much to prevent the world's largest employee benefit consultant from reaching another milestone.

The New York-based company is the first to post more than $600 million in gross revenues from benefit consulting.

Estimated consulting revenues rose 16% in 1990 to $638 million from a restated $550 million in 1989.

New clients and increased revenues overseas fueled Mercer's growth, said Robert A. Brochu, executive vp in charge of U.S. operations.

A significant portion of new clients came to Mercer through competitive bidding, he noted.

Mercer is particularly proud of succeeding when prospective clients take a very close look at consulting firms during the bidding process. Employers now demand a more comprehensive demonstration from the consultants about the services they can provide, he explained.

All areas of Mercer's benefit consulting practices grew in 1990, Mr. Brochu said. For example, U.S.-based health care and flexible benefit consulting grew "in excess of 20%," while benefits communication-related services grew 35% to 40% worldwide.

Defined benefit plan consulting grew more slowly in the United States, but that was offset by an increased demand for defined benefit plan consulting in Canada, the United Kingdom, Australia and New Zealand, Mr. Brochu explained.

"1990 was a year of concern for us in trying to keep our clients' plan costs down" during an economic downturn and with increased costs associated with client companies' global expansion, Mr. Brochu said. "It was a challenge to pass efficiencies we are realizing on to clients without any reduction in services."

Staff increases were modest in 1990. Mercer's worldwide staff grew just 4.2% to 6,989 from 6,707. Benefit consultants increased to 4,809, a 5.8% increase from 4,544.

And, several key executives retired in 1990 but have not been replaced. Among them are Mercer Chairman John G. Ireland and Vice Chairman Douglas Stegner.

The firm is under the direction of President Peter Coster.

"We have a very lean management structure, and we want to keep it that way," Mr. Brochu said.

Mercer closed four offices in 1990, including offices in Rio de Janeiro and Sao Paulo, Brazil; San Jose, Calif.; and Newcastle, England. The two offices in Brazil were closed for economic reasons, and Mercer now serves clients through an affiliate. Mercer felt that clients in San Jose and Newcastle would be better served by larger offices in San Francisco and Liverpool.

Mercer, which has more offices—99—than any other consultant, opened offices in 1990 in Victoria, Canada, and Irvine, Calif. Next year, Mercer plans to open an office in Seoul, South Korea.

Mr. Brochu noted that this year Mercer "helped clients realize significant reductions in what could have been" larger health insurance premium increases by, among other things, offering "clinical expertise to help evaluate health maintenance organizations." Some clients reduced health care cost increases by combining different plans around the country or reducing the number of HMOs offered, he said.

Mercer added a new service in 1990 called the Total Remuneration Flexible Valuations System. TREflex is a computer system that allows employers to accurately compare the value of their compensation and benefit programs with those they offer in other countries and with similar programs sponsored by other companies.

The first major TREflex project is being conducted for Palo Alto, Calif.-based electronics manufacturer Hewlett-Packard Co. This project will cover about 10 computer industry companies in eight countries.

Next year, Mercer will launch a survey series called Mercer 2000 to explore how the largest U.S. employers plan to respond to changing business conditions between now and the year 2000. Mercer is gathering data from executives of the 2,000 largest U.S. corporations on likely corporate human resource policy initiatives or directions prompted by changing economic conditions and demographics.

The series also will explore work and family issues, performance and productivity and health care issues.

Mercer believes that the most successful employers will be those that now start examining human resources policies and practices to create an adaptable, competitive workforce, Mr. Brochu said.

Mercer will continue to emphasize customized consulting during the 1990s. "We will try now more aggressively than before to attack each assignment" in a way that meets each client's unique needs and controls benefit plan costs, he said.

And, Mercer will continue to differentiate itself from its competitors by bringing clients technical expertise as well as "empathy" and the freedom to be innovative in structuring benefit plans, he added.

"The next five years will be tough for our clients. There will be a number of changes in the workforce, and clients will have to make sure they can compete" in their particular marketplaces and also in the global marketplace, Mr. Brochu said.

Mercer does not plan to alter its internal organizational operations. "Four years from now, the environment we operate in may be quite different. But the way we are organized and the way we are training our people, we won't have to reorganize to adapt to changes."

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Top consultants

Continued from page 14

TPF&C, the world's second-largest benefit consulting firm, experienced "modest to moderate growth in a difficult business climate," said Managing Director J. Russell Southworth.

The New York-based firm estimates 1990 benefit consulting revenues at $419 million, up 10.3% from a restated $380 million in 1990.

The revenue increase "is significantly below our forecast of more than 15% (growth), and in hindsight I'd have to say our prognosis was too optimistic," Mr. Southworth said.

TPF&C's revenue figures differ somewhat from those reported in past *Business Insurance* employee benefit consultant rankings because, among other reasons, certain non-benefit revenue items, like compensation consulting, were incorrectly included in previous years.

In addition so-called "client pass-through expenses" are no longer included in the benefit consulting revenues TPF&C reports. Pass-through expenses are costs for services that consultants directly bill to clients although the services are actually provided by others.

Mr. Southworth pointed out that growth in consulting on compliance-related issues was "flat or negative" in 1990. "That is, probably more than anything else, what contributed to our low growth" during the year, he said. "Our overall retirement practice grew about 7% to 9% in the aggregate.'

TPF&C enjoyed about 13% growth in flexible benefits consulting projects in 1990.

And, managed health care consulting increased 20% in the last year.

TPF&C is increasingly "linking managed care to flexible benefits," and, as a result, those practice units should continue to grow in the years ahead, Mr. Southworth said.

In addition, "we've had rapid growth in international consulting," which is up around 18%, he said.

"Certain countries like Canada, the United Kingdom and Australia are really responsible for the significant growth," he noted.

Most of the projects concern retirement rather than health and welfare issues, he said.

TPF&C's communications consulting practice grew approximately 15%, according to Mr. Southworth. "A lot of that growth is driven by the managed care projects," which typically require extensive initial communication efforts he said.

One of the major highlights for TPF&C in 1990 was the expansion of its managed health care consulting practice. The company's new service —Geographic Network Analysis— allows TPF&C consultants to link employee residences to physicians and hospital locations to guarantee high usage of network services.

In addition, "more clinical expertise has been added to the managed care practice, particularly in mental health and substance abuse," Mr. Southworth said. TPF&C is hiring additional mental health professionals, registered nurses and psychiatrists.

Many clients are finding that the most rapid cost increases are occurring in the mental health and substance abuse area and are willing to implement managed mental health and substance abuse programs, he said.

Mr. Southworth

In the retirement area, TPF&C in 1990 developed "state-of-the-art software" designed to address complex non-discrimination laws, Mr. Southworth said. The personal computer-based system compares data on highly-compensated employee populations with data on lower-paid employees in many different ways, enabling employers to be sure they meet non-discrimination rules.

The firm also developed "expansive analytical tools for comparing retiree income needs." The new software not only looks at income, but also takes into account health care costs, long-term care and how post-retirement inflation will affect those components, he said.

In addition, TPF&C is heavily investing in a system to "help our clients manage their retirement resources strategically," Mr. Southworth said. Specifically, the program allows employers to apply "what if" games to pension fund assets to determine, among other things, how market changes and inflation could devalue their funds.

TPF&C reorganized in 1990 to create a "more streamlined geographic operation" Mr. Southworth said. Effective July 1, the firm decreased the number of U.S. regions to three from seven and created four national lines of business: compensation, retirement, health and welfare and human resources/communications.

Among staff changes that accompanied the restructuring, Art Croasdale, manager of the Philadelphia office, was appointed manager of the Eastern region, which now includes more offices. And, Larry Ring, who managed the Mid-west region, now manages the newly defined Central region. Don Spies, who managed the South Central region, now manages the new West/Southwest region.

In addition, Alan Dugan, formerly manager of corporate development, is now line-of-business manager for TPF&C's U.S. health and welfare services. Rollie Stichweh, manager of the parent company's human resources unit, is line-of-business manager for human resources and communications consulting in the United States. John VonHagen, manager of the Seattle office, is now line-of-business manager for compensation. Mr. Southworth currently is line-of-business manager for retirement.

Before being named managing director in July, Mr. Southworth was vp in charge of TPF&C's Boston office and a member of the board. He replaces Charles Peartree, who is retiring.

Overall, TPF&C's benefit staff increased about 5% to 3,400 from 3,250.

The firm did not close any offices in 1990 but did open two satellite offices outside London, in Newbury and St. Albans. In addition, TPF&C is in the process of opening a consulting office in Dublin, Ireland.

The Wyatt Co.

The Wyatt Co. solidified its position as the world's third-largest employee benefits consultant, with more than a $100 million lead in gross revenues on its closest competitor.

Estimated gross revenues from benefit consulting in 1990 increased almost 16% to $365 million from a restated $315 million in 1989.

Although Wyatt generally does not project revenue increases from year to year, the 16% growth was "absolutely what we expected," said President and Chief Executive Officer Michael H. Davis in Boston.

Helping drive Wyatt's growth is its investment in computer systems technology and software. Wyatt last year inaugurated Wyatt Software Services Inc., and the Oswego, Ore.-based unit is running at full steam.

Wyatt's "first major software product will be announced in January," said Mr. Davis, declining to elaborate on the functions of the system.

As Wyatt enters the software business, it is "inadvertently engaging a whole new set of competitors," Mr. Davis noted.

However, unlike strict software development companies, Wyatt is able to bring a customized "consulting approach" to its software. "We sel-

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dom sell off-the-shelf products. Our people are much more able to develop software for our clients' particular needs," he said.

All areas of Wyatt's consulting business grew in 1990, Mr. Davis said. Although Wyatt does not track growth by line of business, interactive communication projects grew most rapidly, he said.

Mr. Davis

Interactive communications, like voice response systems and touch-screens, "give clients a tremendous opportunity to deal with employee communication in a cost-effective way," he said.

In addition, the firm's managed care consulting practice grew significantly, he said. As a result, Wyatt is hiring more professionals with "clinical expertise," including medical doctors and registered nurses, Mr. Davis noted.

The company's overall staff increased about 5% in 1990—bringing its total to 3,700—following a major increase of 25% in 1989.

"We spent a lot of time last year getting those new employees up to speed, and this year we had less of a need to add new people," he said.

Wyatt hires new staff members as they are needed. "We try not to get too far ahead because it becomes more expensive to manage that cost," Mr. Davis explained.

The surge in new clients will certainly keep Wyatt's existing staff busy. The firm gained 2,000 new clients in 1990, boosting the total number of clients to 8,000, Mr. Davis said.

Much of the new business involves large clients that typically use two or three of the large consultants, Mr. Davis said.

"Companies are looking for expertise, and to the degree that there is more specialization today than 10 years ago, the firm with the most qualified specialists will pick up new clients," he said.

Wyatt will continue to focus on quality and solutions, rather than products, when responding to client needs, Mr. Davis said. "If we want to do anything" in the next five years, "it's to be recognized as the firm that delivers the highest quality."

Hewitt Associates

Quality and consistency contributed to 21.4% in revenue growth in 1990 at Hewitt Associates, said Peter E. Friedes, chief executive of the fourth-largest benefit consultant.

Hewitt, which estimates its 1990 benefit consulting revenues at $255 million, is one of only three consultants among the 10 largest to achieve a revenue increase exceeding 20%.

The Lincolnshire, Ill.-based firm achieved that growth despite a somewhat leaner marketplace this year. "It was a tougher year. The marketplace didn't give you as much naturally," said Mr. Friedes.

He predicts Hewitt's revenues will grow at a slightly slower pace next year—at about 17%.

One highlight for Hewitt in 1990 was the implementation of an on-line savings plan administration system for one of its biggest clients—General Dynamics Corp., the St. Louis-based aerospace and defense contractor.

The Direct Information Access Line—DIAL—began operating in January. The system provides answers to questions and allows more than 90,000 of General Dynamic's savings plan participants to make changes to their plans, like increasing contribution amounts.

Employees access DIAL's voice response system using a toll-free telephone number. Prompted by the system, callers enter a company I.D. number, Social Security number and personal identification number to gain access to their account information. Callers then hear recorded messages about the company's savings plan and their account balance.

Employees also have the option of talking to an operator if they have additional questions or need to make any changes, he said. Confirmation letters detailing any changes made over the phone are sent to the employee and the employer.

Hewitt will market the DIAL system to other employers, Mr. Friedes said. But, marketing and implementation will probably occur slowly because of the tremendous amount of work involved in setting up a system of its kind.

Hewitt's traditional consulting areas also remain healthy, Mr. Friedes said.

Health care consulting grew the most this year: 40%.

In addition, "all of our record keeping services," including defined benefit plan and flexible benefit record keeping, grew by 30% this year, he said.

Mr. Friedes

Hewitt, the recognized leader in the design and implementation of flexible benefit programs, saw "the flex business level off a little in terms of new clients," Mr. Friedes said.

Investment consulting services increased only 14%. However, those services "may rebound and do quite well" as the economy enters a recession, Mr. Friedes said.

Hewitt's greatest challenge in 1991 is to avoid an impact from the recession, he said.

Over the next five years, Hewitt will gain market share and increase its revenues, Mr. Friedes predicted, but the firm's ultimate goal is to be recognized as a leader based on its services and reputation.

The Alexander Consulting Group Inc.

With a specific strategy to expand services and staff to become a more global benefit consultant, The Alexander Consulting Group racked up an 18.4% revenue increase in a year where many of its competitors experienced somewhat slower growth.

The Lyndhurst, N.J.-based benefit consulting subsidiary of broker Alexander & Alexander Services Inc. estimates gross revenues climbed to $174 million in 1990, up from $147 million in 1989. As a result, it is the fifth-ranked firm in the *Business Insurance* ranking of the 10 largest benefit consultants.

"We have been positioning ourselves for a long time," said A.M. D'Alessandro, chief executive officer.

"We're expanding services and adding different services, so we've been able to hedge our bets a little" in the face of a sluggish economy, he said.

Growth this year was more than had been expected, he noted. But, Alexander Consulting is "budgeting for similar type of growth next year, maybe a shade less," he said.

"While we've had excellent growth in a number of disciplines, the health care, flexible benefits and communications" practices grew the most, Mr. D'Alessandro said. Record keeping and software services did not grow as much in 1990, he noted.

Alexander Consulting opened several new offices in the United States in 1990, including Greenwich, Conn.; Owings Mills, Md.; Buffalo, N.Y.; Tampa, Fla.; and Washington, D.C.

Overseas, it opened offices in Mexico City; Adelaide, Australia; Geneva, Switzerland; and Stockholm, Sweden.

"We have a company that is very integrated globally, and we will export a lot of our disciplines to offices overseas" in the 1990s, Mr. D'Alessandro said.

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Top consultants

Continued from previous page
For example, Alexander Consulting is expanding its actuarial services in Europe for both U.S. and European multinationals.

Alexander Consulting already performs a good amount of record keeping services abroad, but gaining actuarial clients may be a little tougher, he said. "I don't think you can walk into Europe and say 'Hi, I'm your new actuary.' The need isn't the same."

Alexander Consulting also is expanding its global "organizational effectiveness" business, which has been quite successful since its introduction in 1989, Mr. D'Alessandro said. One of the key ideas is helping corporations coordinate a benefit strategy and deal with, among other things, management successions and cultural assimilation following mergers or acquisitions.

"There is an enormous demand for that type of consulting today," he said.

Larry Hapgood, who had been a managing partner in London for New York-based Booz, Allen & Hamilton Inc., was appointed managing director of organizational effectiveness worldwide in London. Bill DeMarco, formerly a senior vp with the Hay Group, is now managing director of organizational effectiveness in North America and is based in Toronto.

Other staff changes during the year include the promotion of Donald Cleveland to executive vp and chief operating officer of global operations. Mr. Cleveland had been president and chief executive officer of Alexander & Alexander Benefits Services Co., the consultant's domestic brokerage unit. He is based in the firm's home office in Lyndhurst, N.J.

And, Rick Anthony in Lyndhurst was promoted to executive vp with all practice leaders reporting to him. He had been manager of flexible benefits and communications.

Alexander Consulting's staff grew 8.4% to 1,875 this year from 1,730 last year.

But clients fell to 20,000 this year from 20,500 in 1989, partly from servicing fewer small accounts and by not "doing business with accounts that are unprofitable," Mr. D'Alessandro said.

As "a recognized name in benefits consulting," Alexander Consulting is competing for and increasingly winning the business of larger accounts, Mr. D'Alessandro said.

Buck Consultants Inc.

Estimated 1990 benefit consulting revenues for Buck Consultants Inc. jumped 17.4% to $155 million from $132 million in 1989, pushing the company up a notch in the *Business Insurance* Top 10 rankings.

New York-based Buck Consultants ranks as the sixth-largest benefit consultant in the nation, based on its worldwide gross revenues from benefit consulting.

Buck President and Chief Executive Officer William E. Giegerich said, "we are happy with the way revenues have grown," but added that he has "seen a slowdown in the second half of the year in the U.S."

That slowdown especially hit the firm's tax and legal consulting practice, he said, commenting that Washington "is a bit quieter than in prior years. There has been less legislation and tremendous delays in the issuance of pension plan regulations."

Buck's communication practice also was "relatively flat" in 1990, Mr. Giegerich said. "It's special-project oriented and it is discretionary," he said, explaining that communications projects vary in their lavishness and employers tend to cut back on these programs first.

But, "administrative consulting of all kinds" experienced healthy growth, according to Mr. Giegerich. That part of Buck's business increased the fastest in 1990 as employers sought advice on how to administer all of their benefit programs, including defined contribution plans and flexible benefit plans.

In addition, preretirement counseling generated a significant amount of business in 1990, Mr. Giegerich said. Employers increasingly asked Buck to help them design and conduct seminars to discuss retirement benefits and financial planning with employees age 55 and older. These are "fairly big assignments" for Buck, he said.

International consulting continues to be a growth area for Buck, which is "trying to convert into a global consulting firm," Mr. Giegerich said.

Buck opened new offices in Mexico City and Hong Kong in 1990, increasing its international offices to 14.

The office in Mexico is the result of a merger with a local actuarial firm, TBA Actuarios Consultores.

"Both are logical places to expand because our clients have operations in Mexico and the Far East," he said.

Buck began its international expansion later than many of the other large consultants, but that may enable it to branch out "with a more realistic view," Mr. Giegerich said.

Many consultants that expanded after World War II focused primarily on providing services to U.S.-owned corporations abroad, often employing only Americans in overseas offices, he said. Buck, has tried "to have a local flavor to all our operations" overseas.

For example, he said, companies in Australia often receive benefit consulting advice and expertise from Australians, not just not transplanted Americans. Overseas clients "aren't meeting a head of a Buck office in Sydney who happens to be from Chicago," he said.

Another distinction that sets the firm apart is the fact that Buck is a privately held firm, he said. "Everyone owns stock in Buck: Australians, Englishmen, Americans and now Mexicans. That gives us a different posture in the marketplace."

Buck has no specific merger or acquisition plans for 1991. "Generally, acquisitions are not our thing so it really has to be a special situation," he said.

As Buck continues to grow, Mr. Giegerich says the firm's greatest challenge is "to stay lean and nonbureaucratic. We want to have the feel of a small shop even as we grow."

Buck has very few levels of management and wants "to keep that philosophy because that's the kind of environment people want."

A. Foster Higgins & Co. Inc.

A. Foster Higgins & Co. Inc. dropped to the No. 7 spot in this year's *Business Insurance* ranking after what President John Feldtmose described as "a turkey of a year."

The New York-based benefit consulting subsidiary of broker Johnson & Higgins estimated its 1990 gross benefit consulting revenues at $152 million, a 7.8% increase from 1989 gross revenues of $141 million.

"We were forecasting about a 20% growth rate about a year ago, so we were really surprised," Mr. Feldtmose said.

Foster Higgins "has a big stake in the financial sector of the economy," he pointed out, and poor results on Wall Street have taken their toll on the firm, as has the generally poor economy of the New York area, where Foster Higgins generates a third of its business.

In contrast, Foster Higgins' offices in the Sun Belt cities of Atlanta and Dallas have reported 20% revenue growth. "The business communities are still strong down there," Mr. Feldtmose explained.

Foster Higgins' revenue growth also may be sluggish because employers increasingly are collecting their own data and administering their own programs, noted Edward J. Davey Jr., a Foster Higgins principal in New York. As a result, cli-

Continued on page 20

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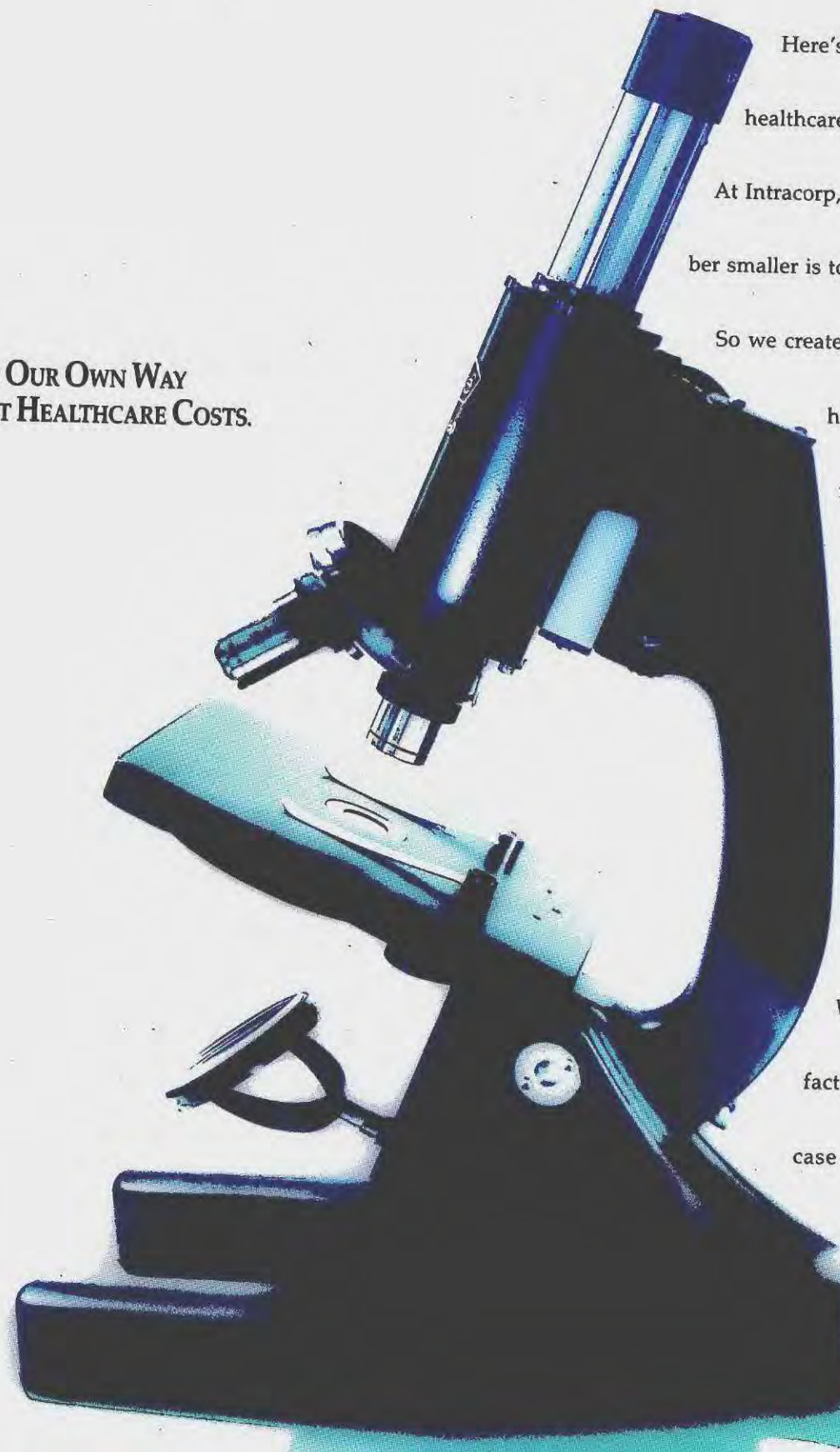

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INTRACORP

Top consultants

Continued from page 18

ents now are requesting very specific benefit consulting services rather than a "basket of services," he said.

Unlike many of its large competitors, Foster Higgins will not make any further investment in developing and selling employee benefit information software or systems, Mr. Feldtmose said.

"We've attempted this year to get rid of all of our software systems," he said. "Our strategic design is to get out of the products areas and stick to straight consulting—that's where we'll put all our marbles. We may be the only (large) firm that can say with a straight face that we don't sell products."

In the past, the firm has offered clients three EBIS products: BeneNet Benefit Administration System, COBRA Administration and Flexible Spending Account Administration (*BI*, April 2).

Mr. Feldtmose said two buyers are currently looking at BeneNet and he expects the system to be sold by year-end.

Mr. Feldtmose

Foster Higgins' decision to sell its systems business will not interfere with client service, Mr. Feldtmose stressed. Clients will be able to request any technical servicing and future upgrades from the vendor that eventually purchases the software systems, he said.

In explaining the rationale behind the divestiture, Mr. Feldtmose said, "we are trying to make a distinction here" between systems and systems consulting.

Some clients consider the development and sale of software systems by benefit consultants as a conflict of interest, he said. That concern, and other issues, led the firm to its decision.

However, Foster Higgins will continue to guide clients to systems vendors that could supply them with appropriate products, Mr. Feldtmose said.

"We will continue to consult and help clients build their own systems in-house," he said.

Foster Higgins intends to emphasize its expertise in health and welfare consulting in coming years, Mr. Feldtmose said. "Foster Higgins wants to be the leader and the one that's thought of first in this area."

In 1990, health and welfare plan consulting grew "between 10% and 15%" and is expected to generate substantial revenues in 1991, he said.

Foster Higgins is looking for another partner in the United Kingdom to replace the former Willis Faber P.L.C., which the consultant had used as its "exclusive correspondent" in providing benefit consulting services to U.K.-based clients, he said.

The relationship ended after Willis merged with New York-based broker Corroon & Black Corp. in October, forming Willis Corroon P.L.C. (*BI* Oct. 15.)

The consultant elected 11 new principals in 1990, bringing the total to 45.

In addition, Mr. Feldtmose said Foster Higgins has "been successful over the last year in recruiting senior staff members from our competitors." Among the new principals is James Warner, formerly of TPF&C, who is now an actuary and Foster Higgins principal in Los Angeles.

New appointments in the last year include: Andrew Haggert, formerly with Noble Lowndes U.S.A., as manager of international benefits based in New York; Michael McAllister, formerly with TPF&C, as a managing consultant specializing in communications based in Washington, D.C.; Paul Bridges, from Mercer, as a managing consultant specializing in communications, based in Minneapolis; David Wilson, also from Mercer, as a health and welfare actuary, based in Princeton, N.J.

Also, David Shore, who was hired in mid-1989, was promoted to national practice leader of flexible compensation in San Francisco.

Foster Higgins did not open any offices in 1990, and it plans to close offices in Portland, Ore.; San Diego; Honolulu; and Pittsburgh. Clients will be served by regional offices in Los Angeles, Seattle and Cleveland, Mr. Feldtmose said.

Each of the closing offices employed only three or four people and as a result were considered to be less efficient, he said. "We've learned that you need a critical mass of at least 30 people in an office or you risk providing poor quality services."

Coopers & Lybrand Actuarial, Benefits & Compensation Group

Coopers & Lybrand's Actuarial, Benefits & Compensation Group had the second-highest increase in revenues among the 10 largest benefit consultants, but it remains the eighth-largest employee benefit consultant.

Estimated 1990 gross revenues increased nearly 40% to $116 million from $83 million in 1989, marking the first time the consultant has passed the $100 million revenue mark.

Jerome Y. Halperin, vice chairman of the Detroit-based division of the accounting firm Coopers & Lybrand in New York, says the increase was "right on budget."

Last year, the consultant's revenues increased nearly 27%—the highest level of revenue growth among the Top 10 (*BI* Dec. 18, 1989).

However, Mr. Halperin notes that the firm's growth "is coming off a smaller (revenue) base."

Although the ABC group "has had spectacular growth in the last five years, I'm not looking for the same growth in 1991," Mr. Halperin said. "We won't grow as fast—the economy will prevent that." However, he still predicts revenue growth to be about 20% to 25% next year.

In 1990, "the health care practice in the U.S. absolutely boomed for us," Mr. Halperin said.

General health care consulting was up about 50% in 1990, he said. The firm "made some major strides" in the flexible benefits consulting area and also increased revenues by setting up managed care networks for large corporations.

In addition, the division's "communications practice had a marvelous year," he said.

Infoline, a telephone voice response benefit information system introduced in 1989, was a major contributor to the company's success in 1990. The system allows employees access to benefit plan and other information by dialing a toll-free number. Mr. Halperin noted that Coopers & Lybrand put in "at least 25 major installations in 1990."

Retiree health care consulting, fueled by the Financial Accounting Standards Board rules on recognizing retiree health care liabilities, also experienced healthy growth, he said. FASB finalized the rules this month.

Growth in consulting on defined benefit plans was down somewhat, growing "less than 10%," he said.

Overseas consulting generated substantial growth in 1990, he said. The firm this year opened two new offices abroad: one in Utrecht, the Netherlands, and one in Antwerp, Belgium. The firm now has a total of 29 offices, of which eight are in foreign countries.

In response to continued growth, Mr. Halperin created the "office of the vice chairman," which includes three newly appointed national directors.

As of October, Reed Keller is national director of operations in At-

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lanta. Harold Danker, national leader of Coopers & Lybrand's health care practice, is now national director of technical services and is based in Washington, D.C. And, New York-based Neil Burger is now national director of Actuarial, Benefits & Compensation administration.

The ABC group increased its total staff by 13% in 1990, employing 1,199 people.

Among new products is Dr. Claim, introduced in mid-1990 and used by six clients now.

Dr. Claim is "a piece of artificial intelligence that looks at claims data" and flags "claims that appear to be improper," Mr. Halperin explained. For example, the system will pick up inadvertent mistakes like the improper coding of medical procedures or the acceptance of cosmetic surgery claims, he said.

Dr. Claim "examines a sample of huge amounts of claims and helps the company negotiate with the claims administrator to correct any errors they may make," he said. The system can handle 200,000 to 300,000 claims.

Mr. Halperin expects health care and technology to be the "extensive growth areas in the '90s." Clients will be concerned about cost reductions, he said.

And, he said, his firm is in a position to help employers because it is "a broad-based financial consulting organization" with the unique ability to offer systems, accounting and benefits consulting expertise.

A full-time, 21-person electronic data processing staff is responsible for new product development. And, the practice has access to 75 people with expertise in artificial intelligence through parent Coopers & Lybrand.

C&B Consulting Group/ Corroon & Black Retail Offices Benefit Division/ Willis Consulting

The C&B Consulting Group, together with the Corroon & Black Retail Office Benefits Division, is a newcomer this year to *Business Insurance's* ranking of the 10 largest benefit consultants.

The New York-based consulting division of broker Willis Corroon P.L.C. makes its debut in the No. 9 spot.

The firm estimated 1990 gross revenues at $70.1 million, a 61.5% increase from 1989 gross revenues of $43.4 million.

The increase in revenues is not only attributable to the addition of benefit consulting revenues from Willis Consulting, but also to growth in C&B Consulting's domestic operations, said President and Chief Operating Officer Warren Winer.

"Our internal growth, excluding acquisitions, was in the mid-teens," Mr. Winer said. "We had hoped for 15% to 20% growth, but it ended up at 13% to 15%," he said.

"Domestically, we had tremendous variation (in growth) by geographic area," he noted, adding that one office's growth was "almost flat" while several others experienced "40%-plus growth." The dynamics and staff size of the different offices contributed to the variances, he said.

Mr. Winer predicts 16% growth in 1991. "We expect to do better than average, partly because of the merger (with Willis Faber), but also because of our investments in people and improved marketing plans."

In addition, the relationship C&B Consulting has with its retail brokerage offices should help the firm's growth, he said. While the two divisions operate separately, it is advantageous to be able to draw on the other's resources, he said.

C&B Consulting's 1990 expansion included the opening of seven new offices, most of which were acquisitions.

The consultant in February acquired Kansas City, Mo.-based Management Science Associates Inc., a human resource consulting firm that specializes in the health care industry. The firm employs about 30 people and will continue to operate as MSA, Mr. Winer said.

Mr. Winer

MSA is the "premier" consulting firm to the hospital industry, with more than 670 large hospitals as clients, he said. The company operates one of the largest data bases on hospital employees, with more than 850,000 employee records, and is known for conducting employee attitude surveys.

The acquisition will help C&B Consulting make inroads into the hospital industry, "which is clearly a niche of ours," Mr. Winer said. "We already had a lot of hospitals as clients, but not as many as MSA."

C&B Consulting hopes to provide additional consulting services to MSA's existing client base.

Other acquisitions this year included the purchase in April of Glasgow-Hudek Inc., a four-person pension consulting firm in Dallas; the acquisition in July of The Harty Co., an Atlanta-based health care consultant employing 15 staff members; and, in August, the acquisition of Lincoln-Cross Inc., a retirement plan consultant with offices in Nashville and Knoxville, Tenn., and Orlando, Fla.

Mr. Winer said future acquisitions will not be for growth alone but to expand into new cities or services. "We've reached a critical mass in terms of being a long-term survivor," he noted.

The consultant also opened a new office in Birmingham, Ala., in January 1990 to expand in the Southern United States. The office currently is staffed by three persons.

The acquisitions resulted in C&B Consulting increasing its staff nearly 72% to 1,150, from 670 in 1989.

C&B Consulting recruits staff members "any which way we can," Mr. Winer said, stressing that "as we are emerging onto the national and international scene, we are getting a number of calls from people from other companies who are interested in getting in on the ground floor" of C&B Consulting. Many of these candidates are eager to work for the company "at a stage where they feel they can really have an effect," he said.

C&B Consulting is structured so that nearly every person in the organization performs consulting duties, Mr. Winer said. "It's difficult to point to anyone in the C&B consulting group that is strictly an overhead expense."

Overhead expenses are an area of concern, especially because of the downturn in the global economy and clients' concern about costs, Mr. Winer explained.

However, increased client attention to price should work to the company's advantage, he said, because C&B Consulting wants to be at the "low end" of consulting charges among the large consultants.

Quality assurance also is important to C&B Consulting, Mr. Winer added. The firm will initiate an annual client survey in 1991 to measure client satisfaction. Questionnaires will be sent to every client, asking for comments about the firm's consultants and services. "We'll use it as a tool to evaluate our services," Mr. Winer said.

Martin E. Segal Co.

Martin E. Segal Co. President Robert D. Krinsky said he is "optimistic about the long-term future" of the independent firm despite slower-than-expected revenue growth in 1990.

Gross revenues from benefit consulting totaled approximately $67

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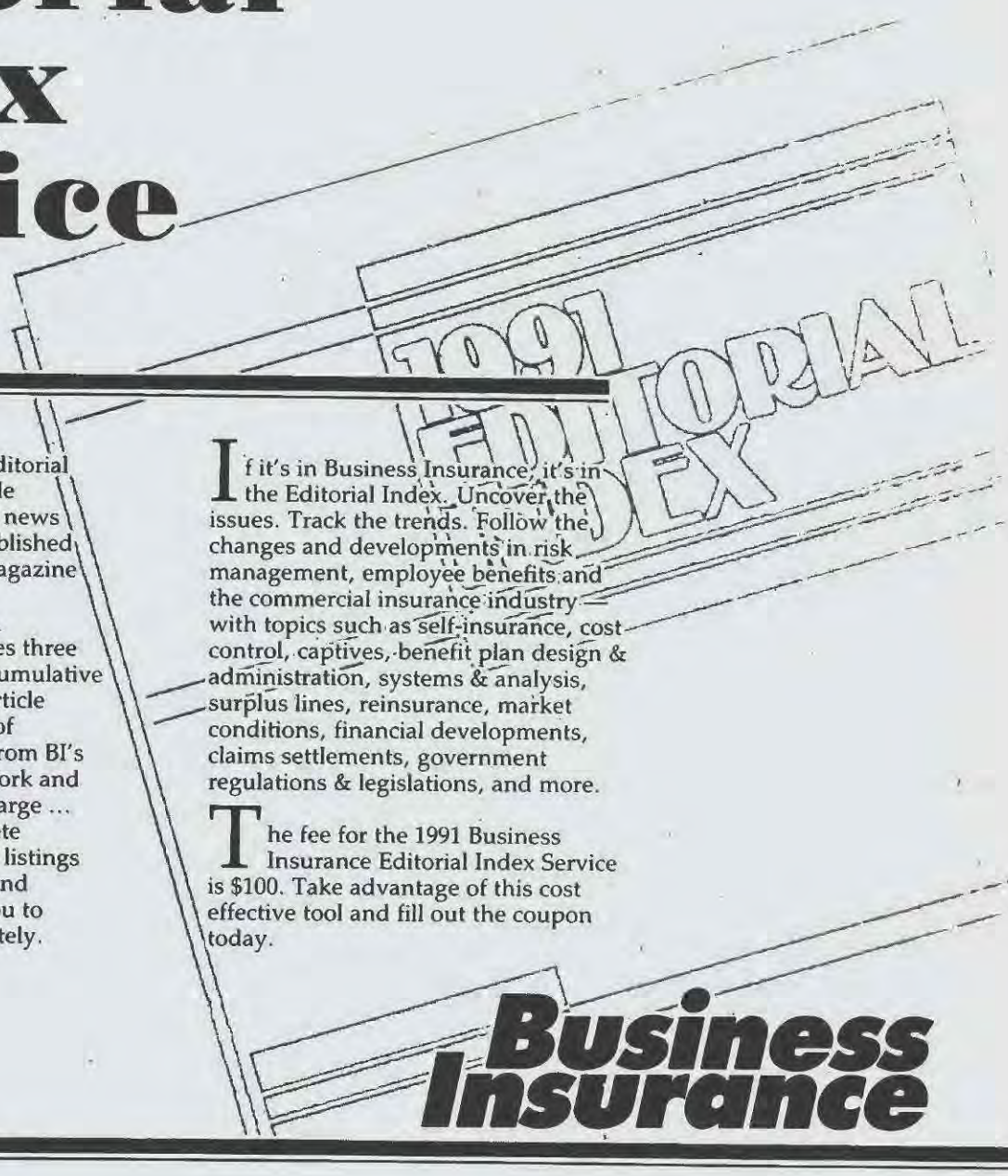
Editorial Index Service 1991



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Top consultants

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million in 1990, up less than 10% from $61 million in 1989.

For the second year in a row, the increase was the second smallest among the Top 10 employee benefit consultants, causing the New York-based firm to drop a notch in this year's *Business Insurance* rankings of the 10 largest benefit consultants.

Mr. Krinsky said revenue growth in 1990 did not meet expectations, and "we are looking at 1991 as a further year of slow growth."

Nonetheless, Segal expanded operations in 1990. Five Segal offices were renovated and expanded in 1990 to accommodate staff growth: New York; Atlanta; Washington, D.C.; Houston; and Edmonton, Alberta.

"The business flow created staff growth and these spaces became too cramped," he explained, noting that Segal will expand its Boston office in 1991.

Segal also opened a new office is West Palm Beach, Fla., in July, its first in Florida. The office currently employs four people.

Segal now has a total of 15 U.S. locations in addition to its two Canadian locations.

Segal increased its staff 6.2% to 682 in 1990.

"We carefully add (staff) where we feel it's necessary and when we have specific needs. Next year, there will be a minimal increase to fill particular needs," Mr. Krinsky said.

And, even though revenue growth may be slower next year, the continued need for consulting services, particularly health care consulting, will keep Segal's operations running full force, he said.

Health care, communications and flexible benefit consulting "grew more than other areas in 1990 and those are the areas we emphasized," Mr. Krinsky said, noting that he expects those practices to continue to lead growth in the future.

In response to client demand, Segal introduced a claims payment system in 1990 than enables self-administered corporations and multiemployer plans to choose alternative methods for reimbursing providers for medical care.

The MediMacs system allows claims administrators to reimburse providers based on, among other things, usual and customary charges or geographically-based averages of physician and hospital charges. In some cases, reimbursements may be discounted by a set percentage, he said.

Another new service Segal added in 1990 is Crosscheck, in which Segal's research and administration staff extensively review corporate or multiemployer benefit plans, procedures and documents. Segal consultants confer with legal experts to be sure the client is administering its health and welfare, pension and profit-sharing plans properly and in compliance with any government regulations.

"It is sort of like an internal audit," Mr. Krinsky explained.

Once an employer puts in place a comprehensive benefits program, "there are all sorts of things that may slip through the crack," he said.

Segal's mix of business sets it apart from its competitors, Mr. Krinsky said. "We are not only active in the corporate practice, like many of our competitors, but we also have a very large state and local government practice and also a significant multiemployer plan practice," he said.

In the next five years, Segal wants to become larger, more profitable and broaden its client base even further. But, Mr. Krinsky stressed: "We do not have a goal to be the biggest (consultant). We have a goal to be the soundest." ■

Managed dental plans to grow

By STACY ADLER

The number of managed dental care programs will proliferate next year because they have proven they can contain dental costs, predict managed dental care providers.

Enrollment in managed dental plans in 1991 is expected to grow by an impressive 10% as more employers seek out the cost-effectiveness of dental health maintenance organizations and discounted fee-for-service dental preferred provider organizations, consultants and insurers agree.

And, premium increases for most types of managed dental plans will be about 6% in 1991, half the size of the 12% premium increases expected in traditional dental indemnity insurance plans, they say.

Membership in large dental HMOs grew 8% to 9% on average in the past year, said Bryan Lane, a principal with TPF&C, a unit of Towers, Perrin, Forster & Crosby Inc. in Stamford, Conn.

"This is a healthy rate of growth," Mr. Lane said, noting his estimate is based on research data being compiled by TPF&C.

The growth in managed dental care reflects employers' awareness of the cost-effectiveness of dental HMOs, as well as employee acceptance of this style of dentistry, he said.

Growth in managed dental care is expected to continue throughout the next decade: By 1995, 15% to 20% of the market will be covered by prepaid plans, predicts the Health Care Financing Administration.

All of the major group managed dental care markets are predicting significant growth in their managed dental plans as more employers look to their dental plans to control employee benefit costs.

Those markets are The Blue Cross & Blue Shield Assn., CIGNA Corp., Prudential Life Insurance Co. of America, Aetna Life & Casualty Co., Travelers Insurance Co. and Delta Dental Plans.

Managed dental care typically is available in two forms:

- Capitated dental programs, which are similar to medical HMOs in that covered lives can choose only network dentists.
- Discounted fee-for-service arrangements similar to medical preferred provider organizations.

In addition, some insurers offer combination plans that allow employees to choose between managed dental coverage or traditional indemnity coverage.

Mr. Lane of TPF&C says the dental HMO plan is winning out as the most popular choice among employers, because it can achieve the greatest cost savings.

Chris Goldsmith, a consultant with The Wyatt Co. in Los Angeles, agrees. "HMO-style plans are popular because they cost less than PPO-style plans."

However, Ann Lemmon, a benefit consultant with Hewitt Associates in Lincolnshire, Ill., says many employers prefer the PPO-type option because it gives employees freedom to choose their own provider.

As a result, some employers that want to control costs and give employees freedom of choice offer

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combination plans.

Some insurers offer dual option plans that include an HMO option and an indemnity plan option.

And, some insurers offer triple-option plans that include an HMO option, a PPO option and an indemnity plan option.

Employers offering these combination plans are charged a combined rate by the insurer.

Delta Dental is the nation's oldest and largest provider of managed dental care with a total enrollment of 20 million people, a 14% increase from last year.

Delta Dental offers three types of managed dental plans—but not a traditional indemnity plan.

Delta Premier is a PPO-type plan with 90,000 dentists nationwide who have agreed to charge lower fees. Under the Delta Preferred Option, or DP plan, a panel of dentists in four states—California, Michigan, New Jersey and Wisconsin—has agreed to offer even deeper discounts.

Delta Dental also offers an HMO-like capitation plan in 20 states.

Dental Dental's three plans will increase premiums 8% overall in 1991, said Jerry Holcomb, vp-public and professional services for Delta Dental in San Francisco.

"The increase for HMO plans will be somewhat less," Mr. Holcomb said.

Delta Dental predicts a 5% to 6% increase in enrollment in its plans in 1991.

"We are well positioned to meet future employer demand," said Mr. Holcomb. "We have the largest panel of dentists, strict quality assurance guidelines and offer all three options."

With its recent acquisition of EQUICOR, CIGNA has become one of the largest providers of managed dental care in the nation. CIGNA now has more than 975,000 managed dental plan enrollees in 133 cities and 46 states.

In addition, CIGNA covers 8 million people through its dental indemnity products.

CIGNA offers three types of dental plans: a capitated plan, an indemnity plan and a combination plan.

'Increased interest in the whole managed care idea spills over into the dental arena,' says Mr. Purdy.

Premiums for the managed dental care plan are expected to increase 6% in 1991, said Dr. Jeffrey Ackerman, president of CIGNA Dental Health. Premiums for the indemnity plan will increase between 11% and 12% in 1991, he said.

CIGNA is predicting a 20% increase in enrollment for all plans combined in 1991.

The BC/BS Dental Network of America currently covers 600,000 lives through its managed dental care programs. In addition, BC/BS plans administer capitated dental plans for other insurers, bringing the total number of members in BC/BS managed dental care plans to 1.2 million.

BC/BS offers employers both dual-option and triple-option managed care plans, as well as an indemnity plan.

Premiums for the HMO dental plan will increase about 4% annually in 1991 and 1992, said Chairman and Chief Executive Officer Jim Webb.

In comparison, premiums for the indemnity dental plans are expected to increase 7% to 9% each year, he said.

Expected premium increases for the combination plan will fall somewhere in between, he said.

"The triple option is hot nationally because it maximizes choice," said Skip Gray, chief marketing officer for Dental Network of America. "However, the dual option is the most cost-effective plan," because it eliminates the PPO option, which is more expensive than the HMO option, he said.

"We are projecting a 10% to 15% growth" in enrollment in the managed dental programs in 1991, Mr. Webb said.

As a result, BC/BS has expanded its dental network to include 5,600 dentists nationwide, he said.

And, to entice more employees to adopt managed dental care plans, BC/BS is guaranteeing rates for managed care for two or three years to help stabilize the cost of combination plans, Mr. Webb said. Traditional indemnity plan rates are not guaranteed, he said.

Prudential is predicting a 5% increase in enrollment in 1991, said William Jackson, vp-group operations in Roseland, N.J.

Prudential is one of the oldest and largest providers of managed dental care, covering more than 3 million lives through its managed dental program. Prudential underwrites one product: a dual option indemnity and HMO product, allowing employees to chose either.

Premiums for the combined plan are expected to increase 6% in 1991, he said.

Prudential's combined managed dental plan is different from other plans because it allows employees each month to enroll as compared with twice a year or annually.

The success of this style plan can be seen by the fact that 40% to 60% of the employees opt to obtain care from network providers, Mr. Jackson said. "This is much higher than the participation rates in other networks," he said.

There are 5,700 dentist nationwide in Prudential's DMO.

Travelers has boosted enrollment in its preferred provider-type dental plan 152% to 630,000 from 20,000 since late 1989, according to Tom L. Meyers, director of managed care and employee benefits.

There are 3.1 million people covered by the Travelers indemnity dental plan, he said.

"We are targeting a 10% increase in enrollment for 1991" for both the PPO and the indemnity plan, Mr. Meyers said.

Travelers also is expecting some of its traditional indemnity plan enrollees to switch over to the PPO, said Vp Jim L. Purdy. Thus, enrollment in the managed care plan might increase 20%, while the indemnity plan's enrollment could suffer a bit, he explained.

"Increased interest in the whole managed care idea spills over into the dental arena," Mr. Purdy said.

Premiums for the Travelers dental PPO are expected to increase 6% to 7% in 1991, and premiums for the indemnity dental plan will increase 9% to 10%, he said.

There are 13,000 dentists nationwide in the Travelers dental provider network.

Aetna has been active in the managed dental care market for only two years, but already covers 200,000 enrollees, reports Lee Golub, assistant vp-Aetna Dental Products in Hartford, Conn.

Eight million people are covered by Aetna's indemnity dental product.

Premiums for Aetna's Preferred Dental Plan will increase 4% to 6% in 1991, and premium increases for the indemnity plan will parallel the dental care inflation rate at 8% to 10%, he said.

The Aetna dental provider network includes 2,800 dentists in 35 cities in 21 states. In 1991, Aetna hopes to expand this network to include dentists in another 30 cities and 10 states. ■

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Recession to fuel hike in LTD rates, experts predict

By ADRIENNE C. LOCKE

Current cheap long-term disability insurance rates will rise as the country enters a recession and the number of LTD claims increases, LTD market observers predict.

Rates could increase between 5% and 20%, benefit consultants say, with one consultant predicting that rates will begin going up by early next year.

Some LTD insurers say they already see economic signposts indicating that the number of LTD claims will begin to mount, which will drive up rates.

Currently, rates are cheap as traditional LTD insurers attempt to cling to market share and newer underwriters fight to get a foothold in the LTD marketplace.

But, LTD insurers already are moving away from offering employees various benefit options and the higher benefit levels available in recent years.

Most benefits consultants believe that the coming months are the last of the cheap LTD market because of the expected recession.

"Rates are going up, because the experience is going up because of the recession," said Peter O'Brien, national director of health and welfare benefits practice at Ernst & Young in New York.

"You are going to see rates go up because claims are increasing," agreed Jay Catlin, benefits consultant at Buck Consultants Inc. in Secaucus, N.J.

LTD claims historically rise when economic conditions erode and employers are forced to reduce their workforce.

As the economy slumps and job security becomes less certain, "the increase in claims is not from people who make up a disability but from people who take stock in their situation and prompt the submission of a claim that might not have been submitted before or submitted farther down the stream," said Dennis A, Sandole, vp of national accounts in the special benefits division at Philadelphia-based CIGNA Corp.

Most observers expect the number of stress-related and nervous and mental disorder disability claims to increase.

And, signs of an economic slowdown are mounting.

The nation's 5.9% unemployment rate for November—up from 5.7% in October and September—represented a three-year high, according to the U.S. Department of Labor.

Also, the reduction in the number of jobs that employers reported available in October and November represented the biggest two-month decrease since the 1981-82 recession: Approximately 267,000 jobs were lost in November, and 180,000 jobs were lost in October.

Automobile industry workers have been hit especially hard.

Nearly 35,800 General Motors Corp. employees were on indefinite layoff as of Dec. 1, and Ford Motor Co. laid off 9,000 workers each week on average during November, the automakers report.

White-collar industries also are reducing their staffs.

American Telephone & Telegraph Co. of Berkeley, N.J., cut its workforce by 5,000 jobs this year, and it has announced that it will cut 3,000 more jobs from its long-distance network operations in 1991.

Ernst & Young's Mr. O'Brien speculates that it may take a year or more before LTD insurers increase premiums 10% to 20% to reflect the deteriorating claims experience he expects the industry to see during 1991.

However, Buck's Mr. Catlin estimates that the expected increase in LTD claims activity will be reflected in increased LTD premiums of between 8% to 10% as early as four to six months into 1991.

The nation's leading LTD market says it already sees signs that indi-

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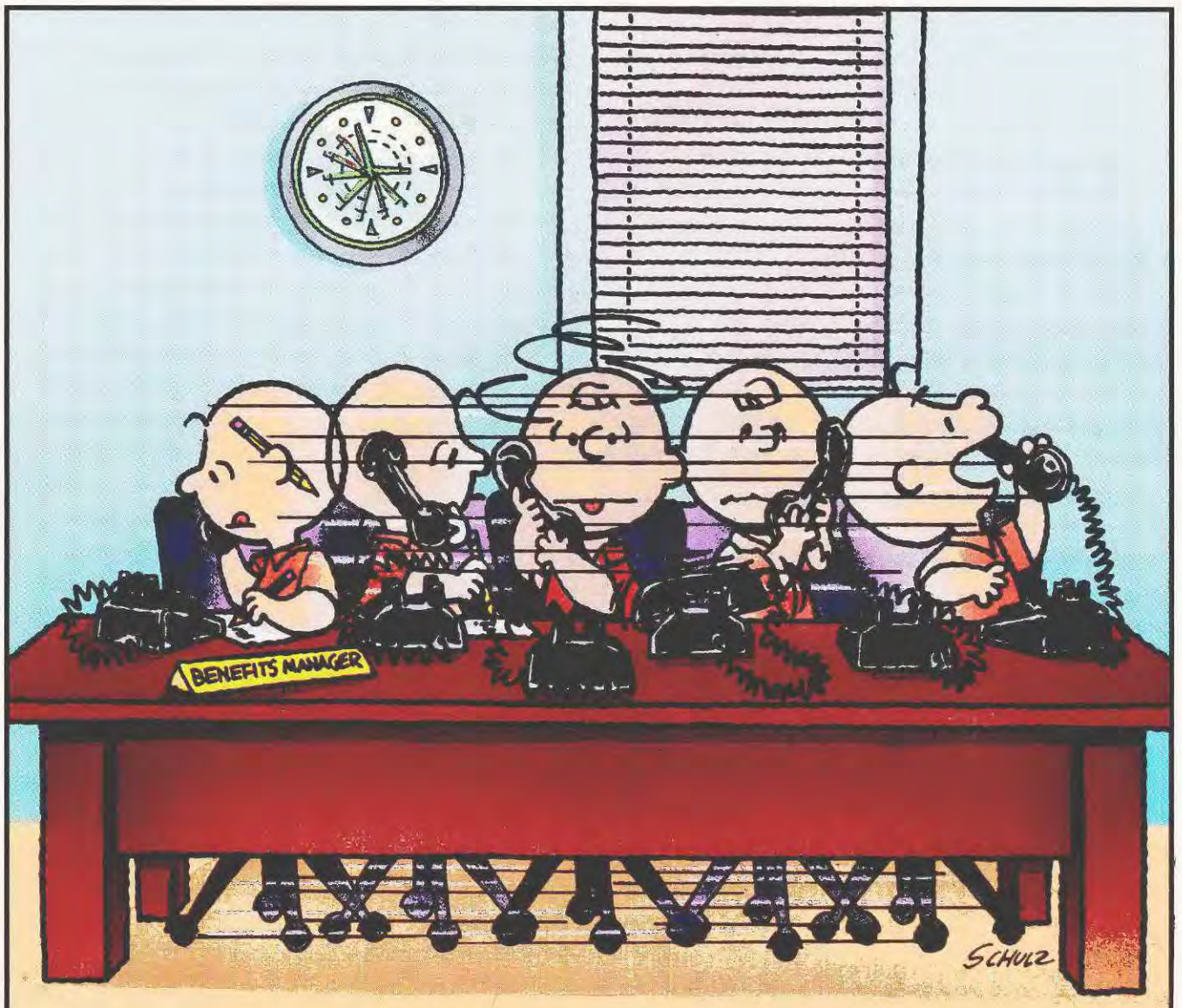

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LTD market

Continued from page 24

cate it may soon have to boost LTD rates.

UNUM Life Insurance Co. of Portland, Maine, a subsidiary of UNUM Corp., expects to approve 19,000 LTD claims in 1990, a 26.7% increase from the 15,000 claims it approved during 1989 for the same book of business, said John S. Roberts, vp of employee benefit disability risk management.

In addition, the number of people returning to work from LTD has decreased 10% to 15% in certain industries, he said.

"People aren't going off claim as quickly as (LTD insurers) perceived in their models, and more people are coming under LTD," said Craig Dolezal, a consultant with Hewitt Associates in Lincolnshire, Ill.

Other insurance companies say their results have not yet deteriorated but that they expect to see rising claims.

"We have not seen any deterioration of our results," said CIGNA's Mr. Sandole. "But, we are just beginning to see the waves of layoffs and bank closings," he added.

"With the recession coming on, the market should be changing and becoming more conservative," said William F. Springer, director of group LTD at Metropolitan Life Insurance Co. of New York.

"But, I just don't see it" happening now, he said.

Edward Haslam, president and product manager in the managed disability services division at The Travelers Corp. in Atlanta, said he has seen "no indication of any dramatic events that would affect prices."

In the meantime, the LTD market remains competitive, with premiums generally remaining stable this past year, consultants and insurers said. However, some insurers slightly lowered rates for new LTD customers, they said.

"We are in a very competitive market with a lot of head-to-head competition and trying to find new customers," said Mr. Roberts of UNUM Life.

For example, Mr. O'Brien of Ernst & Young said employers could expect to pay between 20 cents and $1 per $100 of payroll for a 60% benefit level, with 50 cents per $100 of payroll most typical.

Buck's Mr. Catlin estimated that employers could expect to pay between 35 cents and $1 per $100 of payroll.

However, employers with a poor experience could expect to pay two to three times that rate, Mr. Catlin said.

New insurers that have recently entered the LTD marketplace and others whose LTD products previously generated only a small portion of their business are aggressively "snatching" LTD business away from other insurers and offering lower renewal rates, said Hewitt's Mr. Dolezal.

Some LTD insurers have tried to get tougher on price at renewal time, but they had only limited success, because benefit managers usually can find a lower rate elsewhere, Mr. Dolezal said. "Buyers are saying, 'Why should I pay more if I can get it for less on the street?' "

Among the insurers looking for more LTD business are Travelers and Roseland, N.J.-based Prudential Insurance Co. of America, which previously provided LTD coverage for their current policyholders, he said.

Both Travelers and Prudential confirmed that they were seeking more LTD business.

And, Met Life, with the January 1989 acquisition of a book of business from Allstate Life Insurance Co., is seeking new LTD business, Messrs. Dolezal and O'Brien agreed. Met Life wrote a great deal of LTD coverage during the 1960s but stopped writing new business in the 1970s.

Met Life confirmed that it was making a stronger push in the LTD market.

Companies like UNUM Life, CIGNA, and Hartford, Conn.-based Hartford Life & Accident Insurance Co., a subsidiary of Hartford Insurance Group, have been long-standing underwriters of LTD insurance, Mr. O'Brien said.

Hartford officials were unavailable for comment.

However, LTD insurers are moving away from the more complicated LTD benefit packages and concentrating on refining basic LTD benefits, said The Travelers' Mr. Haslam.

LTD insurers are less interested in offering many LTD benefit options when the coverage is included in a flexible benefit plan, Met Life's Mr. Springer said. When several LTD benefit level options are given, it can get "very confusing" for both the employer and the employee, he said.

UNUM Life's Mr. Roberts agrees. More employers are moving away from LTD plans "with the bells and whistles and getting back to the plans that get people back to work sooner," he said.

Most LTD insurers and consultants say the 60% benefit level remains the most common, with fewer insurers offering benefit levels as high as 66.6%.

LTD insurers also are tailoring definitions of disability for specific industries instead of depending on one general definition.

For example, a general definition of disability might conclude that the same injury is disabling for a construction worker and an office worker.

But, by making the definition of disability more specific to occupations, the office worker with the same injury as the construction worker may be able to return to work and handle other duties, said Mr. Haslam of The Travelers.

This also is a cost saver for employers, because it helps to pick out those employees that can be rehabilitated and gets them back on the job more quickly, he said.

LTD insurers also will more strongly emphasize case management and intervene earlier in potential LTD cases in an attempt to keep costs down, Mr. Haslam said.

This has prompted many LTD insurers to integrate short-term and long-term disability products to make it easier to keep track of potential LTD cases and to provide better case management of their LTD claims, said CIGNA's Mr. Sandole. ■

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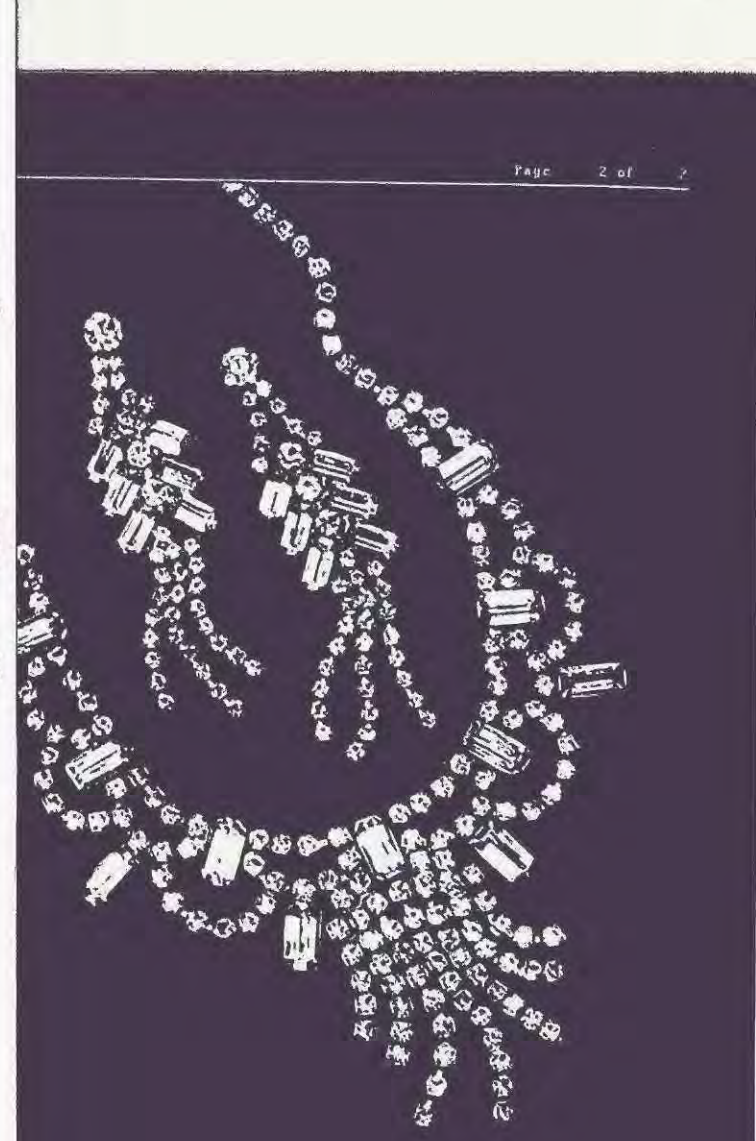

Employee benefit consultants directory

A

Actuarial Sciences Associates Inc.

242 O d New Brunswick Road, Suite 302, Piscataway, N.J. 08854; 201-562-6900; fax: 201-562-1209

Year founded: 1985.
Parent company: American Telephone & Telegraph Co.
Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 56.25% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit/defined contribution plans, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 3.75% of revenues. Includes general consulting on communications programs, booklet preparation.
Other services: 25% of revenues. Includes general management consulting, health care and other types of claims administration.
Staff: 85 total staff members; professional designations include 14 FSAs, 12 ASAs, five MBAs, three CEBSs, two CPAs, seven attorneys.
Clients: 5% with 1-100 employees, 5% with 101-1,000 employees, 10% with 1,001-5,000 employees, 80% with 5,001 or more employees; 98% corporations, 2% individuals; no minimum size client.
Compensation: By the project; by the hour: senior consultant, $200-275; consultant, $105-175.
Gross revenues: $7.8 million from benefit consulting in 1990; $6.2 million in 1989. Total 1990 revenues: $12.6 million.
International benefit consulting: 3-4% of revenues. Includes consulting via overseas correspondents, consulting from the United States.
Principal officers: Michael J. Gulotta, president/chief actuary; Scott J. Macey, executive vp/general counsel; Kalyan K. Basu, vp/managing actuary; Robert F. Reddington, vp/managing actuary; Frank B. Becker, vp/managing actuary.

Adjustco Inc.

200 Pringle Ave., Suite 450, Walnut Creek, Calif. 94596; 415-295-1660; fax: 415-935-4191

Parent company: Frank B. Hall & Co. Inc.
Services provided: 2% of gross revenues from benefit consulting, 98% of gross revenues from non-benefit consulting activities.
Welfare plan consulting: 2% of revenues. Includes plan design consulting, claims administration program, plan enrollments.
Other services: 98% of revenues. Includes disability benefit claims administration.
Staff: 30 total staff members; four professionals.
Clients: 88 total clients; 60% with 1,001-5,000 employees, 40% with 5,001 or more employees; 100% corporations; no minimum size client.
Compensation: By the project; by the hour.
Principal officers: Arthur M. Yoss, president/chief operating officer; Anthony G. Todd, chief financial officer; William Hogan, F.I. Hughes and Keith Roberts, senior vp.
Contact: Barbara Jones, vp.

Advanced Benefits & Insurance Marketing Corp.

141 Stony Circle, Suite 220; 707-575-5240; fax: 707-526-2114

Year founded: 1981.
Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.
Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, booklet preparation.
Other services: 60% of revenues. Includes brokering, health care and other types of claims administration.
Staff: Eight total staff members; three professionals, including one CEBS, one CLU.
Clients: 230 total clients; 75% with 1-100 employees, 25% with 101-1,000 employees; 70% corporations, 20% multiemployer welfare arrangements, 10% municipalities; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters.
Gross revenues: $300,000 from benefit consulting in 1990; $199,000 in 1989. Total 1990 revenues: $750,000.
Principal officers: James T. West, president; Mark H. Downing, vp.
Contact: James T. West.

Administrative Management Group Inc.

3800 N. Wilke Road, Arlington Heights, Ill. 60004; 708-577-6000; fax: 708-577-6038

Year founded: 1982.
Services provided: 92% of gross revenues from benefit consulting, 8% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 78% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, flexible benefits.
Welfare plan consulting: 7% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible benefits.
Employee benefit communications consulting: 7% of revenues.

Continued on next page

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Guide to benefit consultant listings

The annual directory of employee benefit consultants is compiled from responses to questionnaires sent to companies by *Business Insurance*.

The directory is published as an editorial service; there is no charge to consultants to be listed. However, to be included, companies must generate at least 30% or $500,000 of their gross revenues from benefit consulting.

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

Each listing includes the **year** the company was **founded** and its **parent company**, if any.

The **services provided** heading lists the percentages of gross revenues a company derives from benefit consulting and from other services it provides. In the following paragraphs, these percentages are broken down into the percent of gross revenues generated from **retirement and savings plan consulting**, **welfare plan consulting**, **employee benefit communication consulting** and any non-benefit related services the company provides. Listed are **locations** of U.S. and foreign branch offices and subsidiaries conducting benefit consulting, total number of **staff** members, number of professional staff members assigned to benefit consulting and professional designations held. Also included is a description of **clients**.

Methods of billing for services are provided under **compensation**. When reported by the company, total estimated 1990 and actual 1989 **gross revenues** generated by benefit consulting are provided, as well as estimated total 1990 worldwide gross revenues.

When applicable, benefit consulting related to **international** projects and provision of that service is reported.

If you wish to receive a questionnaire for next year's directory, write Sarah E. Polster, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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

The following are staff abbreviations:

AAI is Accredited Advisor in Insurance; **ALCM** is Associate in Loss Control Management; **AMIM** is Associate in Marine Insurance Management; **ARM** is Associate in Risk Management; **ARP** is Associate in Research and Planning; **ASA** is Associate, Society of Actuaries; **AU** is Associate in Underwriting; **CCP** is Certified Compensation Professional; **CEBS** is Certified Employee Benefit Specialist; **CFA** is Certified Financial Analyst; **ChFC** is Chartered Financial Planner; **CFP** is Certified Financial Planner; **ChFC** is Chartered Financial Planner; **CHC** is Certified Health Consultant; **CIC** is Certified Insurance Consultant; **CIIA** is Associate, Chartered Insurance Institute; **CLU** is Chartered Life Underwriter **CPA** is Certified Public Accountant; **CPC** is Certified Pension Consultant; **CPCU** is Chartered Property Casualty Underwriter; **DMD** is Doctor of Dental Medicine; **EA** is Enrolled Actuary; **EPA** is Enrolled Pension Administrator; **FAF** is Fellow, Faculty of Actuaries; **FCA** is Fellow, Conference of Actuaries in Public Practice; **FCAS** is Fellow, Casualty Actuarial Society; **FCIA** is Fellow, Canadian Institute of Actuaries; **FCII** is Fellow, Chartered Insurance Institute; **FLMI** is Fellow, Life Management Institute; **FSA** is Fellow, Society of Actuaries; **HIAA** is Health Insurance Assn. of America; **IAF** is Fellow, Institute of Actuaries; **IPMA** is Associate, Institute of Pensions Management; **IPMI** is Fellow, Institute of Pensions Management; **ISCEBS** is Fellow, International Society of Certified Employee Benefit Specialists; **LIA** is Licensed Insurance Advisor; **LIC** is Licensed Insurance Counselor; **LUTCF** is Life Underwriter Training Council; **MAAA** is Member, American Academy of Actuaries; **MBA** is Masters in Business Administration; **MCA** Member, Conference of Actuaries; **MD** is Medical Doctor; **MSPA** is Member, Society of Pension Actuaries; **NASD** is National Association of Security Directors; **Ph.D** is Doctor of Philosophy; **QPA** is Qualified Pension Administrator; **RDH** is Registered Dental Hygienist; **RHU** is Registered Health Underwriter; **RN** is Registered Nurse.

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Continued from previous page
Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 8% of revenues. Includes health care and other types of claims administration.

Staff: 76 total staff members; 62 professionals, including two ASAs, 8 MBAs, two CPAs, one attorney.

Clients: 248 total clients; 75% with 101-1,000 employees, 20% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations; minimum size client, 150 employees.

Compensation: By the project; by the hour: senior consultant, $240; consultant, $160; clerical, $28-$42.

Principal officers: John Salajka, chief executive officer; David Goldenberg, chief operating officer.

Contact: John Salajka.

Aldrich & Cox Inc.

1900 Ridge Road, Buffalo, N.Y. 14224; 716-675-6300; fax: 716-675-2098

Year founded: 1951.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 28.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, ongoing supervision including loss review/control, dealing with agents/brokers, annual plan review.

Employee benefit communications consulting: 1.5% of revenues. Includes general consulting on communications programs, benefit statement preparation.

Other services: 70% of revenues. Includes risk management consulting.

Staff: 14 total staff members; three professionals, including one CEBS, four CPCUs, two attorneys, 2 ARMs, one ALCM, one AMIM, one ARP.

Clients: 60 total clients; 20% with 1-100 employees, 50% with 101-1,000 employees, 30% with 1,001-5,000 employees; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour: consultant, $70-125.

Principal officers: Herbert Cox, chairman; Charles H. Cox, president; James B. Hood Jr., executive vp; Michael B. Coyle, vp.

Contact: Charles H. Cox.

The Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst, N.J. 07071; 201-460-6600; fax: 201-460-6688

Year founded: 1934.

Parent company: Alexander & Alexander Services Inc.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 33% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit

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and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 29% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, administration services consulting, flexible benefits consulting, employee research, international benefits consulting, systems consulting.

Employee benefit communications consulting: 13% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, interactive, voice response, training design.

Other services: 25% of revenues. Includes compensation consulting, brokering, health care and other types of claims administration, human resource consulting.

Locations: 89 offices worldwide.

Staff: 1,875 total staff members; 1,240 professionals, including 70 FSAs, 88 ASAs, 125 MBAs, 70 CEBS, 40 CLUs, one CPCU, 15 Ph.D.s, 10 CPAs, 25 attorneys, one medical doctor, two registered health underwriters, three fellow ISCEBS; two chartered financial consultants.

Clients: 20,000 total clients; 35% with more than 500 employees, 65% with fewer than 500 employees; 98% corporations; 1% multiemployer welfare arrangements, 1% associations, municipalities, non-profit organizations; no minimum size client.

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

Gross revenues: $174 million from benefit consulting in 1990; $147 million in 1989. Total 1990 revenues: $231 million.

International benefit consulting: 26% of revenues. Includes consulting via overseas branch offices, consulting from the United States.

Principal officers: A.M. D'Alessandro, chief executive officer-worldwide; D. Cleveland, chief operating officer-worldwide; R. Allan Durward, chief executive officer-United Kingdom/Europe; Richard J. Anthony, director-national practice; Brian E. Kennedy, chief executive officer-Canada.

Contact: Mark Kimble, managing director-corporate information.

Arthur Andersen & Co.

10 S. LaSalle St., Chicago, Ill. 60603; 312-580-0033; fax: 312-507-7210

Year founded: 1913.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 15% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, ESOP consulting, compliance, executive plans.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, cafeteria plans, retiree medical, compliance, executive plans.

Employee benefit communications consulting: 15% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, workforce reduction, executive plans.

Other services: 50% of revenues. Includes compensation consulting, general management consulting, gainsharing consulting, merger and acquisition consulting, actuarial services.

Locations: 299 offices in 66 countries.

Staff: 57,000 total staff members.

Clients: 122,000 total clients; no minimum size client.

Compensation: By the hour.

International benefit consulting: 30% of revenues. Includes consulting via overseas branch offices, consulting from the United States.

Principal officers: Alan A. Nadel, firmwide compensation and benefits director, New York; David M. Walker, national compensation and benefits director, Washington, D.C.; Michael S. Kesner, regional compensation and benefits director, Chicago.

Contact: Michael S. Kenser, 312-507-7014, room 2743.

Aurora National Corp.

P.O. Box 11, Accord, Mass. 02018; 617-740-1225; fax: 617-740-1225

Year founded: 1971.

Services provided: 100% of gross revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, financial analysis of operations for self-funded plans, actuarial certification of qualified assets, funding forecasts, preparation of trust tax returns.

Employee benefit communications consulting: 20% of revenues. Includes booklet preparation, drafting of documents for welfare plans.

Locations: Quin Livan Benefit Consultants, Hartford, Conn.

Staff: Eight total staff members; professional designations include one ASA, two CEBS, one CPA, one attorney.

Clients: 92 total clients; 68% with 1-100 employees, 29% with 101-1,000 employees, 3% with 1,001-5,000 employees; 97% corporations, 3% multiemployer plans; minimum size cli-

Continued on next page

TPA GUIDE

to the

Administration of Self-Funded Health Care Plans

Written by: Carlton Harker, FSA, EA

- Claims Manual - 3 Notebooks
- Monthly Update of Major Changes
- Monthly Newsletter
- VHS Tape Catalogue (in-process)
- Membership to National Self-Funding Educational Coalition

5 Support Books

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Cost Containment of Health Care Benefits
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Dental R&C Charges (1990)
Late Applicant Underwriting Guide

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ent, 75 employees.

Compensation: By the project; by the hour: senior consultant, $150; consultant, $120; clerical, $35; paraprofessional, $75.

Gross revenues: $420 million from benefit consulting in 1990, $389 million in 1989.

Principal officers: G. A. Studer, president; H. James Gorman and R.M. Luzader, principal consultants; Michael J. Quin Livan and William M. Koplousky, senior consultants; Hugh J. Gorman III.

B

Barbanell Associates

3629 Sacramento St., San Francisco, Calif. 94118; 415-929-1155; fax: 415-929-8485

Year founded: 1962.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 30% of revenues. Includes plan design consulting, plan/trust legal document drafting, consulting on selection of investment managers.

Welfare plan consulting: 65% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, consulting to health care providers.

Other services: 5% of revenues. Includes brokering.

Locations: Los Angeles.

Staff: Eight total staff members; four professionals, including one MBA.

Clients: 60 total clients; 5% with 101-1,000 employees, 55% with 1,001-5,000 employees, 40% with 5,001 or more employees; 5% corporations, 95% multiemployer plans; minimum size client, 100 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $200; consultant, $175; clerical, $17.50.

Gross revenues: $703,000 from benefit consulting in 1990; $663,887 in 1989.

Principal officers: Clifford A. Barbanell, president; Jerry L. Levey, vp; Harriet L. Barbanell, secretary/treasurer.

Edward R. Beil Associates Inc.

6 E. 45th St., New York, N.Y. 10017; 212-697-2740; fax: 212-983-6589

Year founded: 1974.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 8% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 88% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers and cost containment advice.

Employee benefit communications consulting: 4% of revenues. Includes general consulting on communications programs.

Staff: Seven total staff members; four professionals, including two MBAs, one CLU, one CPA.

Clients: 58% with 1-100 employees, 38% with 101-1,000 employees, 4% with 1,001-5,000 employees; 80% corporations, 20% partnerships; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $100; clerical, $35.

Gross revenues: $300,000 from benefit consulting in 1990; $275,000 in 1989.

Principal officers: Edward R. Beil, president; John P. Indelli.

Contact: John P. Indelli.

Benefit Brokers & Consultants Inc.

111 S.W. Columbia, Suite 1280, Portland, Ore. 97201; 503-223-1776; fax: 503-223-3146

Year founded: 1990.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 65% of revenues. Includes brokering, general management consulting, health care and other types of claims administration.

Staff: Six total staff members; four professionals.

Clients: 125 total clients; 4% with 1-100 employees, 64% with 101-1,000 employees, 20% with 1,001-5,000 employees, 12% with 5,001 or more employees; minimum size client negotiable.

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

International benefit consulting: Includes consulting from the United States.

Principal officers: Donald J. Econe, president; William G. Lovejoy and Nancy G. Hawkins, vps.

Contact: Nancy Hawkins.

Benefit Consultants Inc.

14500 S. Outer 40 Road, Suite 502, Chesterfield, Md. 63017; 314-434-4620

Year founded: 1982.

Services provided: 60% of gross revenues from benefit consulting, 40% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 55% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, claim administration audits, legal/regulatory compliance.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 40% of revenues. Includes brokering, health care claims administration.

Staff: Eight total staff members; three professionals, including one CEBS, one CLU.

Clients: 15% with 1-100 employees, 60% with 101-1,000 employees, 20% with 1,001-5,000 employees, 5% with 5,001 or more employees; 70% corporations, 30% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $135; consultant, $75-90; clerical, $27-50; administrative, $55.

Principal officers: Alan N. Lemley, president.

Benefit Control Cos.

910 E. Washington St., Greenville, S.C. 29601; 803-242-9441

Year founded: 1978.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 70% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Other services: 25% of revenues. Includes brokering.

Locations: Atlanta; Columbia and Greenville, S.C.; Charlotte, Hickory and Raleigh, N.C.

Staff: 20 total staff members; 14 professionals, including six CPCUs, one attorney.

Clients: 250 total clients; 30% with 1-100 employees, 30% with 101-1,000 employees, 20% with 1,001-5,000 employees, 20% with 5,001 or more employees; 92% corporations, 3% multiemployer welfare arrangements, 5%

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individuals.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $175; consultant, $140; clerical, $45; administrative assistant, $100.

Gross revenues: $1.6 million from benefit consulting in 1990; $1.4 million in 1989. Total 1990 revenues: $2.1 million.

Principal officers: William A. Gantt, P. Edwin Icard, William P. Foster, Douglas Dellinger and Robert Lassiter, presidents; Michael A. Hawkins, Donald E. Ward, Richard A. Gantt, vps.

Benefit Dynamics Inc.-Retirement Plans of America Inc.

Box 35, Suite 425, 200 S. Broad St., Philadelphia, Pa. 19102; 215-875-8610; fax: 215-875-3592

Year founded: 1977.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 45% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined contribution plans, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting.

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

Staff: 60 total staff members; 22 professionals, including one MBA, one CEBS, one CLU, one ChFC, one EA.

Clients: 2,000 total clients; 80% with 1-100 employees, 19% with 101-1,000 employees, 1% with 1,001-5,000 employees; 90% corporations, 10% individuals; minimum size client, one employee.

Compensation: By the project; by the hour: senior consultant, $200; consultant, $125; clerical, $50.

Principal officers: Joann Massanova, president; Carman LaVerghetta, senior vp.

Contact: Mark Moran, vp.

Benefit Productions Inc.

3540 Middlefield Road, Menlo Park, Calif. 94025; 415-365-4566; fax: 415-365-0487

Year founded: 1987.

Services provided: 100% of gross revenues from benefit consulting.

Employee benefit communications consulting: 100% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

Staff: Nine total staff members.

Clients: 20% with 1-100 employees, 65% with 101-1,000 employees, 10% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations; no minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $150; consultant, $100; clerical, $45.

Gross revenues: $450,000 from benefit consulting in 1990; $267,000 in 1989.

Principal officers: Dennis Hommel, chief executive officer; Ernest Fama, executive vp; Lisa Nelson, chief financial officer.

Contact: Dennis Hommel, chief executive officer.

Benefit Resource Management Group Inc.

Suite 2300, 500 Wood St., Pittsburgh, Pa. 15222; 412-645-4900; fax: 412-281-4381

Year founded: 1987.

Parent company: Blue Cross of Western Pennsylvania.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 80% of revenues. Includes plan design consulting.

Employee benefit communications consulting: 15% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 5% of revenues. Includes general management consulting.

Staff: Five total staff members; four professionals, including two MBAs, one CEBS, one attorney.

Clients: 50% with 1-100 employees, 50% with 101-1,000 employees; 100% corporations; no minimum size client.

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

Principal officers: Barbara Croyle, managing director; Gloria Urbanik, senior consultant; Bob Madden, marketing executive; Greg Bivens, consultant.

Contact: Bob Madden, marketing executive.

Benefits Corp. of America

288 Post Road E., Westport, Conn. 06880; 203-256-1256

Year founded: 1987.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 35% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs.

Staff: Five total staff members; four professionals, including one ASA, one attorney, one CIC.

Clients: 50 total clients; 50% with 1-100 employees, 28% with 101-1,000 employees, 9% with 1,001-5,000 employees, 13% with 5,001 or more employees; 25% corporations, 75% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $175; consultant, $125; clerical, $45.

Gross revenues: $425,000 from benefit consulting in 1990; $375,000 in 1989.

Principal officers: Donald A. Walters, president; Thomas M. Maloof, vp.

Benefits Planning & Insurance Agency Inc.

300 Drakes Landing Road, Suite 170, Green Brae, Calif. 94904; 415-461-8383; fax: 415-925-2077

Year founded: 1978.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, health promotion.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, employee newsletters.

Other services: 65% of revenues. Includes brokering.

Staff: 13 total staff members; five professionals, including one CLU, one MBA, one attorney.

Clients: 20% with 1-100 employees, 70% with 101-1,000 employees, 10% with 1,001-5,000 employees; 95% corporations, 5% multiemployer plans; minimum size client, 50 employees.

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

Gross revenues: $735,000 from benefit consulting in 1990; $525,000 in 1989. Total 1990 revenues: $2.1 million.

Principal officers: Robert J. Christadore, president; Victor Deksnys, Gary W. High and Michael D. Michalski, principals.

Contact: Gary W. High.

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Benefits Plus Inc.

6001 Adams Road, Suite 125,
Bloomfield Hills, Mich. 48304-1566;
313-258-0888; fax: 313-258-0890

Year founded: 1988.
Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 35% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 50% of revenues. Includes brokering.
Staff: 17 total staff members; nine professionals.
Clients: 52 total clients; 80% with 1-100 employees, 20% with 101-1,000 employees; 100% corporations; minimum size client, eight employees.
Compensation: By the project; commissions for insurance placed with underwriters.
Gross revenues: $375,000 from benefit consulting in 1990; $225,000 in 1989. Total 1990 revenues: $750,000.
Principal officers: Mark Wayne.

George Beram & Co. Inc.

233 Needham St., Newton, Mass.
02164-1502; 617-965-1200;
fax: 617-244-5569

Year founded: 1975.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 93% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: 5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 2% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Staff: 50 total staff members; 40 professionals, including three FSAs, one ASA, two MBAs, one CEBS, one CLU, one attorney.
Clients: 125 total clients; 3% with 1-100 employees, 92% with 101-1,000 employees, 3% with 1,001-5,000 employees, 2% with 5,001 or more employees; 100% corporations; no minimum size client.
Compensation: By the hour: senior consultant, $200; consultant, $150-$200; clerical, $50; analyst, $60-$120.
Principal officers: George Beram, president; Nicholas Abdelahad, executive vp; Philip G. Bruno, executive vp; Stuart Green, vp.

R.N. Blomquist & Co.

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

Year founded: 1970.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, health care cost containment, plan documents, alternative delivery systems.
Employee benefit communications consulting: 15% of revenues. Includes booklet preparation.
Staff: Nine total staff members; five professionals, including one MBA, one CLU, one FLMI.
Clients: 50 total clients; 45% with 101-1,000 employees, 50% with 1,001-5,000 employees, 5% with 5,001 or more employees; 10% corporations, 90% multiemployer plans; minimum size client, 50 employees.
Compensation: By the project; on retainer; by the hour: senior consultant, $165; consultant, $150; clerical, $75; employee communications consultant, $115.
Principal officers: Jack A. Diem, president; Kurt S. Starbuck and Paul E. Hawkins, vps.
Contact: Paul E. Hawkins.

Booke & Co.

310 W. Fourth St., P.O. Box 66,
Winston-Salem, N.C. 27101;
919-748-1120; fax: 919-725-7285

Year founded: 1941.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 81% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, asset accumulation/investment consulting, compensation consulting, on-line administration systems.
Welfare plan consulting: 13.4% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, cafeteria plan consulting/administration and welfare administration.
Employee benefit communications consulting: 5.6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Locations: Birmingham, Ala.; Columbus, Ohio; Chicago.
Staff: 335 total staff members; 83 professionals, including 13 FSAs, 10 ASAs, 16 MBAs, 19 CEBSs, four

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CLUs, 12 CPAs, eight attorneys, one CFA.

Clients: 1,100 total clients; no minimum size client.

Compensation: By the project; by the hour.

Principal officers: Sam Booke Jr., chairman of the board; Donald C. Ingram, president; Roger L. Vaughn, executive vp/chief actuary; Joseph H. Ely, senior vp; Henry M. Booke, vice chairman of the board.

Contact: Donald C. Ingram, president.

The Boylston Group

132 Beech St., Roslindale Village, Boston, Mass. 02131; 617-327-7735; fax: 617-327-7735

Year founded: 1987.

Services provided: 100% of gross revenues from benefit consulting.

Welfare plan consulting: 75% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 25% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

Staff: Four total staff members; two professionals, including one CLU, one CPCU.

Clients: 10 total clients; 20% with 1-100 employees, 60% with 101-1,000 employees, 10% with 1,001-5,000 employees, 10% with 5,001 or more employees; 90% corporations, 10% multiemployer plans; minimum size client, 50 employees.

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

Principal officers: Michael J. Shor, president; James F. Sargout, treasurer/vp.

Contact: Michael J. Shor.

Brokers Group Services Ltd.

900 Jorie Blvd., Suite 280, Oak Brook, Ill. 60521; 708-954-5954; fax: 708-954-5974

Year founded: 1981.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 20% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 70% of revenues. Includes brokering.

Staff: Five total staff members; two professionals.

Clients: 90 total clients; 51% with 1-100 employees, 49% with 101-1,000 employees; 95% corporations, 5% schools/municipalities; minimum size client, 25 employees.

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

Gross revenues: $150,000 from benefit consulting in 1990.

Principal officers: Richard Van Derveer, president; George C. Lyon Jr., vp-marketing; Robert L. Ambrose Jr., treasurer.

Contact: Richard Van Derveer.

Buck Consultants Inc.

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

Year founded: 1916.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, pre-retirement/financial planning seminars.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, evaluation of post-retirement medical liabilities, managed care consulting, flexible benefits, group actuarial, dependent care consulting, employee focus groups.

Employee benefit communications consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, interactive communication (PC/voice).

Locations: Atlanta; Boston; Chicago; Columbia, Md.; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; Washington, D.C.; Antwerp and Brussels, Belgium; Calgary, Canada; Dublin, Ireland; Edinburgh, Scotland; Hong Kong; Leeds and London, England; Madrid, Spain; Mexico City; Montreal; Paris; Sydney, Australia; Toronto.

Staff: 1,390 total staff members; 1,084 professionals, including 56 FSAs, 76 ASAs, 39 MBAs, 13 CEBS, six CLUs, eight Ph.D.s, nine CPAs, 28 attorneys, 120 enrolled actuaries, 21 IAFs, five IAAs, seven FAFs, three FCIIs, three CIIAs, five IPMIs, six IPMAs, eight members of the National College of Actuaries (Mexico), eight members of the Mexican Assn. of Actuaries, one member of the Mexican Assn. of Actuaries Consulting in Employee Benefit Plans.

Clients: 1,000 total clients; no minimum size client; 80% corporations; 20% non-profit organizations/governments.

Compensation: By the project; by the hour.

Gross revenues: $155 million from benefit consulting in 1990; $132 million in 1989.

International benefit consulting: Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.

Principal officers: William E. Giegerich, president/chief executive officer-Buck Consultants Inc.; Martin Paterson, chief executive-Buck Paterson Consultants Ltd., London; Barry Sutton, president-GBB Buck Consultants S.A., Brussels; Warren Warburton, chief executive-Buck Consultants Pty. Ltd., Sydney.

Contact: Carolee P. Martin, manager-marketing: Buck Consultants Inc., 500 Plaza Drive, Secaucus, N.J. 07096-1533; 202-902-2555.

R.J. Burns & Associates Inc.

2000 N. Racine, Suite 3800; Chicago, Ill. 60614; 312-871-5110

Year founded: 1979.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan

Continued on next page

"I challenge competitors to match RLI in service, compassion and underwriting expertise."

John R. Coleman
Vice President
RLI Northern California Regional Office

At RLI, service in the field is measured by how promptly we respond to our customers' needs. Our fast quote turnaround and standard 15-day policy issuance are certainly part of this service. But I'm especially proud of RLI's reputation as a caring market that works with customers to help tailor special coverages.

How do I know we're measuring up? I hear it first-hand, from our valued customers. Here's what Jim Barnes, president of Sherwood Insurance Services of Northern California, had to say about RLI:

"Whenever I need a quick response to coverages that are unique and require exceptional creativity, my first call is to RLI. For example, I had a large course of construction risk that included earthquake. The client had several quotes, but none with a satisfactory deductible. I called RLI at 9:00 a.m. By 9:30 a.m. we had worked out a deductible buy-back policy that satisfied everyone."

We can be this responsive, flexible and decisive because the underwriting talent RLI hires is the best in the industry. Regional offices are empowered with full underwriting authority. That's a tremendous advantage, because it gives us a decided edge. We can present solutions to customers and bind coverage while competitors must wait for a decision from the home office.

It is exciting to bring this new benchmark of service to customers, especially in an industry that seems reluctant to shed its old image and change its old ways. I think it's time we as an industry realized that service isn't the only thing; it is everything.

RLI 9025 N. Lindbergh Drive Peoria, IL 61615 800/445-5468

Continued from previous page
consulting: 5% of revenues. Includes plan design consulting, record keeping and administration systems consulting, plan administration consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, claim studies, provider studies, association benefit designs/pricing.

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

Staff: Two staff members; both professionals.

Clients: 42 total clients; 15% with 1-100 employees, 15% with 101-1,000 employees, 20% with 1,001-5,000 employees, 50% with 5,001 or more employees; 70% corporations, 30% multiemployer plans; minimum size client, five employees.

Compensation: Charges by the project; on retainer; by the hour: senior consultant, $190; consultant, $125; computer operations, $75.

Gross revenues: $211,000 from benefit consulting in 1990; $183,000 in 1989.

International benefit consulting: 2% of revenues. Includes consulting from the U.S.

Principal officers: Richard J. Burns, president; David Hermes, vp.

Bushnell, Ducham & Co.

34 Roosevelt Highway, Colchester, Vt. 05446; 802-655-3906; fax: 802-655-5460

Year founded: 1970.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 45% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, plan termination consulting.

Welfare plan consulting: 45% of revenues. Includes plan design/administration consulting, insurer/broker selection consulting, evaluation of other service providers, audits, actuarial, draft/evaluation of quotation specifications; flexible benefits, electronic hook up to third party administrator.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, computer letters, electronic simulation.

Staff: 11 total staff members; seven professionals, including one ASA, one CEBS, two CLUs, one accountant, one programmer, one actuarial assistant.

Clients: 175 total clients; 15% with 1-100 employees, 75% with 101-1,000 employees, 5% with 1,001-5,000 employees, 5% with 5,001 or more employees; 85% corporations, 15% government and non-profits; minimum size client, 150 employees.

Compensation: By the project; by the hour: senior consultant, $200; consultant, $90-125; clerical, $30-$50.

Gross revenues: $741,000 from benefit consulting in 1990; $659,000 in 1989.

Principal officers: James Bushnell, president/treasurer; David Duchem, vp; Brent O'Donnell, secretary.

Byerly & Co. Inc.

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

Year founded: 1959.

Services provided: 88% of gross revenues from benefit consulting, 12% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 87% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, cost containment services/compliance services.

Employee benefit communications consulting: 1% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 12% of revenues. Includes health care and premium administration.

Locations: Chicago, Overland Park, Kan.; Baton Rouge, Metairie, La.

Staff: 70 total staff members; 19 with professional designations, including two MBAS, six CEBS, two CLUs, one CPA, one attorney, two MAs, five RNs.

Clients: 675 total clients; 50% with 1-100 employees, 45% with 101-1,000 employees, 3% with 1,001-5,000 employees, 2% with 5,001 or more employees; 95% corporations, 2% multiemployer plans, 3% multiemployer welfare arrangements.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150-$250; consultant, $100-$150; clerical, $30-$50.

Gross revenues: $5.3 million from benefit consulting in 1990; $4.7 million in 1989. Total 1990 revenues: $6 million.

Principal officers: Robert N. Morehead, president; Alfred A. Gimbel, executive vp; Mark E. Hogan, senior vp; Gerald A. Peters, vp; William Raines, vp.

C

C&B Consulting Group/ Corroon & Black Retail Offices Benefit Division/ Willis Consulting

Wall Street Plaza, New York, N.Y. 10005; 212-363-4100

Year founded: 1905.

Parent company: Willis Corroon P.L.C.

Services provided: 56% of gross revenues from benefit consulting, 44% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 36% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 16% of revenues.

Employee benefit communications consulting: 4% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 31% of revenues. Includes compensation consulting, brokering, general management consulting, health care and other types of claims administration.

Locations: 50 offices in U.S.; additional offices in 20 countries through Willis Corroon Consulting and various affiliates.

Staff: 1,150 total staff members; 665 professionals, designations include FSAs, ASAs, MBAs, CEBSs, CLUs, CPCUs, Ph.D.s, CPAs, attorneys.

Clients: 4,000 total clients; no minimum size client.

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

Gross revenues: $70.1 million from benefit consulting in 1990; $44 million in 1989. Total 1990 revenues: $124.5 million.

International benefit consulting: 36% of revenues. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.

Principal officers: Warren Winer, president/chief executive officer; Richard Q. Ford, managing director-BSG national benefits division; Willis Consulting: Brian Morris, Allan Daffern.

Continued on next page

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Second, it is an example of the kind of marketing support you can expect from

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Continued from previous page

The CBI Group

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

Year founded: 1983.
Parent company: Joseph Lemmer & Co.
Services provided: 65% of gross revenues from benefit consulting, 35% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 3% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, consulting on selection of investment managers, labor negotiations.
Welfare plan consulting: 57% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, cost management assessment, claims auditing, government compliance services, claims arbitration, labor negotiations, stop-loss placement.
Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, employee benefit surveys and evaluation.
Other services: 35% of revenues.
Staff: Five total staff members; three professionals, including one FSA.
Clients: 18% with 1-100 employees, 70% with 101-1,000 employees, 10% with 1,001-5,000 employees, 2% with 5,001 or more employees; 65% corporations, 20% multiemployer plans, 3% multiemployer welfare arrangements, 2% individuals, 10% municipalities and school districts; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters when requested by clients; on retainer; by the hour.
Principal officers: Joseph Lemmer, president.

Century Financial Services

185 N.W. Spanish River Blvd., Boca Raton, Fla. 33481; 407-362-0111; fax: 407-362-0133

Year founded: 1983.
Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, evaluation of other service providers.
Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible benefit design/administration, HMO analysis/negotiation, employee assistance program vendor evaluation, managed mental health strategies, comprehensive monthly financial monitoring system, ERISA compliance, negotiations with insurers and service organizations, preparation of utilization review studies, general plan administration/claims settlement assistance, surveys, general research on benefits, update state/federal legislative developments.
Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, booklet preparation, document preparation.
Other services: 25% of revenues. Includes brokering, health care and other types of claims administration.
Staff: Eight total staff members; six professionals.
Clients: 60% with fewer than 500 employees, 40% with more than 500 employees; 88% corporations, 2% multiemployer plans, 5% individuals; 5% municipalities; minimum size client, 50 employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $110-$135; consultant, $70-$110; personal computer programming assistant, $60.
Gross revenues: $720,000 from benefit consulting in 1990; $536,250 in 1989.
Principal officers: Ronald Reshefsky, president; Richard J. Leonard, president-benefits consulting division; Gary H. Morris, vp-risk management services; Ellen R. Taylor, manager-marketing; Mitchell L. McEwen, manager-benefits consulting division.

CIGNA Employee Benefits Services Inc.

Retirement plans: 350 Church St., Hartford, Conn. 06103; 203-725-2939; fax: 204-725-3275

Welfare plans: 900 Cottage Grove Road, Bloomfield, Conn. 06002; 203-726-5774; fax: 203-726-4024

Year founded: 1946.
Parent company: CIGNA Corp.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 90% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting, retiree health care.
Welfare plan consulting: 4% of revenues. Includes plan design consulting, flexible benefits, managed care, tax/legal compliance.
Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, brochures, newsletters, interactive computer models.
Locations: Akron, Ohio.
Staff: 107 total staff members; 96 professionals, including six FSAs, 17 ASAs, 17 EAs, two HIAAs.
Clients: 800 total clients; 41% with 1-100 employees, 54% with 101-1,000 employees, 4% with 1,001-5,000 employees, 1% with 5,001 or more employees; 75% corporations, 5% multiemployer plans, 20% hospitals, associations, municipalities; minimum size client, 50 employees.
Compensation: By the project; on retainer; by the hour: senior consultant, $210-$235; consultant, $125-$200; clerical, $40-$75; technician, $80-$150.
Gross revenues: $12 million from benefit consulting in 1990; $11.2 million in 1989.
Principal officers: Raymond C. Linstrum, president-benefits consulting; Thomas M. Malloy, senior vp/consulting actuary; E. Richard Gabler, senior vp/consulting actuary; Mark I. Lynch, vp/consulting actuary; Steven J. Hansen, vp.
Contact: Steven J. Hansen, retirement plans; Raymond C. Linstrum, welfare plans.

Comprehensive Benefit Services Inc.

10979 Reed Hartman Highway, Suite 211, Cincinnati, Ohio 45242; 513-793-8543; fax: 513-793-8543, ext. 18

Services provided: 100% of gross revenues from benefit consulting.
Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, managed care evaluation.
Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, booklet preparation.
Other services: Includes compensation consulting, brokering.
Staff: Four total staff members; three professionals, including one CLU.
Clients: 27 total clients; 12% with 101-1,000 employees, 33% with 1,001-5,000 employees, 55% with 5,001 or more employees; 95% corporations, 5% public employer; minimum size client of 100.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour.
Principal officers: Frank A. Fiore, Eugene A. Brown and Stephen L. Hopf, principals.

Consulting Group Inc.

5 Country View Road, Suite 200, Malvern, Pa. 19355; 215-889-9100; fax: 215-889-9128

Year founded: 1972.

Continued on next page

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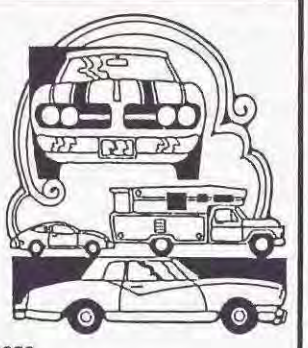

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Reliance Specialty Programs, Inc.

Continued on next page

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 10% of revenues. Includes plan design consulting, consulting on selection of investment managers.

Welfare plan consulting: 70% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible benefits plans.

Employee benefit communications consulting: 30% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Staff: 50 total staff members; 30 professionals, including one CEBS.

Clients: 60 total clients; 5% with 1-100 employees, 85% with 101-1,000 employees, 10% with 1,001-5,000 employees; 80% corporations, 20% non-profit organizations; minimum size client, 100 employees.

Compensation: By the project; by the hour: senior consultant, $150; consultant, $150; clerical, $50; account executive/programmer, $75-100.

Principal officers: Alex Johns, chairman; Harriet Hankin, president; Ruth Ringwood, executive vp; David M. Banet, senior vp.

Contact: Tamra Walton, manager-marketing/communications.

Coopers & Lybrand-Actuarial, Benefits & Compensation Group

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2000; fax: 212-642-7148

Year founded: 1961.

Services provided: 96% of gross revenues from benefit consulting, 4% of gross revenues from activities other than benefit consulting.

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

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

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

Locations: Antwerp, Belgium; Atlanta; Basel, Switzerland; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas; Detroit; Dublin, Ireland; Frankfurt, Germany; Houston; London; Los Angeles; Louisville, Ky.; Minneapolis; Newport Beach, Calif.; Parsippany, N.J.; Philadelphia; San Francisco; Seattle; Stamford, Conn.; Sydney, Australia; Syracuse, N.Y.; Tampa, Fla.; Toronto; Utrecht, the Netherlands; Washington, D.C.

Staff: 1,199 total staff members; 995 professionals.

Compensation: By the project; by the hour.

Gross revenues: $116.1 million from benefit consulting in 1990; $83 million in 1989.

International benefit consulting: Includes consulting provided through associated and member firms from the United States.

Principal officers: Jerome Y. Halperin, vice chairman/actuarial-benefits and compensation group; Reed A. Keller, partner/national director-ABC operations; Neil A. Burger, partner/national director-ABC administration; Harold Dankner, partner/national director-ABC technical services unit; James A. Hall III, regional partner-actuarial services.

Corporate Communicators Inc.

P.O. Box 393, Pleasant Valley, Conn. 06063; 203-738-0033

Year founded: 1983.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Employee benefit communications consulting: 95% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, payroll stuffers, posters, benefit letters and employee newsletters.

Other services: 5% of revenues.

Staff: Five total staff members; three professionals, including one FLMI.

Clients: 60 total clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 80% corporations, 20% non-profit organizations; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $100; consultant, $50; clerical, $15.

Principal officers: Freeman M. Butland, president.

Crosby Benefit Systems Inc.

75 Second Avenue, Suite 250, Needham Heights, Mass. 02194; 617-449-0500; 800-462-2235; fax: 617-449-2530

Year founded: 1976.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 20% of revenues. Includes plan design consulting.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation.

Other services: 70% of revenues. Includes brokering, health care and other types of claims administration.

Staff: 14 total staff members; four professionals.

Clients: 20% with 1-100 employees, 40% with 101-1,000 employees, 40% with 1,001-5,000 employees; 90% corporations, 10% municipal clients; no minimum size client.

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

Principal officers: Leanne S. Anderson, president; Harvey J. Crosby, treasurer.

Contact: Jay Hunter.

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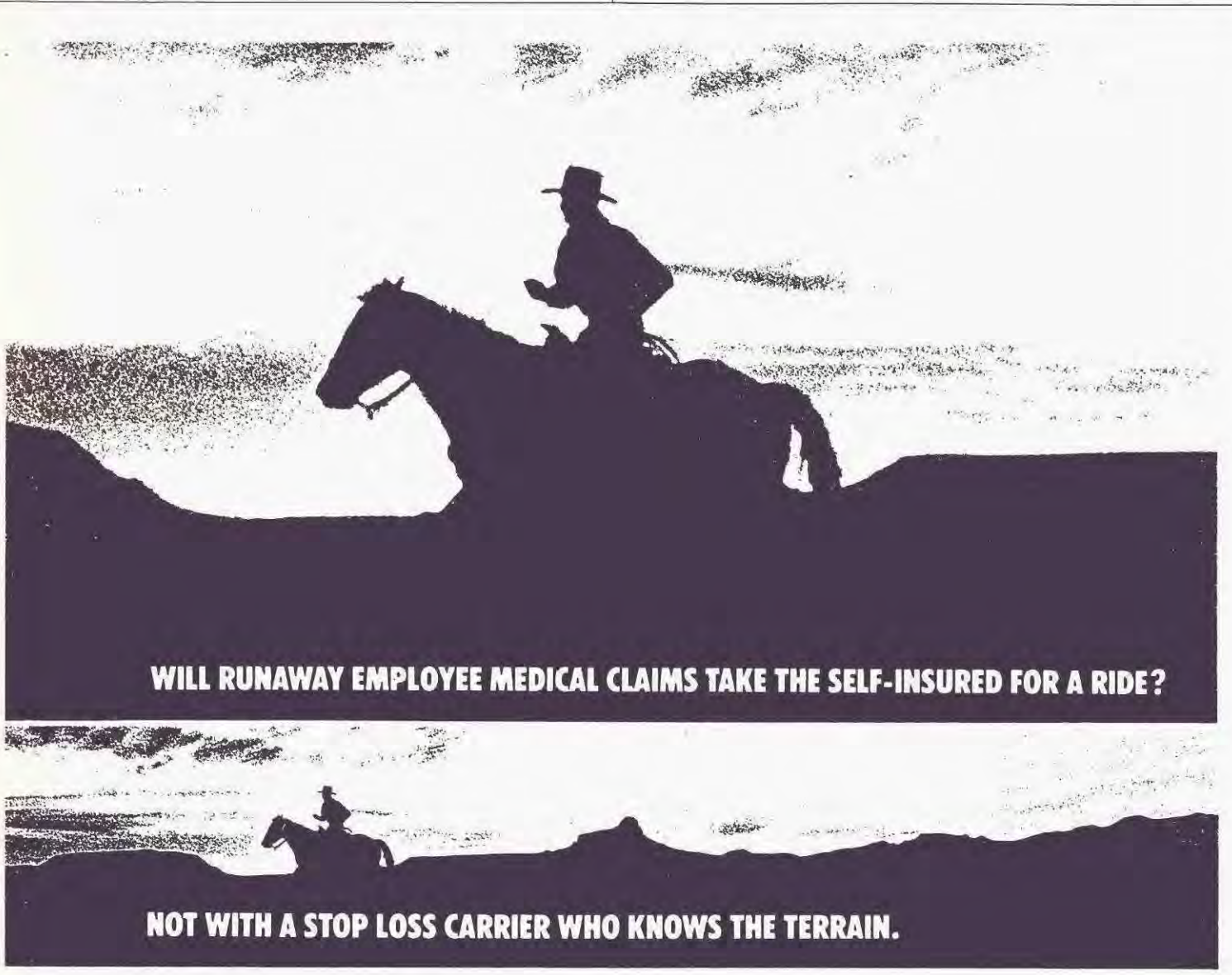

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InsurerTopics

A special editorial section sent exclusively to insurers and reinsurers

M&A forecast is frosty

Europeans stay at home, Japan waits, U.S. retrenches

By MARK A. HOFMANN

Despite a couple recent high-profile bids by Europeans for U.S. insurance companies, it's going to stay mostly quiet on the Western insurance front for several years, analysts expect.

A European invasion of the U.S. insurance market is several years away, analysts say, because they are more concerned about taking advantage of opportunities on their own continent.

And, Japanese insurers—leery of the potential liabilities under the U.S. civil justice system—are even less likely to attempt takeovers of U.S. property/casualty companies, experts say.

At the same time, U.S. insurers generally are shying away from acquisitions and instead are concentrating on getting out of unprofitable lines of business, industry analysts say. Many predict that this trend, along with staff reductions, will continue well into the decade.

The first new action in mergers and acquisitions, however, is expected to come from Europeans, some analysts say.

"I don't think there's any definite new trends in mergers in the United States," said Barbara D. Stewart, president of Stewart Economics Inc., a consulting firm in Chapel Hill, N.C.

"Most of the action will take place in Europe," she predicted. European companies will be looking for mates in other European countries as a result of the fall of trading barriers within the European Community, she said.

Ms. Stewart also pointed out that "even though there are some sizeable European companies, there aren't that many that are big enough to swallow an American company." Other than a few giants, European companies would be confined to acquiring small U.S. companies, she said.

With the Soviet bloc dissolved, European firms may also turn their attention eastward, Ms. Stewart said. "They're going to be spending more of their attention in a continent they understand," she said.

"I don't think we'll see a stepping up" of European investors seeking U.S. properties, agreed Joanne Morrissey, a principal with Firemark Consultants Inc. in Morristown, N.J.

"Most companies are waiting to see what the shakeout's going to be over here," said Ms. Morrissey, who foresees a possible rash of U.S. insolvencies due to underreserving for potential pollution exposures.

"I think there may be more interest, but I suspect it's not a massive movement into the United States," said Gloria Vogel, associate director at Bear Stearns & Co. in New York.

Ms. Vogel agreed that European insurers are looking for combinations with other European insurers and financial institutions.

But, Ms. Vogel added: "Once they're done with what they want to be in Europe, they'll probably look elsewhere, namely the United States."

Several analysts pointed to recent proposed acquisitions of U.S. insurers by European companies:

- Allianz A.G. Holding of Munich, Germany's largest insurer, plans to acquire Fireman's Fund Insurance Co. (*BI*, Aug. 6).
- TVH Acquisition Corp.—an investor group that includes Sweden's second-largest insurer, Trygg-Hansa Holding AB of Stockholm—has bid for New York-based AmBase Corp.'s Home Insurance Co. (*BI*, Oct. 8).

Insurers in Europe are definitely moving toward consolidation, said Sean F. Mooney, vp and economist for the New York-based Insurance Information Institute. As the continent moves toward economic integration, cross-border acquisitions among European companies sense, he said.

But, eventually, "I think that interest would definitely spread to the U.S.," Mr. Mooney said. "I would anticipate that the interest would increase in the next three, four, five years," he said.

European insurers with multinational clients will want a formal U.S. presence rather than going through a network "because they want to service their global customers with one-stop shopping," he explained.

Though most European insurers may not bid for U.S. companies in the short-term, "we think there's a definite trend" among Europeans to at least start considering possible U.S. acquisitions, said Alan M. Levin, a senior vp at Standard & Poor's Corp. in New York.

"As they looked around, they realized that if they're going to be a global insurance player, they've got to have a U.S. presence," Mr. Levin said.

That realization came when stock prices are low for U.S. insurers, partly because European currencies are strong and partly because U.S. issues are generally depressed, Mr. Levin said.

Udayan Ghose, senior vp at Lehman Bros. in New York, was even more bullish about European acquisitions in the United States.

Mr. Ghose noted that Europeans' desire to enter the U.S. insurance market was evident in the early 1980s.

For example, Dutch giant Nationale-Nederlanden N.V. added to its U.S. holdings by acquiring First of Georgia Insurance Co. of Augusta in 1981; Excelsior Insurance Co. of Keene, N.H., in 1983; and Indiana Insurance Co. of Indianapolis in 1985.

That ardor cooled, though, primarily because of a strengthened dollar and anticipation reduced trade barriers within Europe.

However, conditions again ap-

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Insurer Topics

M&A outlook

Continued from previous page

pear to be favorable for another wave of U.S. acquisitions by European insurers, Mr. Ghose said.

Stronger European currencies relative to the dollar, lower U.S. stock prices, a desire for U.S. beachheads and the fact that many of "the attractive dance partners" in Europe have already been snapped up will bolster that trend, Mr. Ghose said.

Ms. Morrissey predicted that rather than plucking up U.S. companies indiscriminately, European buyers will "wait to see who the strong ones are" and then take advantage of what she believes will be either declining stock values or stronger European currencies.

Ms. Morrissey did acknowledge, though, that European companies wanting to get their "foot in the door" of the U.S. market have been willing in some cases to pay higher prices than their U.S. counterparts.

Ms. Morrissey

But, as Europeans solidify their positions in the U.S. market, they'll have a "bigger foot" and gain more clout in determining the price of acquisitions, she predicted.

In some cases, the initial merger overtures may come from the acquisition targets rather than would-be buyers, she said. "Distressed companies are looking for buyers. They're looking for someone to take over for them."

While Europeans are not banging down the doors to get into the U.S. property/casualty insurance market, the Japanese have barely approached the front walk.

The Insurance Information Institute's Mr. Mooney suggested that two factors may be at work:

- The differences between U.S. and Japanese standards of liability, Mr. Mooney said. "The U.S. liability system confuses and scares them," he said. The Japanese do not want to do business under a system in which an insurer receives very little premium and is exposed to potential liabilities of tens or even hundreds of millions of dollars.

Ms. Stewart also cited Japanese concern about the unpredictability of the U.S. liability system as a reason for their reticence in courting U.S. companies. "They come from a very stable, controlled market," she said.

- A desire by the Japanese to be involved in more than one facet of an industry when they enter it.

Mr. Levin

"If they come in, they want to go in on a—and I'll use a terrible word—'holistic' basis," Mr. Mooney said. He cited as an example the recent purchase of Universal City, Calif.-based MCA Inc. by Matsushita Electric Industrial Co. for more than $6 billion.

Matsushita, which is based in Osaka, Japan, manufactures audio and video equipment as well as appliances, batteries and other products. MCA makes movies and records, and it controls broadcasting and television cable systems.

"They already had the hardware, now they have a distribution system," Mr. Mooney pointed out.

A Japanese insurer that wanted to get into the homeowners business, for example, might follow the same strategy somewhat, he said.

It would want to build the houses and sell the furniture in them as well as insuring them, he said. It also might want to provide homeowners' financing.

Of course, "all of these things take time," he said, and there might be other, more tempting investments more readily available.

The question of financing construction would be particularly thorny, because banks cannot be insurers and insurers cannot be banks under U.S. law, he said.

Firemark's Ms. Morrissey said that while Japanese companies are showing some interest in both life and property/casualty insurance in the United States, that interest has been largely confined to investing rather than acquiring.

Mr. Ghose of Lehman Bros. concurred that the Japanese are more interested in joint ventures and strategic investment than in outright ownership of American insurance companies.

While foreign companies are cautiously considering expansion into the United States, U.S. insurers seem more interested in divesting themselves of unprofitable lines of businesses than in acquiring other companies.

For example, Crum & Forster Inc. announced in April that it was withdrawing immediately from the personal lines insurance business to concentrate on commercial insurance (*BI*, April 23).

Other agency companies also have announced selective withdrawals from individual states and lines of business.

Ms. Stewart predicted that agency companies will continue to leave personal lines to focus on commercial business.

However, she noted that the trend has been developing—albeit more slowly than recently—over the past few years.

Ms. Stewart

Ms. Stewart said that many domestic insurers are undergoing "dismemberment." In trying to focus on and develop specialties, insurers are divesting themselves of unprofitable books of business while not necessarily making acquisitions that would bolster their core businesses, she explained.

Also making mergers among U.S. insurers less attractive are questions about insurers' true liabilities.

In some cases, acquiring companies have found that their new units were underreserved and that books of business that looked attractive from a distance were far from it when closely examined, Ms. Stewart said.

"The trend seems to be a focus back on core business," Bear Stearns' Ms. Vogel observed.

"Companies in good shape don't want to buy troubled markets," Mr. Ghose said.

But, there are exceptions to the general reluctance to seek acquisitions. When an acquisition can result in a strategic alliance that complements long-range strategy, an insurer might break out the checkbook, Ms. Vogel said.

As an example, she cites CIGNA Corp.'s purchase of EQUICOR Inc.—a joint venture between the Equitable Life Assurance Society of the United States and Hospital Corp. of America for marketing group health care insurance and managed care plans (*BI*, Jan. 22). The purchase solidified Philadelphia-based CIGNA's position as the largest health maintenance organization operator among commercial insurers.

But while insurers are spinning off lines of business, few expect a major consolidation among the more than 3,500 U.S. property/casualty insurance companies.

Through the first nine months of 1990, there were fewer than 10 acquisitions of U.S. property/casualty insurers, noted Ms. Morrissey.

Large-scale consolidation in commercial lines seems unlikely, the III's Mr. Mooney said. "It's hard to see the economic forces" that would bring about an oligopolistic situation in the commercial lines marketplace, he said.

Such consolidation likely will take place only on a limited scale, said S&P's Mr. Levin.

The U.S. marketplace will not become like the insurance marketplace in Japan, where about 20 companies vie for the nation's business, because few U.S. market-entry barriers will always attract new entrants, Mr. Levin explained.

For example, many analysts pointed out that the price of admission to the U.S. insurance market is low compared with other endeavors.

Mr. Ghose

A National Hockey League franchise, for instance, carries a minimum price tag of $50 million, but an insurer can meet state capital and surplus requirements for a fraction of that amount.

Analysts also noted that regional and local companies have no reason to merge with larger companies because they have strong market niches and a fierce desire to remain independent.

In fact, "possibly as the national agency companies pull back from personal lines, some of the regionals would move in" and improve their own market positions, Mr. Mooney pointed out.

Regional companies often attract greater loyalty than national companies, said Firemark's Ms. Morrissey. As "local people," rather than a faceless entity, regional companies sometimes can get customers to accept higher prices than national companies could, she said.

Regional companies also often have a better understanding of local underwriting conditions than national companies, she said.

In addition, Ms. Morrissey said that companies that do not market through independent agents—such as State Farm Mutual Automobile Insurance Co. of Bloomington, Ill., and San Antonio, Texas-based United Services Automobile Assn.—will continue to "gain immeasurably" in personal lines market share from the national property/casualty companies that are withdrawing from these lines.

However, Ms. Morrissey does not think a reduction in the number of insurers would be a bad thing.

"We have far too many insurance companies. It's not necessary and it's not really healthy," because it hampers effective regulation and confuses customers, she explained.

And, Ms. Morrissey expects the number of U.S. insurers to shrink somewhat in the near future. Underreserving for potential pollution claims could trigger a series of insolvencies, she said.

However, Ms. Morrissey added, reinsurance recoverables might not be as big a problem for large insurers as they will be for smaller companies. "Security has become a much more serious concern" for major insurers, she said. Large companies are now insisting on a higher quality of reinsurance than they did a decade ago, Ms. Morrissey said.

Analysts also pointed out that as companies withdraw from businesses they no longer find attractive, they will have to cut staffs.

"Insurance companies are notorious in the good times for a lot of individual perks and for adding to staff. In the bad times, they cut staff," Ms. Morrissey said.

"If they did it right the first time out, they wouldn't have to constantly restructure," she added.

"I think the industry has been clearly overstaffed, and that's been true throughout the financial services industry," said Lehman Bros.' Mr. Ghose.

But insurance companies have been hit unusually hard by poor earnings, a cash flow squeeze and "significant asset quality difficulties," he said. In addition, disappointing real estate investments and a diet of junk bonds will force insurers to cut staff, he said.

"When times are good they hire and expand, and when times get bad they look for fat to cut and go on these kinds of crash diets" by laying off employees, Ms. Stewart said. ■

'Talent Bank' helps ease pain of layoffs

By MARK A. HOFMANN

HARRISBURG, Pa.—The sting of company layoffs can radiate to impair the performance of remaining workers, but one insurer has an analgesic.

Faced with the task of cutting its workforce by about 15% earlier this year, Harrisburg, Pa.-based Pennsylvania National Mutual Casualty Insurance Co. created a "talent bank" to help laid-off workers find new job opportunities both within and outside of the company.

"The way a company treats people when they have to let them go reflects on the way a company treats them while they're here," observed Robert Joswick, vp-human resources for the insurer.

"It sends a message to the employees who stay," as well as to those who are laid off, said Mr. Joswick, who served on a five-member "human resources committee" that oversaw the cuts.

Penn National currently operates in nine Middle Atlantic and Southeastern states stretching from Pennsylvania and New Jersey to Alabama and South Carolina.

The regional insurer hired McKinsey & Co., a management consulting firm in New York, to conduct an "activity value analysis" at Penn National's headquarters last winter to help the company reduce costs.

Mr. Joswick

"We wanted to look at tasks that were performed, and thus look at tasks that could be eliminated," explained Susan Griffith, director of rehabilitation for the company's claims division, who was the administrator of the talent bank.

"We knew going into the study that we would be eliminating some jobs," Mr. Joswick said, either by eliminating the position or combining with one person duties formerly handled by two or more people.

Both Mr. Joswick and Ms. Griffith emphasized that employees were not laid off due to incompetence. It was the job, not the person, that was expendable.

At the end of 1989, Penn National had about 350 employees in its home office in Harrisburg, according to Mr. Joswick. But, the McKinsey study indicated that 51 positions at the headquarters—ranging from "very high-level" management to the cleaning crew—could be eliminated, he said.

The human resources committee began examining ways to handle the cuts. In addition to Mr. Joswick, the committee consisted of:

- John L. Longnaker, Penn National's president and chief executive officer.
- Marlin T. Wilburt, senior vp-personnel and claims.
- C. Rand Golletz, vp with personal lines responsibilities.
- A McKinsey representative.

Mr. Joswick said that while not all committee members participated together in all decision-making meetings, he and the two senior officers were almost always involved.

Senior management support was critical, Ms. Griffith said. "If top management is not committed to this, it will never fly."

The committee agreed that two of its goals were to keep as many current employees with the company as possible by offering them comparable positions elsewhere in the company and to help others find work with other employers.

The committee decided to create a talent bank that would match employees whose positions had been eliminated with other positions in the company that were open.

Penn National had planned ahead for this and in late January instituted a hiring freeze so that normal attrition would create job openings, Mr. Joswick said. The insurer knew that the plan would not be easy to work with, because positions that became vacant might have to be left open for three months, he said.

Employees whose jobs had been eliminated were advised of the decision and referred to the talent bank on April 27. They also were given 90 days with full pay and benefits.

The talent bank was designed to last only three months—through July 31—but some jobs were not eliminated until as late as the fall, Ms. Griffith pointed out. Those employees, though, were "not penalized" and could still draw upon the help of the talent bank, she said.

As talent bank administrator, Ms. Griffith set up interviews with all affected employees within a week of the announcement of the cuts. The initial interviews allowed employees to vent their frustrations and deal with the shock of being laid off, she explained.

Then, in subsequent meetings, employees were given skills assessments, followed by help in writing resumes and setting up interviews for jobs inside and outside of the company.

The strategy paid off. Twenty-eight of the 51 employees who were laid off—or nearly 55%—found work within the company, he said.

Mr. Joswick said that the aim of

Continued on page 36D

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Insurer Topics

Penn National

Continued from page 36B

the internal placement approach was to find people jobs comparable to the ones they previously had held.

For example, professionals were not expected to accept jobs washing windows, he said. And, some employees moved into positions that paid better than their previous positions had, Mr. Joswick said.

Ms. Griffith and Mr. Joswick also helped the remaining laid-off Penn National workers search for work at other companies.

Ms. Griffith pored over want ads and contacted other area employers to find opportunities for the laid-off workers.

Mr. Joswick contacted other members of the Harrisburg Area Personnel Assn., a group of local human resources professionals.

"As the word got out, there were people from insurance agencies who called" looking for individuals with experience in certain lines of business, he said.

Ms. Griffith

Ultimately, eight employees —or about 35% of the 23 people who did not find positions within Penn National—found new employers through the talent bank, Mr. Joswick said.

Four more launched businesses of their own, including a daycare center, he said.

By mid-November, only 11 of the Penn National workers whose positions had been eliminated—or slightly less than 22%—remained unemployed, he said.

Those individuals received full severance benefits, as did those who found jobs outside Penn National—which was a departure from company policy, Mr. Joswick said.

Under company policy, if an employee who is terminated finds new work while still on the company payroll, the employee would be entitled only to accumulated vacation pay.

However, the company estimates that the talent bank saved more than $300,000 in severance costs by placing workers within the company, as well as an undetermined amount of unemployment compensation.

Both Ms. Griffith and Mr. Joswick said that there were psychological benefits for the company as well.

"The best thing about it for me personally is that I've had people come up to me and say that although they were devastated about losing their jobs, the jobs they have now are ones they never would have thought they had the opportunity to apply for," Ms. Griffith said.

"I think it makes the people who stay feel better" about how the company would treat them in a similar situation, Mr. Joswick said.

"People often say our employees are our most valuable resource," he observed. But if companies do not back up that commitment with help in times of staff reduction, "the words are nothing but rhetoric," he said.

"I really believe that when you're in a position to help people and you do so, others take notice," Mr. Joswick said. ■

Insurer buys LTD books to bolster its specialty

By MARK A. HOFMANN

PORTLAND, Maine.—UNUM Life Insurance Co. is building its group long-term disability insurance business through acquisitions.

In the United States, UNUM is acquiring blocks of business while abroad it bought two insurance companies to get the long-term disability business it wanted.

With the recent acquisitions of two British insurers, the Portland, Maine-based subsidiary of UNUM Corp. also gained a beachhead for further penetration of the European market.

UNUM Life, with $4.7 billion in assets, "formalized its commitment" to block acquisitions in 1989, according to Jean Mattimore, UNUM Life's second vp of specialty and group insurance operations business development.

UNUM Life in 1989 already was the nation's largest provider of group long-term disability insurance and decided to build upon that book of business by acquiring the long-term disability books of business of other companies, she said.

UNUM Life's decision to pursue block acquisitions reflected "an intensifying industry trend to focus on core businesses," Ms. Mattimore explained.

All individual companies in all industries are "trying to focus capital on areas where companies have experienced the most return," she said.

UNUM Life began doing business in the 1840s as Union Mutual Life Insurance Co. But, the company's officers decided in the late 1980s to stop selling new individual life insurance policies and focus their efforts on long-term disability insurance, which Ms. Mattimore described as a "long-term, high-risk complex business."

Long-term disability insurance is the kind of business that not all companies want to be involved in, she said. As part of its growth strategy, UNUM Life decided that it would buy whole blocks of other companies' long-term disability insurance.

The company is willing to buy both active blocks of group long-term disability insurance and closed claim blocks, Ms. Mattimore said. Closed claim blocks are "blocks in which no active policyholder relationship exists," she explained.

"These are blocks of claims that remain with one carrier when the policyholder moves to another carrier. In these situations, often called reserve buy-outs, one company assumes the assets—usually cash—and the liabilities of the block with an assumption reinsurance agreement from the existing carrier. In the case of an insolvency, we work with the guarantee association involved," Ms. Mattimore said.

Companies with long-term disability business "might not always be thinking about the closed claim block" in terms of reaping a financial benefit, Ms. Mattimore said.

"The benefit to the existing carrier comes from the fact that, because of UNUM's experience in this business and the size of the data base from which it draws, UNUM may value the reserves re-

Continued on next page

January

Consumer Relations

BI editors kick off the new year with coverage of the insurance industry's image. How can insurers change consumers' views from negative to positive? They'll report on the steps insurers are taking — from improving customer service and lobbying for more favorable legislation to improving relations with their customers.

Issue: January 21
Ad Closing: January 9

February

Combating Fraud

Fraudulent claims. They cost insurance companies millions of dollars anually. BI editors report on how insurers are using their special investigative units to work with state and local authorities to uncover devastatingly expensive schemes.

Issue: February 18
Ad Closing: February 5

March

Insurer-Agency Relations

Today's soft market continues to put unique pressures on insurers and agents. BI editors will report on what insurers expect from their agents as well as how each side is looking to the other to prepare for a turn in the market.

Issue: March 18
Ad Closing: March 6

IT Insurer Topics

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Continued from previous page

quired on the block at a lower level than the existing carrier has, thereby allowing the existing carrier to release reserves.

"It allows the existing carrier to free up the resources used in this business and to direct them to their core business. If this can be done and still provide an adequate return to UNUM, then the transaction is successful for both parties," she said.

UNUM Life has made several block acquisitions during the past year, she said. These included acquiring:

- An active block of long-term disability business worth about $3 million in premiums from Philadelphia-based Provident Mutual Life Insurance Co. of Philadelphia.
- A closed block of claims representing approximately $1 million in reserves from insolvent American Mutual Insurance Co. of Boston and American Mutual Liability Insurance Co.
- A closed block of claims from a self-insured entity, which Ms. Mattimore declined to identify.
- A closed block of long-term disability claims from the Long Grove, Ill.-based Kemper National Insurance Cos. last month. Neither UNUM Life nor Kemper would disclose the amount of reserves established for the claims.

While UNUM Life has bought blocks of business spun from other domestic insurers to build up its U.S. long-term disability insurance business, it entered the British market by buying an entire insurance company to obtain its "permanent health insurance" book—the British equivalent of the U.S. long-term disability insurance market.

Ms. Mattimore

UNUM then put the rest of the acquired company on the auction block.

UNUM Life began "evaluating growth opportunities" about four or five years ago, according to Janet Whitehouse, second vp in charge of planning and development for related businesses.

The company decided to examine the possibility of launching international operations, an area in which its only experience had been in Canada.

UNUM Life planners evaluated many criteria for overseas acquisitions, including market size, market potential and the regulatory and economic environment.

The United Kingdom and some areas of the Pacific Rim offered the most attractive opportunities, she said. The size of the United Kingdom's private disability insurance market is surpassed by only the U.S. market, making it a logical point of penetration, she said.

"In the United Kingdom, we determined that acquisition would be our preferred strategy," she said.

UNUM Life announced its decision to launch a British operation Nov. 21, 1989. Ward I. Graffam, the insurer's vp-international development, was named president and managing director of the U.K. operation, UNUM European Holding Co. Ltd.

Ms. Whitehouse said that examination of the U.K. long-term disability insurance market pinpointed one very attractive potential acquisition: National Employers Life Permanent Health Insurances Ltd., a subsidiary of National Employers Life Assurance Holding Co. Ltd., both of which were based in Dorking, a city south of London.

NELPHI was "the clear leader" in the British market, accounting for about 40% of the nation's permanent health insurance business, she said. NELPHI's closest competitors had market shares of less than 10%, she said.

However, NELPHI's owner, London-based Invesco MIM P.L.C., wanted to sell both NELPHI and NEL "as a package," she said.

NEL had about 500 employees and reported total premiums of about $197 million in 1988.

UNUM Life agreed to buy the whole package, even though NEL's businesses involved some that were not part of UNUM Life's strategy, namely individual life insurance policies and mortgages.

"After pretty intense strategic review with the NEL management, we determined that there were two very different businesses," Ms. Whitehouse said. "The group long-term disability business is really risk management, and the other products are investment management," she said.

UNUM Life in May purchased NEL for about 40 million pounds ($65.3 million at appropriate exchange rates). On Aug. 1, UNUM Life completed the purchase of NELPHI for approximately about 28 million pounds ($52 million at appropriate exchange rates), bringing the total cost of acquiring the two British companies to roughly $117.3 million.

Ms. Whitehouse said that NELPHI will retain its name because "there are a lot of benefits" in doing so, including widespread name recognition.

However, NELPHI will not retain its relationship with the rest of the NEL organization for long.

UNUM Life put NEL's individual life insurance, mortgage and annuity business up for sale on Sept. 26. No buyer has yet emerged.

Although the company's preference is to become established in the United Kingdom first before seeking continental acquisitions, UNUM Life will not turn its corporate back on the right acquisition if it should appear, she said. ■

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Insurer Topics

Global deals create protocol minefields

Much of the world may be on its way to becoming a global community, but there are still enough differences among its neighborhoods that unprepared businesspeople can easily make a serious faux pas without realizing it.

As a result, insurers with international operations are forced to assume the role of protocol officers for staff and clients.

"In terms of business dealings, you've got to start with the very basics," said Kent Miller, vp-underwriting for Philadelphia-based CIGNA Worldwide Inc., a unit of CIGNA Corp.

"For example, in Japan, you can't expect to go in and cut a deal with a single meeting," Mr. Miller said.

Some U.S. managers, accustomed to hard-knuckle, high-speed bargaining that yields immediate results, can find the Japanese way of doing business with repeated meetings and ritual politeness "very frustrating," Mr. Miller commented.

Schaumburg, Ill.-based Zurich International—U.S., a division of Zurich-American Insurance Group, a subsidiary of Zurich, Switzerland-based Zurich Insurance Co., established a "Japan desk" this summer to help Japanese companies doing business in the United States and U.S. companies doing business in Japan overcome cultural barriers.

In Japan, you can't expect to go in and cut a deal with a single meeting, says CIGNA's Mr. Miller.

The desk is staffed by Taka Miyake, a Japanese citizen with international brokerage experience.

"We felt we had to have a Japanese national to speak the language, both literally and figuratively," said Thomas H. Hite, president of Zurich International.

Mr. Hite said that language differences are not a major problem for multinational insurers because English has become the international business language.

However, while top executives tend to speak English, "the issue of language comes up when you get behind the front line and into the back room," Mr. Hite said.

For example, although mathematics is a truly universal language, getting non-English speaking electronic data processing people to understand the nuances of automating a business program developed in English can be difficult, he said.

To ease cultural differences, the senior officials worldwide of a company with international operations should meet on a regular basis, he recommended.

Mr. Hite noted that he and his counterparts within Zurich International hold such meetings twice a year.

Even when business people from different countries share a language, subtle cultural differences can ruffle feathers.

For example, Janet Whitehouse, second vp of planning and development for related businesses for Portland, Maine-based UNUM Life Insurance Co., described how such a misunderstanding occurred after the UNUM Corp. unit acquired National Employers Life Assurance Co. Ltd. of Dorking, England (see related story).

UNUM Life decided to leave local management in place but sent a U.S. manager to the United Kingdom to help with the ownership transition.

Some British managers were taken aback by what they regarded as the American's overly informal style, Ms. Whitehouse said.

The American's philosophy of "management by walking around" —stopping to talk to employees regardless of the nature of their jobs and having lunch with employees —didn't sit well with some British managers.

Ms. Whitehouse said that it took some time for the British to accept the practice as an appropriate management tool.

Zurich International's Mr. Hite also recommends that Americans be prepared for more formal management styles when dealing with foreign colleagues.

"I never quite get used to the fact that one person can work with another for 10 years and they still call each other 'Mr.' ," Mr. Hite said.

—By Mark A. Hofmann

January

February

March

Errors & Omissions

Agents and brokers are using many methods to reduce the potential for errors and omissions claims. BI editors will report on examples of how agents and brokers can review their operations and implement loss prevention programs. Plus, they'll provide tips on how to select the right E&O insurer for a particular agency or brokerage.

Issue: January 7
Ad Closing: December 20

Financial Planning/Life Insurance Sales

Expanding to new business categories may be an attractive option for many agents pressured by low property/casualty rates. Financial planning services and life insurance sales are just two options. Can all agents turn to these areas — or should these be pursued by only a few, specialized agencies? Editors will talk with agents who have successfully built up business in these categories.

Issue: February 4
Ad Closing: January 23

Agency-Insurer Relations

What are agents expecting from their insurers and vice-versa? BI editors will focus on the special pressures agencies and insurers exert on each other as a result of the continuing soft market. And, they'll look at how each side relies on the other to prepare for a change in market conditions.

Issue: March 4
Ad Closing: February 19

Agent Broker Topics

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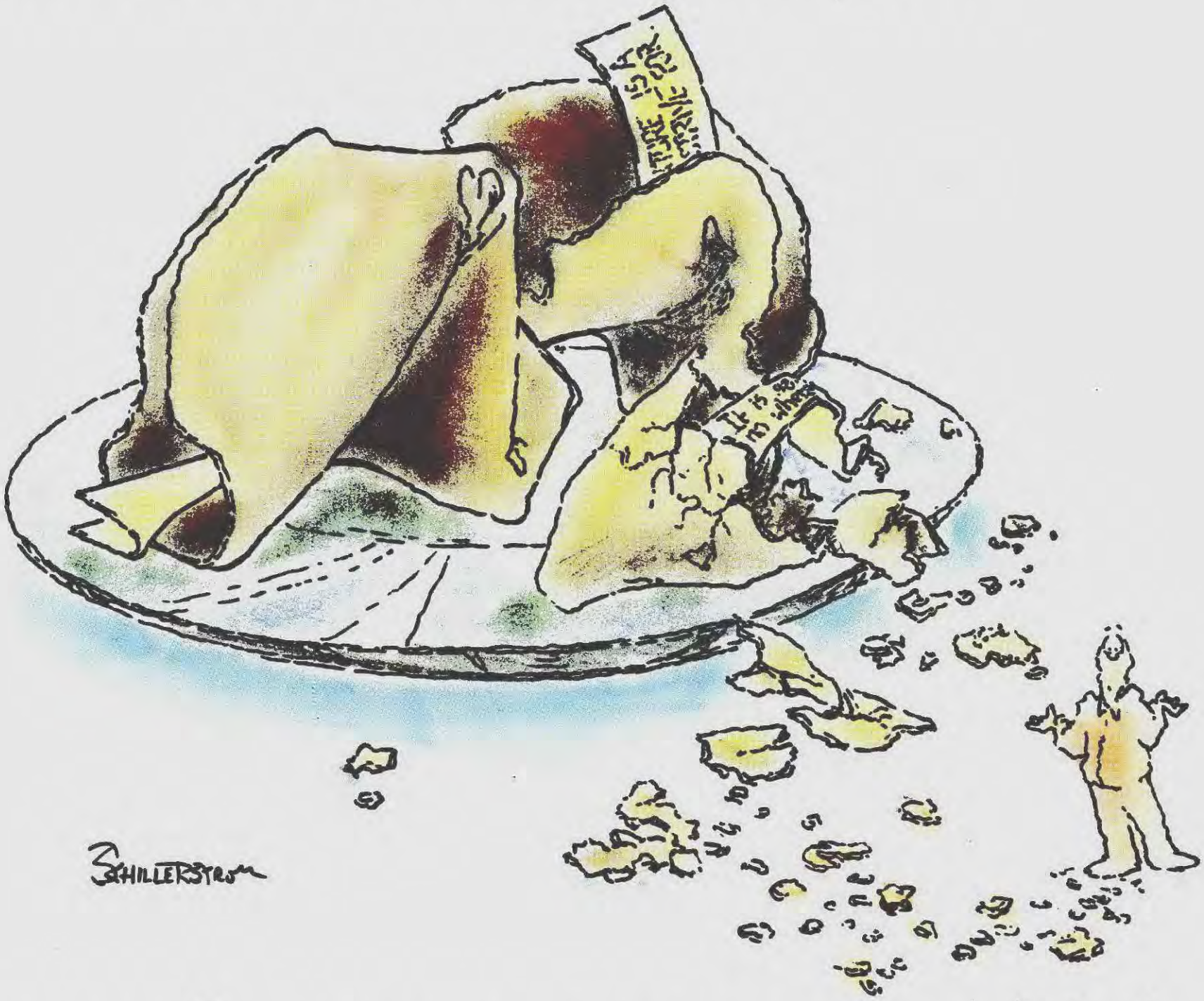

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Insurer Topics

Fault-based auto system costly: Study

By MARK A. HOFMANN

OAK BROOK, Ill.—A dramatic increase in the number of automobile bodily injury claims during the 1980s while physical damage claims declined is the best proof to date that fault-based auto liability systems are driving up auto insurance premiums, reports a new study.

The number of bodily injury claims per 100 automobile property damage claims increased by 29.7% during the 1980s, according to a study released last week by the Oak Brook, Ill.-based Insurance Research Council.

At the same time, there was a 12% drop in the frequency of third-party property damage claims during the same period in the 37 states with primarily fault-based auto liability systems.

This development is "paradoxical," because automobile "property claims are much more numerous than injury claims and are a better measure of trends in the underlying number of accidents available to generate insurance claims," according to the study, "Trends in Auto Bodily Injury Claims."

The study's authors believe the disparity suggests "strongly that rising bodily injury liability claim frequencies are due primarily to changes in claiming behavior, rather than increases in accident frequency or severity."

In fact, according to the study's authors, the increase in automobile injury claims "runs counter to other developments affecting automobile accidents and their consequences."

Many states enacted seat belt laws during these years, resulting in substantial increases in seat belt use. Seat belts reduce the number and severity of injuries in auto crashes, especially low-speed crashes typical of those occurring in urban areas. Nevertheless, some of the highest bodily injury claim frequencies and largest increases were recorded in urban areas.

"I think the main significance of the study is that it gives us the clearest documentation yet of the reason for sharply rising automobile insurance costs in certain states and cities," said Donald W. Seagraves, executive director of IRC.

"In other words, the rise is not a general phenomenon so much as a trend that's driven by claimant behavior. We have seen a dramatic change in claimant behavior, most of it in the last four years, in states like California, Arizona, Louisiana and South Carolina. It's no coincidence that those are the places where we've seen the most significant consumer unhappiness and efforts to mandate simplistic solutions like rate rollbacks," he said.

The states Mr. Seagraves mentioned that reported the greatest ratio of bodily injury claims per 100 third-party property damage claims in 1989 were:

- California, 55.7%, compared with 31.1% in 1980.
- Arizona, 42.9%, compared with 30.6% in 1980.
- Louisiana, 42.7%, compared with 30.6% in 1980.
- South Carolina, 41.1%, compared with 28.2% in 1980.

All four of those states have primarily fault-based auto liability insurance systems.

States with tort and so-called "add-on" systems, in which insurers are required to offer certain no-fault coverages without changes in the underlying tort system, reported an average ratio of 30.5 personal injury claims per 100 property damage claims in 1989, a 29.8% increase from the 23.5-to-100 ratio reported in 1980. The percentage increase among these states ranged from California's 79.1% to Vermont's 0.6%.

The increase in frequency of bodily injury claims per 100 property damage claims was even more dramatic in states with no-fault systems, but the overall ratios in those states generally were lower than in states with fault-based systems.

Among states with "low-dollar threshold" no-fault systems—or those that allow third parties to sue if they or their automobiles sustain a relatively low amount of injury or damage—the ratio increase was more dramatic.

For example, the three states with low-dollar thresholds—$500 or less—recorded a growth of more than 100%, with Massachusetts registering the highest growth rate of any state—128.6%.

The average ratio for Massachusetts, Georgia and Connecticut combined climbed to 22.7 bodily injury claims per 100 property claims in 1989 from 11.3 per 100 in 1980.

However, Massachusetts' ratio of 30.4 bodily injury claims per 100 property damage claims—the highest among the three states—was slightly lower than the 30.5-to-100 ratio on average reported by states with fault-based systems.

The states with the high-dollar threshold no-fault systems also registered a high growth rate in the ratio of bodily injury claims to property damage claims, although the ratios remained low relative to those of states with fault-based systems or no-fault systems with low dollar thresholds. Indeed, as a group, the states with high-dollar thresholds had the lowest average ratio of bodily injury claims to property damage claims.

Taking together Colorado, Hawaii, Kansas, Minnesota, North Dakota and Utah, which have dollar thresholds between $2,000 and $7,000, the average number of bodily injury claims per 100 property damage claims grew 47.9% to 10.5 in 1989 from 7.1 in 1980.

However, most of the states in this group have relatively low population densities and few large urban areas.

The study authors note that a relatively high ratio of bodily injury claims per 100 property damage claims should be large in states with low thresholds but should drop as the threshold increases.

"Over time, however, the dollar threshold has eroded as medical cost inflation increased the amount it costs to treat a particular injury. Therefore, if the dollar threshold remains unchanged over time, the number of (bodily injury) claims will increase over time."

New York and Michigan, which have strong verbal no-fault thresholds—which spell out the level of bodily injuries or physical damage a person must sustain before he or she can sue—reported the lowest and fourth-lowest increases in bodily injury claim frequency, respectively.

New York's ratio held steady at 11.5 bodily injury claims per 100 property damage claims during the 1980s.

Michigan reported an 8.6% increase of bodily injury claims to 6.3 from 5.8 in 1980.

Florida, another state with a verbal threshold, reported a 62.1% growth in the number of bodily injury claims per 100 property damage claims to 15.4 in 1989 from 9.5 in 1980.

However, although the Florida threshold allows lawsuits for permanent injury, it does not specify that the injury must be serious, noted a 1986 study by the Alliance of American Insurers, the American Insurance Assn., the National Assn. of Independent Insurers and State Farm Mutual Automobile Insurance Co.

The authors of the new IRC study wrote that the previous study, "The Use of Verbal Threshold Under the Florida Act Reparation System," showed that "a substantial number of claims in the state of Florida were for very low degrees of disability, such as 0% to 10%, with the majority of the claimants never being hospitalized. The data seem to indicate that the effectiveness of the Florida no-fault law is gradually being eroded."

The IRC study also found that regardless of the type of automobile insurance system in use, there was a consistently higher ratio of bodily injury claims per 100 property damage claims in urban areas.

For example, a comparison of NAII data for the 1985-87 period, also presented in the IRC report, showed that:

- While Pennsylvania—a state with a fault-based system—had an overall ratio of 20.9-to-100, Philadelphia had a ratio of 75-to-100.
- In New York, a verbal threshold state, the ratio was 11.4-to-100. But, portions of the Bronx borough of New York City had a 30.3-to-100 ratio.
- In Florida, the ratio was 17.1-to-100. But, the city of Miami had a ratio of 37.5-to-100.

The ratios in the NAII comparison do not mesh perfectly with those used in the IRC report because of a different mix of reporting companies.

•

Single copies of "Trends in Auto Bodily Injury Claims" cost $7.50 and can be ordered from the Insurance Research Council, 1200 Harger Road, Suite 310, Oak Brook, Ill. 60521; 708-572-1177.

Auto thefts on the rise: Survey

By MARK A. HOFMANN

PALOS HILLS, Ill.—Rural communities were the only areas to experience a decrease in automobile thefts during the first six months of 1990, a recent study shows.

Analyzing FBI data, the Palos Hills, Ill.-based National Automobile Theft Bureau found that vehicle theft increased 6% nationwide during the first six months of 1990 compared with the corresponding period of 1989, according to NATB President Paul Gilliland.

Cities with a population of 50,000 or more experienced an increase of 7%, suburban areas experienced a 5% increase, as did smaller cities, and rural areas registered a 2% decrease, the NATB study reported.

Mr. Gilliland noted that the FBI's preliminary "Uniform Crime Report" for the first six months of the year showed that the incidence of three other major property crimes declined during the same period. Larceny declined by 1%, arson declined by 3% and burglary declined by 5%.

The largest increases in vehicle theft were registered by cities in the Southwest. For example, Phoenix experienced an increase of 69.6% to 8,051 thefts in the first half of 1990 from 4,747 during the same period a year earlier. Austin, Texas, reported a 61.9% increase to 1,606 during the first half of 1990 from 992 a year earlier. Tulsa, Okla., reported a 60.5% increase to 4,071 thefts in 1990 from 2,536 thefts a year earlier.

The only other city studied that reported an increase of more than 60% in vehicle thefts during the first six months of 1990 compared with a year earlier was Baton Rouge, La. The Louisiana capital reported 1,447 thefts during the first six months of 1990 compared with 879 thefts during the same period of 1989, or an increase of 64.6%.

In contrast, the Northeastern city reporting the greatest increase in theft was Baltimore, with a 36.3% increase to 4,573 incidents during the six-month period of 1990 from 3,355 incidents during the same period a year earlier. And Kansas City, Mo., which had the largest increase among Midwestern cities, registered a 37% increase in thefts with 1,393 reported thefts during the first half of 1990 compared with 1,017 during the same period of 1989.

Portland, Ore., reported the largest decrease in the number of reported vehicle thefts during the first six months of 1990 compared with the same period a year earlier. Portland's 1990 thefts fell to 2,779 compared with 3,462 a year earlier, a decrease of 19.8%.

Four other cities reported decreases of 15% or more: Albuquerque, N.M., with an 18.9% drop; Sacramento, Calif., down 16.6%; Boston, down 15.4%; and Jersey City, N.J., also down 15.4%.

IT briefs

Reinsurance advisers

CHICAGO—A group of reinsurance consultants recently formed a new association to promote professionalism and education within their industry.

The Assn. of Independent Reinsurance Consultants is open to independent consultants specializing in underwriting, management, claims, accounting, actuarial science and other reinsurance fields.

Although no officers have yet been elected, Ronald A. Jacks, a partner with the Chicago-based law firm Mayer, Brown & Platt and former president of the Washington, D.C.-based Reinsurance Assn. of America, has been named counsel to the association.

For more information, contact Susan Fletcher, Fletcher Consulting Services, 1264 N. Streamwood Lane, Vernon Hills, Ill., 60061-1223; 708-680-8533.

New IEF director

INDIANAPOLIS—Nancy Coleman was appointed executive director of the Insurance Education Foundation last month.

The IEF, which is affiliated with the Indianapolis-based National Assn. of Mutual Insurance Cos., is an insurance industry-supported organization created to teach the public the fundamentals of insurance (*IT*, Aug. 20). The foundation created the Choice-Chance-Control teaching kit for use in high schools and provides funding for a two-week workshop on insurance for high school teachers.

Ms. Coleman, a former secondary school business teacher, most recently was finance director for the Indiana Republican Party.

Health care fraud

WASHINGTON, D.C.—Larry D. Morey has been elected chairman of the Washington, D.C.-based National Health Care Anti-Fraud Assn.

Mr. Morey, assistant inspector general of the U.S. Department of Health and Human Services, will succeed R. James Guzzi as chairman of the group on Jan. 1. ■

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Business Insurance

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Meridian Band Building, Suite 706, Easton, Pa. 18042; 215-250-0660

Year founded: 1979.

Services provided: 38% of gross revenues from benefit consulting, 62% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 15% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 8% of revenues. Includes benefit statement preparation, booklet preparation.

Other services: 62% of revenues. Includes brokering, general management consulting.

Staff: Four total staff members; two professionals, including one MBA.

Clients: 80 total clients; 22% with more than 500 employees, 78% with fewer than 500 employees; 50% corporations, 25% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour: senior consultant, $125; consultant, $75; clerical, $35.

Principal officers: Carl A. Curcio Jr., president/owner/chief executive officer.

D

Deloitte & Touche, Actuarial, Benefits & Compensation Consulting

1 World Trade Center, New York, N.Y. 10048; 212-839-6300; fax: 212-839-6314

Year founded: 1947.

Services provided: 76% of gross revenues from benefit consulting, 24% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 55% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 24% of revenues. Includes compensation consulting, health care and other types of claims administration.

Locations: Boston; Chicago; Dallas; Detroit; Hartford, Conn.; Los Angeles; Minneapolis; New York; San Francisco; Washington D.C.

Staff: 300 total staff members; 250 professionals, including 18 FSAs, 14 ASAs, 10 MBAs, 11 CEBS, two CLUs, five CPCUs, 10 CPAs, two attorneys, 32 EAs, 36 MAAAs.

Clients: 10% with 1-100 employees, 80% with 101-1,000 employees, 10% with 1,001-5,000 employees; 90% corporations, 10% public entities.

Compensation: By the project; by the hour: senior consultant, $90-140; consultant, $80-100; clerical, $40-50.

International benefit consulting: 2% of revenues. Includes consulting via overseas correspondents, consulting from the United States.

Principal officers: David E. Dresner, national director; Adrien Theriault, Susan Achenbach, Timothy Garmager, Keith Swenson, Leon Smith, Jack Broesamle, Mark Sobel, Jan Lommele, Brian Cameron, Eileen Raney, Robert Starkey, Bruce Bengston, Richard Berens, Robert Ingram, F. Jay Lingo, Steven Ogren, Aimar Ayala, Donald Behan, Frank Buck, Robert Nadel, Jeremiah Riddle, Barry Barnett, partners; Richard Howell, Richard Davenport, Frank Glassner, Gregg Schneider, James Verlautz, directors.

Contact: Debra L. Newkirk, 617-261-8000.

E

Empire Professional Services

1475 Winton Road N., Rochester, N.Y. 14609-5894; 716-654-7150; fax: 716-654-8952

Year founded: 1970.

Parent company: Blue Cross & Blue Shield of the Rochester area.

Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.

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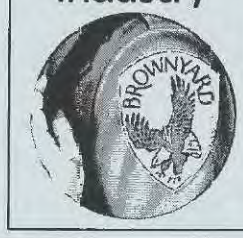
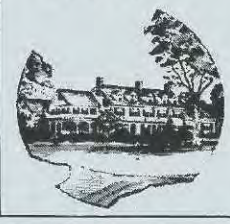
Brownyard is poised for the 90's:

Secure Markets for the Security Guard Industry



Strong Markets for Private Country Clubs



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Revamp compensation strategy

Let workers choose mix of pay, benefits

By Lance Tane

PHYSICIANS OFTEN WARN patients that certain aspects of their lives—smoking, obesity, improper diet, sedentary living—can endanger their health. Even though they may feel fine now, these individuals are likely to develop a severe illness or die prematurely if they don't alter their patterns of behavior.

As an employee benefits consultant, I am called in as a "physician" for ailing employee benefits programs. I help managers maintain the "health" of their benefits programs and, when there are problems, I try to "diagnose" and "cure" them.

In recent years, employee benefit programs have persistently suffered from a malady called "benefits cost inflation." While we have made and continue to make progress in treating this problem, we have not yet found—and may not find—a cure.

Increasingly, I am coming to believe that we must go beyond superficially "treating" benefits cost inflation and focus instead on changing our entire benefits "lifestyle."

Historically, benefit programs grew from a combination of corporate paternalism and the desire to maximize employees' non-taxable compensation. In most companies, benefits grew by accretion—a little added here and there over the years. And, once in place, benefits were usually left there, whether they were used by employees or not.

When trying to exercise control over skyrocketing costs, managers typically scaled back benefits programs in much the same way—a premium increase here, a higher deductible there. What is lacking is a thorough conceptual approach—an understanding of the long-term cost potential and a rethinking of the full extent of employers' benefits commitment.

This has begun to change in one area, which provides some indication of what the cost potential for future benefits can be. Many companies are now evaluating the liabilities they undertook by promising to provide health care for employees when they retire. This evaluation is prompted by the Financial Accounting Standards Board's new rule on how to account for these liabilities in company financial statements.

Management is finding that the long-term potential costs can be staggering. At one major corporation with 9,000 employees, for example, the post-retirement liability would be $120 million with an increase in annual expense of almost $25 million.

Similar potential exposure lurks in other areas, as well, and frequently arises from changes outside of managers' control. More sophisticated medical technology, for example, increases the length and cost of health care treatment while also lengthening life expectancy. So people may get sicker, stay sick longer and live longer; hence, the costs of providing medical care will continue to soar.

State-of-the-art medical technology makes medical resources available on an almost unlimited basis but also results in an almost unlimited financial obligation for the company, not the employee. Longer life spans also contribute to higher pension costs and increased liabilities for retiree medical care.

Of course, on a personal basis, no one wishes it otherwise. Managers, just like employees, want the best possible health care for themselves and their families. The question should be simple: "What can the company afford?"

In other words, at what point does medical treatment become too expensive? $10,000? $1 million? Does it make a difference what the employee earns? Does the $25,000-a-year employee get the same benefits as a $150,000 executive?

Companies are trying other approaches to controlling costs, and these may raise social issues. Some companies, for example, are drastically reducing the coverage they provide to employees with AIDS. On the other hand, J.C. Penney Co. Inc. recently won a court case upholding its right to provide medical and dental benefits to married employees only when the highest-paid spouse is an employee of Penney's.

As these situations illustrate, the question really is broader: "Who will decide where scarce corporate resources for benefits will be allocated?" At some point, that involves deciding who lives and who dies! How does a manager make that kind of decision?

Most managers feel unqualified to decide these issues. I think that's the main reason they avoid looking at them now. But, they will have to look at these issues, unless they change the nature of their commitment in the benefits area soon.

What I propose is a complete rethinking of the total benefits and compensation package. Rather than approach benefits, salary and other forms of compensation as separate decisions, managers should look at them as part of one comprehensive, integrated package.

They should develop a total compensation/benefits strategy that is based not only on current expense but also incorporating projections of potential costs. Moreover, this strategy must be

Continued on next page

A visit from jolly St. Bene Clause

By Irene Molnar and Sally Vroom

'TWAS THE DAY before New Year's and all through the firm
Every Mercer consultant rushed to close out the term
The technicians were busy with numbers to crunch
(and needless to say they were working through lunch).

The reports were all written and delivery near
When into my "in" box a fax did appear.
I stepped out to witness the last calculations
And prepared to dash visions of staff celebrations

The staff were hunched over their smoking PCs
And all you could hear was the tapping of keys
"Hey folks," I began, "I've a bit of bad news.
It's back to the drawing board—no time to lose!

"We just got final regs, and much to my sorrow,
All our clients must be in compliance tomorrow!"
The bleary-eyed staff blinked up in dismay
While all hopes for the holiday melted away.

I laid out the limits, assumptions and changes
Parameters, methods, exceptions and ranges,
When over the modem arose such a chatter
I sprang to a screen to see what was the matter.

What I saw there was something no virus could cause:
A digitized version of St. Bene Clause!
We gathered to ponder this manifestation
When we heard him reciting his pet legislation:

"There's TEFRA, there's DEFRA, ERISA and COBRA
Section 415 limits, ADEA and OBRA
Now this new law is one that I'm sure you'll applaud,
But first you should know that the fax was a fraud!

"Indeed, there are changes—not one, but many—
You must fix your numbers right down to the penny
But you never must panic, never you fear
These new regs will not take effect 'til next year

"You'll have time aplenty to redo things right,
Gather new data, recalc and retype."
With a hoot and a holler, staff began to exclaim
And nearby we heard the "pop" of champagne.

While there on the screen, Clause's image did shimmer,
And as I moved closer it quickly grew dimmer.
But I heard him exclaim as he faded from view,
"Happy holidays to all, and especially to you!"

Ms. Molnar

Ms. Vroom

Irene Molnar is an office technology coordinator and Sallie Vroom is an associate at employee benefit consultant William M. Mercer Inc. in Morristown, N.J.

Final steps in implementing RMIS

By David A. Tweedy

RMIS commentary

SYSTEM IMPLEMENTATION and design mark the end of a long, arduous journey.

You have carefully identified your company's system needs through a methodical needs determination phase. Through a comprehensive cost benefit analysis and preliminary study, you have convinced senior management of the worth of the risk management information system. You have formed a needs identification committee to conduct extensive interviews both inside and outside of the company to consolidate information flows, gaps and pressure points. Specifications were then designed to respond to the data and information needs procured in the preceding step.

Next, a carefully run bid project was conducted with outside RMIS vendors, including the corporation's own data processing department, to find the best response in hardware, software and personnel areas for your needs. A vendor was selected and is now ready to begin installation.

What's next? Is your work over? Certainly not!

Though you may be tempted to relax at this stage, it is now that you must continue to exert considerable energy to make sure that the system is implemented in the most expeditious fashion, yet with full adherence to the specifications and with the assurance that your department's employees have a full grasp of how to use the system. Next, you must continue to monitor the development of this system as it is used over the next few months to ensure that all "bugs" are worked out and that the vendor's service department is adequately responding to small and large problems. And there will be problems.

The implementation phase should not be rushed. This is especially true for large time-sharing/mainframe-based systems. After all, you have just invested a lot of the company's money into this RMIS; be sure it is "plugged in" correctly. No matter how sophisticated the system or how responsive the vendor, a myriad of minor to major problems, which could have been easily resolved during the implementation stage, could make your decision look disastrous to senior management.

The key parts of the implementation phase are personnel training and system testing.

Your specifications should have included a section on your requirements for the vendor to train your department's personnel in operating the system—from data base input, to ad hoc inquiries, to full reports. Most vendors will include this service within their proposal, but be sure that you are asking for it in your specifications.

You need as much flexibility as possible, since you do not want to "sign off" on the system until you are certain that each data entry clerk, line or staff manager with access to the system can fully operate it.

Depending on the size of the RMIS, many vendors offer a variety of training courses. Refresher courses also are offered, as vendors sometimes alter their own systems.

The training program should focus on familiarizing users with how to operate the system, as well as solving common problems that may arise during data entry or report generating functions. The old Chinese proverb of teaching the student how to fish rather than providing him with the fish is quite appropriate here.

The other key part of the implementation phase is the actual installation of the equipment and communication lines. Obviously, for stand-alone systems, the procedure will be less complex. The software is simply tested within the hardware environment. The ad hoc or standard reports should be requested by the vendor in the presence of the risk manager and support people who will use them.

The more complicated systems, such as the time-sharing systems—especially those that use a personal computer to emulate a CRT—require much more testing. In the time-sharing systems, the CRT is used to perform side analyses within the overall system structure.

Telecommunication hook-ups with a master data base located elsewhere in the country should be rigorously tested to ensure an accurate transmission. Much attention should be focused on any customized feature of the RMIS to be certain that all parts of the system are operating as requested by the specifications.

Many times, a useful procedure is a duplicate running of both systems (old and new), which facilitates data transfer, reduces the pressure for having everything "perfect" for the new system's start date and allows for a more methodical and accurate process.

Again, depending on the size and complexity of the RMIS, the time between the approval date and final installation will vary. Here, the needs identification committee can be assigned different responsibilities for the varied modules or sections of the system. For example, one might be assigned to the data base creation, another to the installation of the financial models, another to the report-writing section, etc. Each of the committee members would be interfacing with the technical personnel of the vendor.

Time deadlines should be reasonable, given the complexity of the system, the needs of the organization and the capabilities of the vendor.

After actual installation, the final stage is monitoring the RMIS to be sure that it continues to comply with the needs of the organization. Generally, there are three sections to this phase:

- Appointment of a system project manager. After installation, the needs identification/risk RMIS committee can be disbanded. However, a project manager should be appointed to act as a liaison between the company and the vendor or internal data processing department. This person should be someone familiar with systems in general, as well as this one in particular.

Any system changes should be cleared through the project manager. He or she would have responsibility for directing the training of new system users. He or she would also be the focal point for questions on system operation.

- Creation of a responsive maintenance agreement. A solid maintenance agreement with the vendor may be requested in the specifications and provided for in the proposal to the vendor. Usually, this maintenance agreement will provide a specified number of hours for troubleshooting, providing specialized reports and guaranteeing that any innovations by the vendor will be provided to the client. This may or may not be included in the original cost.

A "hot line" feature, in case of emergencies, should be established with the vendor. Most of the large, well-known vendors have such a service.

- Joining a user group. Many vendors have such groups for the clients as a forum for discussing problems, requesting system enhancement, and the like. Solutions found by co-members of the group may ease the frustrations experienced by others and, therefore, the group may be a good source of applied expertise.

No matter how well the specifications were designed and the system planned, improper implementation and monitoring could damage the credibility of the risk manager in the eyes of his superiors. Because most RMIS involve considerable investment in terms of time and expense, a careful watch on the system is necessary. ■

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of Betterley Risk Management Commentary and the author of RMIS Update, a yearly publication analyzing major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.

Compensation strategy

Continued from previous page

developed in the context of the company's overall competitive environment; competitive both in the sense of marketing products or services and in the sense of recruiting employees.

Managers need to evaluate the kind of workforce they need and then match the pay/benefits allocation to those needs so as to maximize return on their total compensation dollars. This will prevent unneeded and unused benefits from being a drain on profitability. It also will help control unlimited growth in benefit expectations and costs.

The allocation should be made in terms of total dollars; i.e., how much will each employee receive in both salary and benefits. Then, the precise pay/benefits mix can be established to encourage the type of performance and productivity the company is seeking.

For example, an increased ratio of cash to benefits may be appropriate for an entrepreneurial company wishing to attract young employees whose initiative and drive exceeds their concern for security.

But managers also must review the benefits package allocation. As I noted above, some traditional packages' elements leave the door open for unlimited increases in costs or liabilities. When benefits are looked at as part of total compensation—i.e., benefits costs are viewed as part of "pay"—managers may be more willing to establish limits.

Equity issues are also becoming more apparent. Two employees making the same "pay," for example, may really be receiving quite different total compensation if one of them is married and has family coverage under the traditional benefits program.

What if one employee wants little benefits coverage while another wants extensive benefits? Their pay may be the same, but their total compensation is not—nor is their employer's long-term cost exposure.

Viewed in this way, managers decide what corporate resources are allocated to total compensation. Ideally, then, employees decide how they want to allocate their total compensation between pay and benefits. This combination reflects both the specific needs of the company to control costs and allocate its resources and the employees' needs to control the form of their compensation.

This approach recognizes that managers cannot be gods controlling individuals' destinies, but they can exercise control over corporate destinies by managing total compensation costs and reducing unseen potential liabilities. At the same time, it puts in the employee's hands control over the form in which he or she is compensated.

This approach will not only help managers control long-term costs of benefits, but it also will help employees get the benefits they want and need on an equitable basis while understanding their real costs. This seems to be the best way to begin reducing the spread of the benefit cost inflation malady. ■

Lance Tane is a partner in Fort Lee, N.J.-based benefits consultant Kwasha Lipton and heads the firm's flexible benefits practice.

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Continued from previous page
sulting, insurer/broker selection consulting, evaluation of other service providers, COBRA record keeping.

Employee benefit communications consulting: 3% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 10% of revenues. Includes brokering and investment and tax planning advice for private individuals.

Locations: 26 locations in the United States; 25 locations in the United Kingdom; 44 foreign locations.

Staff: 933 total staff members; 680 professionals, including three FSAs, one FCA, 11 MAAAs, 12 EAs, 17 CLUs, nine ASAs, three MSPAs, 13 CEBS, four ChFC, one CPC, one FAF, one LIC, two CPAs, 15 NASDs, three MBAs, six attorneys.

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

Gross revenues: $66 million from benefit consulting in 1990; $57 million in 1989. Total 1990 revenues: $73 million.

International benefit consulting: 58% of revenues. Includes consulting via overseas branch offices, consulting from the United States.

Principal officers: David J.D. McLeish, chairman/chief executive officer-Godwins International Holdings Inc.; Robert M. Bishop, president/chief operating officer-Godwins Overseas Inc.; J. Hunter Devine, managing director-Godwins Ltd.; Michael J. Reynolds, president/chief operating officer-Godwins Inc.

Group Plan Consultants Inc.

355 Lexington Ave., New York, N.Y. 10017; 212-682-7500; fax: 212-682-5337

Year founded: 1961.
Parent company: Republic Hogg Robinson Inc.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, document drafting, government filing, financial analysis.

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

Other services: 60% of revenues. Includes individual coverage placements, annuities, GICs.

Staff: Six total staff members; five professionals.

Clients: 150 total clients; 60% with 1-100 employees, 25% with 101-1,000 employees, 15% with 1,001-5,000 employees; 70% corporations, 20% nonprofit organizations; 10% individuals; minimum size client of two.

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

Principal officers: William Eckstein, president; Douglas Rabbino, vp; Thomas Kelly, assistant vp.

Contact: Doug Rabbino.

Grubbs & Co. Inc.

10216 Royal Road, Silver Spring, Md. 20903; 301-434-1540; fax: 301-445-4471

Year founded: 1986.
Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 80% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial work.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, conducting employee meetings.

Staff: Three total staff members; one professional—FSA and attorney.

Clients: 28 total clients; 39% with 1-100 employees, 4% with 101-1,000 employees, 14% with 1,001-5,000 employees, 43% with 5,001 or more employees; 78% corporations, 18% governmental organizations, 4% individuals; no minimum size client.

Compensation: By the hour: senior consultant, $252; clerical, $45; actuarial assistant, $74.

Gross revenues: $460,000 from benefit consulting in 1990; $455,223 in 1989. Total 1990 revenues: $470,000.

Principal officers: Donald S. Grubbs Jr., president.

H

Halliwell & Associates Inc.

Suite 1800, 2 Gateway Center, Pittsburgh, Pa. 15222; 412-288-0822; fax: 412-288-0863

Year founded: 1973.
Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 84% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 4.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, renewal negotiation, plan documentation, retiree obligation determination.

Employee benefit communications consulting: 1.5% of revenues. Includes general consulting on communications programs, benefit statement preparation, audiovisual program preparation, employee opinion surveys, employee focus groups.

Other services: 10% of revenues. Includes risk management consulting.

Staff: 59 total staff members; 39 professionals, including one FSA, four ASAs, one MBA, four CEBSs, one CLU, one CPCU, one attorney, eight EAs.

Clients: 750 total clients; 63% with 1-100 employees, 31% with 101-1,000 employees, 6% with 1,001-5,000 employees; 80% corporations, 10% multiemployer plans, 10% municipalities; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $110-$140; consultant, $80-$110; clerical, $15-$60.

Gross revenues: $3.1 million from benefit consulting in 1990; $3 million in 1989. Total 1990 revenues: $3.5 million.

International benefit consulting: 1% of revenues. Includes consulting from the United States.

Principal officers: Paul D. Halliwell, president; David L. Wetherill, executive vp; David B. Thomas, vp; Thomas S. Baily, vp/president-Professional Risk Management Consultants.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2300; fax: 215-875-2833

Year founded: 1911.
Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 50% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Atlanta; Boston; Chicago; Los Angeles; New York; San Francisco; Washington, D.C.; Toronto; Brussels, Belgium; London; Paris; Utrecht, the Netherlands.

Staff: 250 total staff members; 125 professionals, including 30 FSAs, 15 ASAs, 15 MBAs, 15 CEBS, five Ph.Ds, five attorneys.

Clients: 1,000 total clients; 10% with 1-100 employees, 40% with 101-1,000 employees, 40% with 1,001-5,000 employees, 10% with 5,001 or more employees; 70% corporations, 10% multiemployer plans, 20% other; no minimum size client.

Compensation: By the hour: senior consultant, $275; consultant, $175; clerical, $100.

International benefit consulting: 10% of business.

Principal officers: Kenneth Shapiro, president; Joe Sapora, senior vp; Kurth Fichthorn, Ed Hustead, Don Samples, vps.

Contact: Kenneth Shapiro.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880; fax: 404-512-6230

Year founded: 1971.
Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 90% of revenues. Includes plan design consulting, actu-

Continued on next page

1990 INTO 1991
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Benefits: Market Report Directory: Benefit Consultants

BI's annual Market Report on Employee Benefits will monitor group health insurance and other group plan costs for 1991. Editors will report on expected rate increases and other trends in employee benefit plans.

This issue also includes BI's ranking of the 10 largest employee benefits consultants as well as BI's annual Directory of Benefit Consultants.

Issue: December 17

Closed

The Year In Review

1990 launched a new decade ... and presented a myriad of new challenges for commercial insurance, risk management, and employee benefits.

BI reported every significant event as it unfolded, and alerted over 155,000* readers to the impact these events would have on their corporate insurance decisions.

BI's annual Year in Review issue will feature a survey of our readers' views of the most important risk management and employee benefits events and recap the news that made headlines in 1990.

*includes pass-along

Issue: December 31

Ad Closing: December 17

Risk Management: Market Report

Kicking off the new year, BI's annual Market Report on Risk Management will report how year-end renewals are shaping up for all types of commercial, property/casualty insurance and reinsurance.

This well-read issue will include comments from insurers, brokers, risk managers, stock analysts, the surplus lines market, as well as the London market and reinsurers.

Issue: January 7

Ad Closing: December 20

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arial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Bellevue, Wash.

Staff: 145 total staff members; 112 professionals.

Clients: 210 total clients; 2% with 1-100 employees, 15% with 101-1,000 employees, 60% with 1,001-5,000 employees, 23% with 5,001 or more employees; 95% corporations, 2% multiemployer plans, 3% municipalities; minimum size client, 500 employees.

Compensation: By the project; by the hour: senior consultant, $190-$260; consultant, $125-$190; clerical, $35-$50.

International benefit consulting: 5% of revenues. Includes North American Actuarial Consulting Services (NORAC) network.

Principal officers: James G. Pope, president; R. David Parsons, chairman/principal actuary; T. Ray McKinney, David M. Gladstone, executive vps.

Contact: David M. Gladstone.

HealthChex Inc.

27 Maple Ave., Victor, N.Y. 14564;
716-924-4554;
fax: 716-924-4573

Year founded: 1988.

Services provided: 57% of gross revenues from benefit consulting, 43% of gross revenues from non-benefit consulting activities.

Welfare plans: 4% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, physician/hospital performance evaluation.

Employee benefit communications consulting: 53% of revenues. Includes general consulting on communications programs.

Other services: 43% of revenues. Includes health care and other types of claims administration.

Staff: Eight total staff members; four professionals, including one CPA, one M.D.

Clients: 10 total clients; 20% with 101-1,000 employees, 20% with 1,001-5,000 employees, 60% with 5,001 or more employees; 90% corporations, 10% insurance companies; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $175-$225; consultant, $100-$175.

Gross revenues: $159,000 from benefit consulting in 1990; $86,000 in 1989.

Principal officers: Nancy Boyer, president/chief executive officer; Dr. Nancy Perkins, vp-research development.

Health Decisions Inc.

17187 N. Laurel Park Drive, Suite 213, Livonia, Mich. 48152;
313-462-2260; fax: 313-464-2419

Year founded: 1986.

Services provided: 100% of gross revenues from benefit consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, positive enrollments.

Staff: Eight total staff members; six professionals, including one Ph.D.

Clients: 55 total clients; 70% with 101-1,000 employees, 20% with 1,001-5,000 employees, 10% with 5,001 or more employees; 90% corporations, 5% multiemployer plans, 5% multiemployer welfare arrangements; minimum size client, 100 employees.

Compensation: By the project; on retainer; by the hour: senior consultant, $90-$125; consultant, $75-$90; clerical, $20-$35.

Principal officers: Si Nahra, president; Judy Mardigian, vp.

Health Decisions Inc.

198 Western Ave., Suite 200, St. Paul, Minn. 55102; 612-227-5779;
fax: 612-227-2818

Year founded: 1986.

Services provided: 80% of gross revenues from benefit consulting, 20% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 80% of revenues. Includes health plan evaluation.

Other services: 20% of revenues. Includes cost containment, cost avoidance.

Locations: New Haven, Conn.

Staff: Four total staff members; four professionals, including one MBA, two Ph.D.s, one M.D.

Clients: 10 total clients; 100% with 5,001 or more employees; 60% corporations, 40% TPAs and insurers; minimum size client, 1,000 employees.

Compensation: By the project.

Gross revenues: Total 1990 revenues: $300,000.

Continued on next page

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Continued from previous page

Principal officers: Dr. Richard Huset, president; Matt Mackowski, chairman.

Contact: Richard Huset.

Health Regeneration & Disease Prevention

2110 77th Court, Elmwood Park, Ill. 60635; 708-456-0018

Year founded: 1990.

Services provided: 100% of gross revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, employee wellness programs.

Staff: Two total staff members; two professionals, including one CPA, one Registered Nutrition Consultant.

Clients: 100% with 1-100 employees; no minimum size client.

Compensation: By the project.

Principal officers: Willard W. Waller, president.

Health Service Management Group

6730 Roosevelt Road, Franklin, Ohio 45005; 513-424-3351; fax: 513-422-1281

Year founded: 1989.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 45% of revenues. Includes plan design consulting, consulting/implementation of in-house claim administration.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 50% of revenues. Includes long-term/short-term disability case management.

Staff: 12 total staff members; eight professionals, including one CLU.

Clients: 50 total clients; 5% with 1-100 employees, 40% with 101-1,000 employees, 5% with 1,001-5,000 employees; 60% corporations, 30% multiemployer plans, 10% multiemployer welfare arrangements; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $100-$125; consultant, $75-$95; clerical: $25-$45.

Principal officers: Donald J. Barker, Thomas C. Colvin, Mary J. Hanley, Karen L. Mehl, William D. Stief and Thomas L. Wiley, principals.

Contact: Thomas C. Colvin.

Health Systems Management

2840 W. River Parkway, Minneapolis, Minn. 55406; 612-729-1733; fax: 612-724-9586

Year founded: 1987.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 70% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues.

Other services: 20% of revenues. Includes general management consulting, health care and other types of claims administration.

Clients: 15 total clients; 10% with 1-100 employees, 40% with 101-1,000 employees, 50% with 5,001 or more employees; 100% corporations; no minimum size client.

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

Principal officers: Laird L. Miller, president; Joanne E. Miller, partner.

Contact: Laird L. Miller.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Year founded: 1940.

Services provided: 85% of gross revenues from benefit consulting, 15% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 55% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible program design and administration.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee listening and interactive computer software.

Other services: 15% of revenues. Includes compensation consulting, health care and other types of claims administration.

Locations: 30 locations in the United States; 31 foreign locations.

Staff: 3,500 total staff members; 2,200 professionals, including 110 FSAs, 87 ASAs, eight CEBS, eight CLUs, 53 CPAs, 50 attorneys.

Clients: 2,500 total clients; no minimum size client.

Compensation: By the hour.

Gross revenues: $255 million from benefit consulting in 1990; $210 million in 1989. Total 1990 revenues: $300 million.

International benefit consulting: 6% of revenues. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.

Principal officers: Peter E. Friedes, chief executive.

Contact: Jean Campbell, public relations.

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A. Foster Higgins & Co. Inc.

125 Broad Street, New York, N.Y. 10004-2424; 212-574-9000; fax: 212-574-8719

Year founded: 1845.

Parent company: Johnson & Higgins.

Services provided: 73% of gross revenues from benefit consulting, including Johnson & Higgins Benefit Services; 27% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 29% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, executive benefits consulting, administrative consulting.

Welfare plan consulting: 38% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, retiree health care, health care cost containment, flexible benefits compensation consulting.

Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 27% of revenues. Includes compensation consulting, brokering.

Locations: 50 locations in the United States.

Staff: 1,500 total staff members; 45 professionals, including 45 FSAs, 57 ASAs, 48 MBAs, 35 CEBS, 45 CLUs, three Ph.D.s, eight CPAs, 24 attorneys.

Clients: No minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: $40-$375, depending on level of consultant.

Gross revenues: $152 million from benefit consulting in 1990; $141 million in 1989. Total 1990 revenues: $208 million.

International benefit consulting: 15% of revenues. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.

Principal officers: John N. Feldtmose, president; Nancy P. Jones, Brian F. McDermott, Robert H. Shannon and Edward J. Davey, client leaders.

Holzman Post Ludwig/Schwartz Chartered

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

Year founded: 1977.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 37% of revenues. Includes plan design consulting, actuarial work for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, asset accumulation/investment consulting.

Welfare plan consulting: 3% of revenues. Includes plan design consulting.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 5% of revenues. Includes investment brokering and advising.

Staff: 34 total staff members; 25 professionals, including six CPAs, two attorneys.

Clients: 700 total clients; 95% with 1-100 employees, 5% with 101-1,000 employees; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $125-$180; consultant, $50-$115; clerical, $35-$45.

Gross revenues: $2.2 million from benefit consulting in 1990; $2.2 million in 1989. Total 1990 revenues: $2.2 million.

Principal officers: Mark Schwartz, president; George F. Castillo, vp; William C. Ludwig, treasurer; Ira A. Post, secretary.

Contact: Mark Schwartz or George F. Castillo.

Hood/Serio Associates Inc.

245 Regency Court, Waukesha, Wis. 53186; 414-786-4557; fax: 414-786-4160

Year founded: 1983.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, negotiation with suppliers/unions.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 50% of revenues. Includes general management consulting, health care and other types of claims administration.

Staff: Four total staff members; two professionals, including one CLU, one FLMI.

Clients: 80% with 1-100 employees, 10% with 101-1,000 employees, 10% with 1,001-5,000 employees, 10% with 5,001 or more employees; 50% corporations, 50% government entities; no minimum size client.

Compensation: By the project; by the hour: $80-$100.

Principal officers: Theodore T. Hood and Andrew J. Serio, principals.

Contact: Andrew J. Serio.

Hunter & Associates

9842 Hibert Street, Suite 152, San Diego, Calif. 92131; 619-578-7461

Year founded: 1984.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 3% of revenues. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 62% of revenues. Includes plan design consulting, evaluation of other service providers, plan document drafting.

Employee benefit communications consulting: 30% of revenues. Includes general consulting on communication programs, booklet preparation.

Other services: 5% of revenues. Includes claims policy/personnel policy, manuals (drafting/consulting).

Staff: Five total staff members; three professionals, including one MBA.

Clients: 100 total clients; 40% with 1-100 employees, 55% with 101-1,000 employees, 2% with 1,001-5,000 employees, 3% with 5,001 or more employees; 95% corporations, 5% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project; by the hour: senior consultant, $160; consultant, $80.

Principal officers: David H. Gluck, president; Susan L. Waybourn, vp; D. Bentley, office manager.

Contact: David H. Gluck.

/

In Plain English

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

Year founded: 1977.

Parent company: R.H. Wohl & Associates.

Services provided: 70% of gross revenues from benefit consulting, 30% of gross revenues from non-benefit consulting activities.

Employee benefit communications consulting: 70% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, human resource manuals, employee attitude studies, policy development.

Other services: 30% of revenues. Includes general management consulting, corporate policy manuals, procedure manuals, writing seminars and readability consultation.

Staff: 10 total staff members.

Clients: 50 total clients; 5% with 1-100 employees, 40% with 101-1,000 employees, 30% with 1,001-5,000 employees, 25% with 5,001 or more employees; 100% corporations; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $150-$250; consultant, $100-$200.

International benefit consulting: 10% of revenues. Includes consulting from the United States.

Principal officers: Ronald H. Wohl, president.

Independent Dental Consultants

301 N. Harrison St., Suite B173, Princeton, N.J. 08540; 609-243-9494

Year founded: 1985.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs.

Other services: 70% of revenues. Includes health care and other types of claims administration.

Staff: 10 total staff members; six professionals, including three DMDs, three RDHs, one RN.

Clients: Minimum size client, 50 employees.

Compensation: By the project; by the hour: senior consultant, $150; consultant, $100.

Principal officers: Dr. Kenneth O'Connor, president.

Insurance Management & Planning

110 Cottage Hill Ave., Suite 250; 708-832-1330; fax: 708-834-7878

Year founded: 1989.

Services provided: 35% of gross revenues from benefit consulting,

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65% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting.

Employee benefit communications consulting: 15% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 65% of revenues. Includes risk management consulting.

Staff: Two total staff members; professionals, including one MBA.

Clients: 30 total clients; 50% with 1-100 employees, 50% with 101-1,000 employees; 50% corporations; 50% municipal; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $165; consultant, $105; clerical, $55.

Principal officers: James F. Goodman, managing director.

J

JGK Associates

14464 Kerner Drive, Sterling Heights, Mich. 48313; 313-247-9055

Year founded: 1986.

Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 81% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, data analysis/evaluation, managed care development.

Employee benefit communications consulting: 9% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 10% of revenues. Includes general management consulting.

Staff: One total staff member.

Clients: 20 total clients; 10% with 1-100 employees, 20% with 101-1,000 employees, 30% with 1,001-5,000 employees, 50% with 5,001 or more employees; 70% corporations, 15% multiemployer plans, 5% multiemployer welfare arrangements, 10% individuals; no minimum size client.

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

Principal officers: Joseph G. Kozlowski, owner.

Thomas L. Jacobs & Associates Inc.

230 West Monroe St., Suite 545, Chicago, Ill. 60606; 312-346-0155; fax: 312-346-1171

Year founded: 1915.

Parent company: UNUM Corp.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 30% of revenues. Includes claim auditing, disability plans, manuals and training, disability software.

Other services: 70% of revenues. Includes general management consulting, claims auditing, software, disability claims administration.

Locations: Plymouth Meeting, Pa.

Staff: 115 total staff members; 20 professionals, including five MBAs, four CEBS, one CLU, one CPA, three FLMIs, 12 RNs, one M.D.

Clients: 100 total clients; 10% with 1,001-5,000 employees, 90% with 5,001 or more employees; 90% corporations, 10% medical reinsurers/insurers; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $150; consultant, $125; clerical, $35.

Principal officers: Richard A. Lewis, president; Donald P. Boutin, chief operating officer; Richard H. Wille, executive vp; George J. Krzemien and Patricia Owens, vps.

Contact: Richard H. Wille.

The Jefferson Group

1341 G St. N.W., Suite 1100, Washington, D.C. 20005; 202-638-3535; fax: 202-638-3536

Year founded: 1987.

Services provided: 15% of gross revenues from benefit consulting, 85% of gross revenues from non-benefit consulting activities.

Employee benefit communications consulting: 15% of revenues. Includes general consulting on communications programs, audiovisual program preparation.

Other services: 85% of revenues. Includes general management consulting, managed care program development, public policy, federal marketing.

Staff: 43 total staff members.

Clients: 65 total clients; 10% with 1,001-5,000 employees, 90% with 5,001 or more employees; 90% corporations, 10% associations/interest groups; minimum size client, 5,000 employees.

Compensation: On retainer; by the hour: senior consultant, $150-$255.

Principal officers: Mark D. Cowan, chief executive officer; Robert E. Carlstrom, president; Frederick J. Hannett, executive vp.

Johnson & Muir Inc.

Meridian Bank Building, Suite 706, Easton, Pa. 18042; 215-250-0661

Year founded: 1984.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 10% of revenues. Includes plan design consulting, consulting on selection of investment managers.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statements and booklet preparation.

Other services: 70% of revenues. Includes compensation consulting, brokering, general management consulting.

Locations: Allentown, Pa.

Staff: Seven total staff members; three professionals, including one MBA, one CEBS, one CLU.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour: senior consultant, $125.

Principal officers: Carl A. Curcio Jr., president/chief executive officer/treasurer; James W. Baker, vp/secretary.

K

KPMG Peat Marwick

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

Year founded: 1897.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 75% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, tax work.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, evaluation of other service providers, managed care analysis.

Employee benefit communications consulting: 5% of revenues. General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Locations: Atlanta; Boston; Chicago; Dallas; Los Angeles.

Staff: 460 professionals, including 20 FSAs, 25 ASAs, six CEBS, 18 CPAs, five attorneys.

Clients: 3,000 total clients. 12% with 1-100 employees, 85% with 101-1,000 employees, 3% with 1,001-5,000 employees; 90% corporations, 1% multiemployer plans, 5% individuals, 4% others; no minimum size client.

Compensation: By the hour.

Gross revenues: $55 million from benefit consulting in 1990; $45 mil-

Continued on next page

Companies with sophisticated cash management systems know how valuable alternate funding for employee benefit plans can be. For many groups, it means the employer has access to more cash resources, because claim reserve funds can be invested or utilized while the plan is in force, rather than paid out in advance as insurance premiums.

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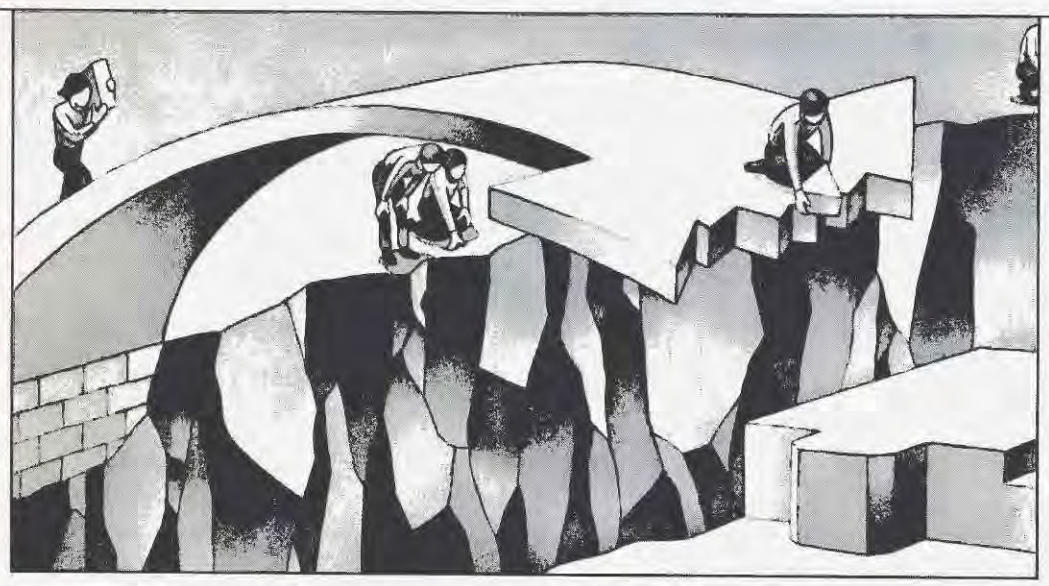

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The Society of CPCU
Chartered Property and Casualty Underwriters

Continued from previous page
lion in 1989.

International benefit consulting: Via overseas branch offices.

Principal officers: J.J. Gannon, vice chairman; L.L. Oliver, national practice director, J.T. Colburn, actuarial chairman.

Contact: L.L. Oliver, 725 S. Figueroa St., Los Angeles, Calif. 90017; 213-955-8837.

Kalvin Miller Consulting Group Inc.

1211 Ave. of the Americas, New York, N.Y.; 212-704-5998; 800-552-0110; fax: 212-704-1970

Year founded: 1990.

Parent company: Kalvin Miller International/Whitehall Financial Group.

Services provided: 90% of gross revenues from benefit consulting. 10% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 20% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, self-funded plan audits.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, benefit handbook drafting.

Other services: 10% of revenues. Includes brokering.

Staff: 35 total staff members; 22 professionals, including one FSA, two ASAs, two MBAs, one CEBS, one CLU, one Ph.D., three CPAs, three attorneys.

Clients: 250 total clients; 32% with 1-100 employees, 60% with 101-1,000 employees, 8% with 1,001-5,000 employees; 90% corporations, 5% multiemployer plans, 5% multiemployer welfare arrangements; minimum size client, 50 employees.

Compensation: By the project, commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $100; clerical, $50.

International benefit consulting: 5% of revenues. Includes consulting via overseas correspondents, consulting from the United States.

Principal officers: David S. Moross, chairman; Robert N. Munao, president/chief executive officer; Myrna Feinman, senior vp.

Contact: Robert N. Munao.

Keenan & Associates

2355 Crenshaw Blvd., Suite 200, Torrance, Calif. 90501; P.O. Box 4328, Torrance, Calif. 90510; 213-212-3344; fax: 213-328-6793

Year founded: 1972.

Services provided: 48% of gross revenues from benefit consulting, 52% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 48% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Other services: 52% of revenues. Includes brokering, health care and other types of claims administration, risk management.

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

Staff: 300 total staff members; 50 professionals, including two CEBS, seven CLUs, three CPCUs, three CPAs, one attorney, four ARMs, one ChFC.

Clients: 500 total clients; 80% with 101-1,000 employees, 20% with 1,001-5,000 employees; 10% corporations, 90% public sector; minimum size client, 100 employees.

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

Gross revenues: $10 million from benefit consulting in 1990; $8.6 million in 1989. Total 1990 revenues: $21 million.

Principal officers: John R. Keenan, chief executive officer; Frederick A. Johnson, president; David J. DeWenter and Harwood J. Bren, executive vps; Dave Balak, senior vp.

The Kooper Group

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

Year founded: 1966.

Services provided: 80% of gross revenues from benefit consulting; 20% of gross revenues from activities other than benefit consulting.

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

Other services: 20% of revenues. Includes brokering.

Staff: 24 total staff members; 11 professionals.

Clients: 350 total clients; 50% with 1-100 employees, 35% with 101-1,000 employees, 10% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations; minimum size client, 25 employees.

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

Gross revenues: $2.5 million from benefit consulting in 1990; $2.1 million in 1989.

Principal officers: Michael Kooper, president.

Kornreich Benefit Consultants Inc.

919 Third Ave., New York, N.Y. 10022; 212-688-9700; fax: 212-319-7509

Year founded: 1983.

Parent company: Kornreich Insurance Services.

Services provided: 25% of gross revenues from benefit consulting, 75% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 2% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 21% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, funding alternatives and financial review/analysis.

Employee benefit communications consulting: 2% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 75% of revenues. Includes brokering.

Locations: West Palm Beach, Fla.

Staff: 16 total staff members; six professionals, including two CEBS, two CLUs, one CPA, one attorney.

Clients: 350 total clients; 299% with 1-100 employees, 39% with 101-1,000 employees, 7% with 1,001-5,000 employees, 5% with 5,001 or more employees; 90% corporations, 5% multiemployer plans, 5% multiemployer welfare arrangements.

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

Gross revenues: $563,000 from benefit consulting in 1990; $425,000 in 1989. Total 1990 revenues: $2.3 million.

Principal officers: Philip Ruggieri, senior vp; Robin Mancuso, vp; Steven Grossberg, executive vp/chief operating officer; William Kornreich, Thomas Kornreich and James Kornreich, executive vps.

Contact: Philip Ruggieri.

Kushner & Co.

2121 Hudson Ave., Suite 101, Kalamazoo, Mich. 49008; 616-342-1700; fax: 616-342-1606

Year founded: 1982.

Services provided: 87.6% of gross revenues from benefit consulting, 12.4% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 19.6% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 60.7% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible benefit plan implementation.

Employee benefit communications consulting: 7.3% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 12.4% of revenues. Includes compensation consulting, health care and other types of claims administration.

Staff: Seven total staff members; five professionals, including four MBAs, one CEBS.

Clients: 182 total clients; 35% with 1-100 employees, 63% with 101-1,000 employees, 2% with 1,001-5,000 employees; 100% corporations; minimum size client, two employees.

Compensation: By the project; on retainer; by the hour: senior consultant, $125; consultant, $85; clerical, $35.

Gross revenues: $410,000 from benefit consulting in 1990; $338,066 in 1989. Total 1990 revenues: $435,000.

International benefit consulting: 1% of revenues. Includes consulting from the United States.

Principal officers: Gary B. Kushner, president; Julie A. Workman and JoEllen Rosendall, vps.

Contact: Julie Workman.

Kwasha Lipton

2100 North Central Road, Fort Lee, N.J. 07024; 201-592-1300; fax: 201-592-9012

Year founded: 1944.

Services provided: 95% of gross revenues from benefit consulting, 2% of gross revenues from non-benefit consulting activities.

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

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consulting, consulting on selection of investment managers, GIC selection and contract negotiations.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, benefits software.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, management training programs.

Other services: 5% of revenues. Includes software design, systems consulting.

Staff: 365 total staff members; 355 professionals, including 25 FSAs, 22 ASAs, 11 MBAs, one CLU, three CPAs, four attorneys, 38 MAAAs, two FCIAs, 10 FCAs, 12 MCAs.

Clients: 400 total clients; 3% with 101-1,000 employees, 42% with 1,001-5,000 employees, 55% with 5,001 or more employees; 98% corporations, 2% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour.

Principal officers: Richard C. Sears, chief executive partner; David Skovron, chief operating partner.

L

LFS Benefit Services

271 West Cerritos Ave., Anaheim, Calif. 92805-6549; 714-774-8051; fax: 714-239-6862

Year founded: 1974.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 8% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 12% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 70% of revenues. Includes brokering, health care and other types of claims administration.

Staff: 13 total staff members, including one MBA.

Clients: 80 total clients; 40% with 1-100 employees, 60% with 101-1,000 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, $120; consultant, $100; clerical, $40.

Principal officers: Alfred O. Long, president; Mark E. Long, vp-administration; Marcia E. Long, vp-marketing.

Contact: Marcia E. Long.

Lambert Associates

898 Ethan Allen Highway, Ridgefield, Conn. 06877; 203-431-6420; fax: 203-431-3197

Year founded: 1987.

Services provided: 33% of gross revenues from benefit consulting, 67% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 31% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers. claim administration audits.

Employee benefit communications consulting: 2% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 67% of revenues. Includes brokering, executive benefit plans.

Staff: Three total staff members; five professionals, including one CEBS, two CLUs, two CICs, one NASD.

Clients: 45 total clients; 12% with 1-100 employees, 80% with 101-1,000 employees, 8% with 1,001-5,000 employees; 90% corporations, 5% multiemployer plans, 5% individuals; no minimum size client.

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

Principal officers: Maurice N. Lambert and Paul E. Lambert, partners.

Contact: Paul E. Lambert.

A.J. LePenske & Associates

907 N. Elm St., Suite 100, Hinsdale. Ill. 60521; 708-323-0336; fax: 708-654-1503

Year founded: 1989.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 38% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, COBRA/ERISA compliance.

Employee benefit communications consulting: 2% of revenues. Includes general consulting on communications programs, booklet preparation.

Other services: 60% of revenues. Includes brokering.

Staff: Four total staff members; two professionals, including one MBA, one CLU.

Clients: 15 total clients; 33% with 1-100 employees, 40% with 101-1,000 employees, 20% with 1,001-5,000 employees, 7% with 5,001 or more employees; 80% corporations, 20% multiemployer plans; no minimum size client.

Compensation: By the hour: senior consultant, $192; clerical, $25.

Principal officers: Alfred J. LePenske, owner/president.

M

Mack & Parker Inc.

55 E. Jackson Blvd., Suite 600, Chicago, Ill. 60610; 312-922-5000; fax: 312-922-5358

Year founded: 1935.

Services provided: 26% of gross revenues from benefit consulting, 74% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 1.3% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 22.1% of revenues. Includes plan design consulting, evaluation of other service providers.

Employee benefit communications consulting: 2.6% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

Other services: 74% of revenues. Includes brokering.

Staff: 81 total staff members; 12 professionals, including five MBAs, two CEBS, one CPCU, one CPA.

Clients: 700 total clients; 45% with 1-100 employees, 50% with 101-1,000 employees, 5% with 1,001-5,000 employees; 70% corporations, 30% association-sponsored plans; minimum size client, 50 employees.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour: senior consultant, $200; consultant, $150; clerical, $50.

Gross revenues: $1.9 million from benefit consulting in 1990; $1.3 million in 1989. Total 1990 revenues: $7.5 million.

International benefit consulting: 2% of revenues. Includes consulting via overseas correspondents, consulting from the United States.

Principal officers: Edward E. Mack III, president; Martin P. Hughes, Robert Gordon, Robert

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Jonak and Kenneth Rosinski, vps.

Mahoney & Associates Inc.

1500 Main St., Suite 2116,
Springfield, Mass. 01115;
413-788-7303; fax: 413-781-0701

Year founded: 1975.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, employee communications.
Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, utilization review analysis and negotiations.
Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 70% of revenues. Includes compensation consulting, brokering, general management consulting.
Locations: Fort Lauderdale, Fla.
Staff: 26 total staff members; eight professionals, including three CEBS, two CLUs, one CPCU, one CPA, one attorney.
Clients: 150 total clients; 75% with 101-1,000 employees, 20% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations; minimum size client, 100 employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $100; clerical, $35.
Gross revenues: $400,000 from benefit consulting in 1990; $375,000 in 1989. Total 1990 revenues: $1.6 million.
Principal officers: William E. Mahoney Jr., president; Martha L. Mahoney and Larry W. Brand, vps; Lawrence V. Giusti, senior associate.
Contact: William E. Mahoney Jr.

William M. Mercer Cos. Inc.

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

Year founded: William M. Mercer Inc. and Meidinger Inc. merged in 1984; that company merged with A.S. Hansen Inc. in 1987. Mercer was founded in 1937, Meidinger in 1936 and Hansen in 1930.
Parent company: Marsh & McLennan Cos. Inc.
Services provided: 89% of gross revenues from benefit consulting, 11% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 65% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 19% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, health care cost management consulting.
Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, interactive benefit communication systems, including voice response systems.
Other services: 11% of revenues. Includes compensation consulting, human resources management consulting/actuarial consulting on issues unrelated to employee benefits.
Locations: 46 locations in the United States; 15 locations in Canada; 38 foreign locations.
Staff: 6,989 total staff members; 4,809 professionals, including 494 FSAs, 343 ASAs, 160 MBAs, 50 CEBS, 50 Ph.D.s, 169 attorneys, 112 actuaries.
Clients: 17,000 total clients; 35% with 1-1000 employees, 65% with more than 1,000 employees; 97% corporations, 3% multiemployer plans.
Compensation: By the project; by the hour: senior consultant, $225; consultant, $100-$225; clerical, less than $100.
Gross revenues: $638 million from benefit consulting in 1990; $550 million in 1989. Total 1990 revenues: $720 million.
International benefit consulting: 35% of revenues. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.
Principal officers: Peter Coster, president; Robert A. Brochu, Peter Felton, Ronald M. Walker and Thomas R. Waylett, executive vps.

Miller Mason & Dickenson

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4882;
fax: 312-701-4855

Year founded: 1960.
Parent company: Aon Corp.
Services provided: 86% of gross revenues from benefit consulting, 14% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 40% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 41% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 14% of revenues. Includes compensation consulting, brokering, health care and other types of claims administration.
Locations: Gonshohocken, Pa.; Houston; Los Angeles; New York; Oakland and Palo Alto, Calif.; St. Louis.
Staff: 445 total staff members; 230 professionals, including 10 FSAs, 10 ASAs, 30 MBAs, 18 CEBS, 9 CLUs, one CPCU, one Ph.D., six CPAs, seven attorneys.
Clients: 2,000 total clients; 10% with 1-100 employees, 45% with 101-1,000 employees, 40% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations; minimum size client varies depending on service.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour.
Gross revenues: $29 million from benefit consulting in 1990; $22.4 million in 1989. Total 1990 revenues: $41.4 million.
International benefit consulting: 1% of revenues. Includes consulting via overseas correspondents, consulting from the United States.
Principal officers: Daniel T. Cox, chairman/chief executive officer; Joseph J. Stahl II, president/chief operating officer; Melville P. Dickenson and Richard A. Scott, vice chairmen.
Contact: Joseph J. Stahl.

Milliman & Robertson Inc.

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

Year founded: 1947.
Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 33% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 17% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 1% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 50% of revenues. Includes compensation consulting, health care and other types of claims administration; insurance provider consulting.
Locations: 23 locations in the United States; 21 foreign locations.
Staff: 1,621 total staff members; including 250 FSAs, 225 ASAs.
Clients: 5,000 total clients; 40% with 1-100 employees, 30% with 101-1,000 employees, 20% with 1,001-5,000 employees, 10% with 5,001 or more employees; 80% corporations, 5% multiemployer plans, 5% multiemployer welfare arrangements, 10% public entities; no minimum size client.
Compensation: By the project; on retainer; by the hour: senior consultants, $200-$300; consultant, $100-$200; clerical $40-$80; charges for out of pocket expenses.
Gross revenues: $100 million from benefit consulting in 1990; $90 million in 1989. Total 1990 revenues: $200 million.
Principal officers: James A. Curtis, chief executive officer; Robert Collett, president; Nillen R. Fleckenstein, vp-finance; Frederic T. Wamin; Michael J. Mahoney.
Contact: Frederic T. Wamin.

W.F. Morneau & Associates Ltd.

1500 Don Mills Road, Suite 500,
Toronto, Ontario, M3B 3K4;
416-445-2700; fax: 416-445-1858

Year founded: 1966.
Parent company: W.F. Morneau Services Inc.
Services provided: 33.8% of gross revenues from benefit consulting, 66.2% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 8.8% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 23.3% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, health care management consulting and flexible benefit consulting.
Employee benefit communications consulting: 1.7% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 66.2% of revenues. Includes compensation consulting, brokering, health care and other types of claims administration.
Locations: Chicago; St. John's, Newfoundland; Halifax, Nova Scotia; Fredericton, New Brunswick; Montreal; London, Ontario; Calgary, Alberta; Vancouver, British Columbia.
Staff: 150 total staff members; 96 professionals, including nine FSAs, 12 ASAs, three MBAs, one CEBS, one CPA.
Clients: 2,000 total clients; 50% with 1-100 employees, 48% with 101-1,000 employees, 1% with 1,001-5,000 employees, 1% with 5,001 or more employees; 53% corporations, 45% multiemployer welfare arrangements, 2% governments/government agencies; minimum size client, five employees.
Compensation: By the project; commissions for insurance placed with underwriters; by the hour: senior consultant, $160-$180; consultant, $140-$160; clerical, $65-$80; chief actuary/executive vp, $325-$350.
Gross revenues: $5 million from benefit consulting in 1990; $4 million in 1989. Total 1990 revenues: $14.8 million.
International benefit consulting: 91% of revenues.
Principal officers: W.F. Morneau, chairman/chief executive officer; W.J. Luedey, president (Canada); W.F. Morneau Jr., president (U.S.)/ executive vp (Canada); D.A.P. McCallum, executive vp/chief actuary; G.R. Phillips, executive vp/ group actuary.

R.C. Morris Inc.

38052 Euclid Ave., Suite 208,
Willoughby, Ohio 44094;
216-951-1925

Year founded: 1988.
Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 30% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 35% of revenues. Includes plan design consulting.
Employee benefit communications consulting: 25% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 10% of revenues. Includes health care and other types of claims administration.
Staff: Two total staff members; two professionals, including one MBA.
Clients: 25 clients; 66% with 1-100 employees, 34% with 101-1,000 employees; 100% corporations; no minimum size client.
Compensation: By the project; by the hour: senior consultant, $100; consultant, $75; clerical, $35.
Principal officers: Robyn C. Morris, president.
Contact: Robyn C. Morris.

G. Murphy & Associates Inc.

2100 Manchester Road, Suite 305,
Wheaton, Ill. 60187; 708-682-0030;
fax: 708-682-0169

Year founded: 1986.
Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.
Retirement and savings plan consulting: 25% of revenues. Includes plan design consulting, plan/ trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 55% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.
Other services: 10% of revenues. Includes compensation consulting, brokering, general management consulting, health care and other types of claims administration.
Staff: Six total staff members; four professionals, including one CPA, one CFP.
Clients: 25 total clients; 28% with 1-100 employees, 28% with 101-1,000 employees, 36% with 1,001-5,000 employees, 8% with 5,001 or more employees; 100% corporations; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $125-$85; consultant, $85-$55; clerical, $25.
International benefit consult-

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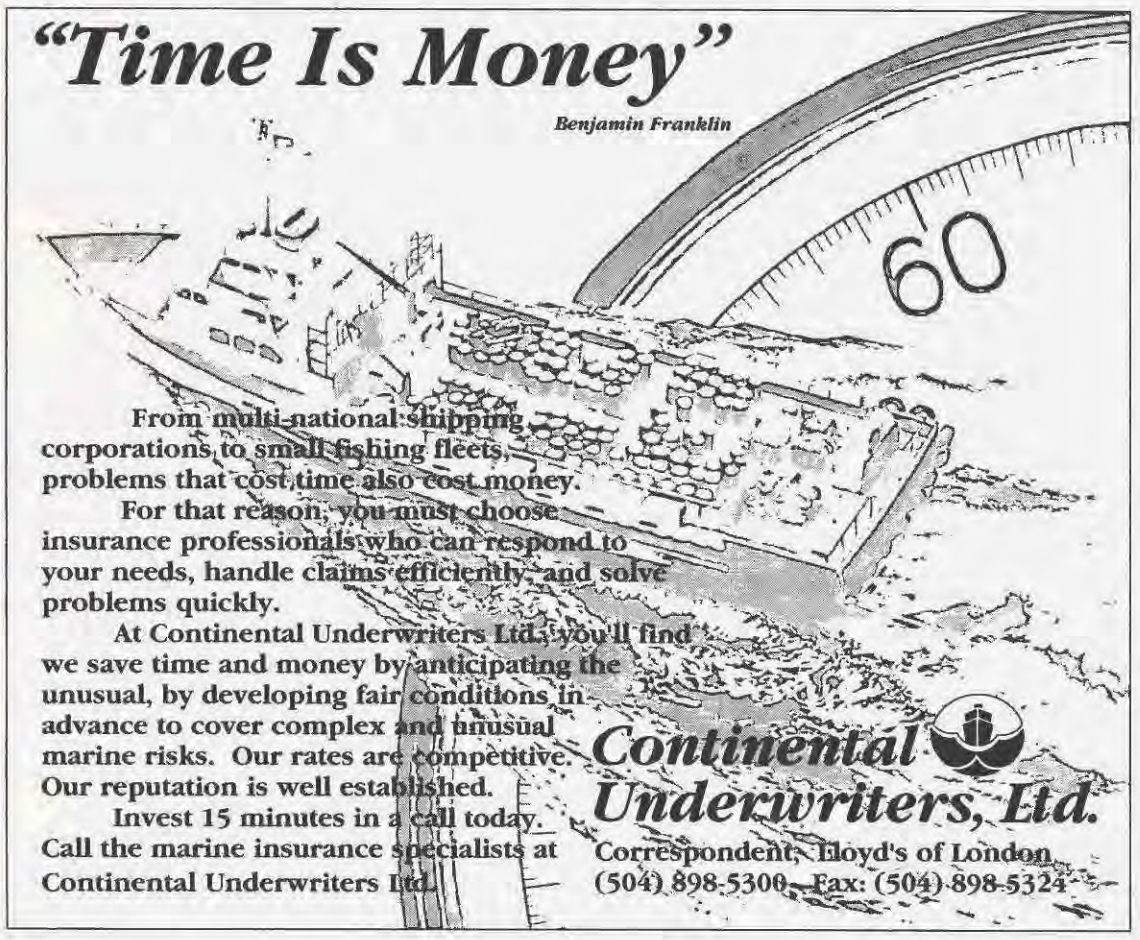

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ing: 100% of revenues.

Principal officers: Glenn E. Murphy, managing principal; Lee P. Murphy, principal; Jane K. Carpenter, associate.

N

Nagler & Nagler/Sierra Benefits

817 South Westgate, Los Angeles, Calif. 90049; 213-820-3933

Year founded: 1957.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 30% of revenues.

Welfare plan consulting: 10% of revenues.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, individual employee counseling.

Other services: 50% of revenues. Includes compensation consulting, brokering, general management consulting, health care and other types of claims administration.

Locations: San Francisco, San Diego, Sacramento, Stockton, Fresno, Bakersfield and San Bernardino, Calif.

Staff: 37 total staff members; 16 professionals.

Clients: 1,750 total clients; 85% with 1-100 employees, 10% with 101-1,000 employees, 5% with 1,001-5,000 employees; 80% corporations, 5% multiemployer welfare arrangements, 10% individuals, 5% non-profits; minimum size client, 10 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $100; clerical, $25.

Gross revenues: Total 1990 revenues: $2.1 million.

Principal officers: Lawrence Nagler, chief executive officer; David Nagler, executive vp; Elise Barrett and Lee Rossello, vps; Jon Wolin, vp-finance.

Noble Lowndes U.S.A.

33 Evergreen Place, East Orange, N.J. 07019; 201-675-8900; fax: 201-675-8959

Year founded: 1930.

Parent company: Noble Lowndes & Partners.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 61% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 12% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial determinations.

Employee benefit communications consulting: 2% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 25% of revenues. Includes compensation consulting, brokering, health care and other types of claims administration.

Locations: Chicago; Garden City and New York, N.Y.; Philadelphia; San Francisco; Atlanta; Washington, D.C.; Dover, Del.; Boston; Croydon, England.

Staff: 700 total staff members; 400 professionals, including eight FSAs, 13 ASAs, 10 MBAs, nine CEBS, four CLUs, one Ph.D., four CPAs, 12 attorneys, four qualified pension administrators; 25 EAs.

Clients: 4,300 total clients; 60% with 1-100 employees, 27% with 101-1,000 employees, 9% with 1,001-5,000 employees, 4% with 5,001 or more employees; 96% corporations, 4% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $200-$275; consultant, $150-$200; clerical, $50-$75; para-professional/actuarial student, $75-$150.

Gross revenues: $29.3 million from benefit consulting in 1990; $24.8 million in 1989. Total 1990 revenues: $203 million.

International benefit consulting: 86% of revenues. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the United States.

Principal officers: Stephen G. Singer, president/chief executive officer; Edward H. Becker; Edwin T. Johnson.

Contact: Stephen G. Singer.

Northeast Consulting Group

11 Commerce Drive, Cranford, N.J. 07016; 201-709-1600; fax: 201-709-1615

Year founded: 1972.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 100% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting.

Staff: 36 total staff members; 28 professionals, including one FSA, one MBA, two CEBS, four MAAAs, four EAs.

Clients: 1,400 total clients; 88% with 1-100 employees, 12% with 101-1,000 employees; 90% corporations; 10% individuals; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $200; consultant, $90-$150; clerical, $35.

Gross revenues: $2.7 million from benefit consulting in 1990; $2.7 million in 1989.

Principal officers: Marvin A. Scherb, president; Stephen F. Dolce, vp.

P

Pacific Benefits Inc.

5029 LaMart Drive, Riverside, Calif. 92507; 714-788-1477; fax: 714-788-1549

Year founded: 1988.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, funding options.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs.

Other services: 60% of revenues. Includes brokering, compensation consulting.

Staff: Five total staff members; two professionals, including one CEBS, one CPCU.

Clients: 35 total clients; 15% with 1-100 employees, 70% with 101-1,000 employees, 15% with 1,001-5,000 employees; 100% corporations; minimum size client, 100 employees.

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

Principal officers: Robert E. Lancaster, president; Joy A. Ward, vp.

Contact: Robert E. Lancaster.

Parsons, McKee & Co.

1991 Crocker Road, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Year founded: 1976.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 80% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs, booklet preparation.

Staff: 18 total staff members; 15 professionals, including one ASA, two attorneys.

Clients: 5% with 1-100 employees, 75% with 101-1,000 employees, 15% with 1,001-5,000 employees, 5% with 5,001 or more employees; 90% corporations, 10% multiemployer plans.

Compensation: By the project; by the hour: senior consultant, $192; consultant, $120; clerical, $40.

Gross revenues: $1.4 million from benefit consulting in 1990; $1.3 million in 1989.

Principal officers: John R. Parsons, president; William W. McKee, vp/actuary; Mark S. Sommers, vp/managing principal.

Contact: John R. Parsons or Mark S. Sommers.

Pension Planning Co. Inc.

355 Lexington Ave., New York, N.Y. 10017; 212-867-4100; fax: 212-953-7765

Year founded: 1945.

Parent company: Republic Hogg Robinson Inc.

Services provided: 80% of gross revenues from benefit consulting, 20% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 70% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, claims management systems consulting, claims management audit, actuarial evaluation of self-insured plans, COBRA/Section 89 consulting.

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

Other services: 20% of revenues. Includes compensation consulting; health care and other types of claims administration.

Locations: Boca Raton, Fla.; Cleveland, Ohio; Los Angeles; Detroit; Boston; Atlanta; Dallas; Philadelphia; Alexandria, Va.; Manchester, N.H.

Staff: 50 total staff members; 25 professionals, including one FSA, four ASAs, six MBAs, two CEBS, four CLUs, two attorneys.

Clients: 700 total clients; 25% with 1-100 employees, 75% with 101-1,000 employees; 95% corporations, 4% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $200-$300; consultant, $110-$175; clerical, $55.

International benefit consulting: Includes consulting via overseas branch offices, consulting from the United States.

Principal officers: Donald A. Lockwood, president/senior actuary; Paul Robinson, vp/actuary; Jack Washavchik, vp/actuary; Doug Rabbino, vp-group operations; Gena Buchwald, vp-R/K services; Robert Heuer, vp-data processing.

Pension Resources Inc.

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

Year founded: 1979.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 94% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 1% of revenues. Includes plan design consulting.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs.

Staff: 28 total staff members; 25 professionals, including one ASA, one MBA, one attorney.

Clients: 40% with 1-100 employees, 60% with 101-1,000 employees. 98% corporations, 2% individuals; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $185; consultant, $125; clerical, $50; plan administrator, $90.

Gross revenues: $2 million from benefit consulting in 1990, $1.6 million in 1989.

Principal officers: Michael Schwartz, president; Irwin Steinberg, managing partner; Irwin Friedman, partner.

Pharmaceutical Horizons Inc.

6821 Alloway St. W., Worthington, Ohio 43085; 614-785-9437

Year founded: 1989.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 50% of revenues. Includes plan design consulting, evaluation of other service providers, cost/utilization management of prescription drug benefit plans, including patient specific drug usage evaluation.

Other services: 50% of revenues. Includes health care and other types of claims administration, cost/utilization management consulting (drug usage evaluation).

Staff: One professional.

Clients: 20% with 101-1,000 employees, 80% with 5,001 or more employees; 100% corporations.

Compensation: By the project; on retainer; by the hour: senior consultant, $75.

Principal officers: Allan F. Zaenger, president; Michael C. Deminski, vp.

E.J. Phelps & Co., Financial & Insurance Services Inc.

2250 Fourth Ave., Suite 200, San Diego, Calif. 92101; 619-231-1643; fax: 619-231-0432

Year founded: 1979.

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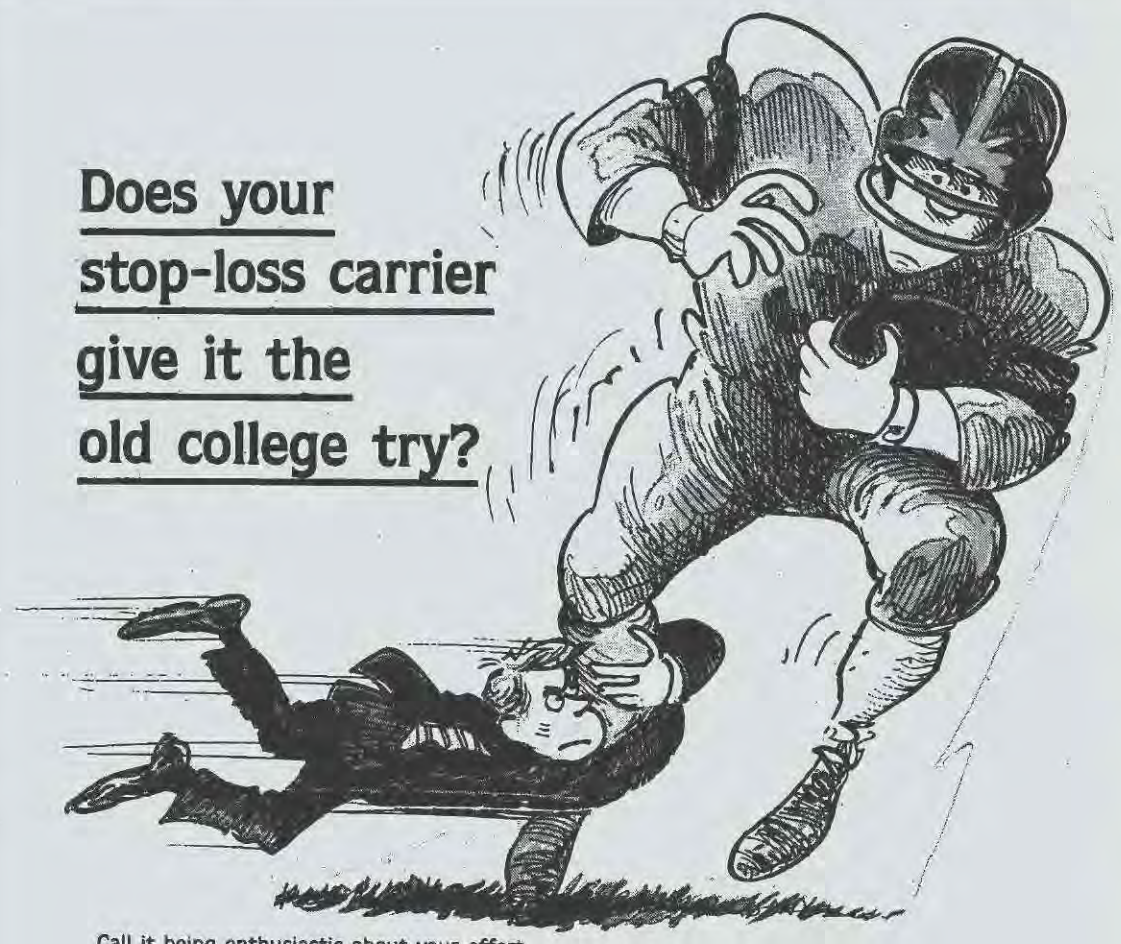

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Continued from previous page

Services provided: 25% of gross revenues from benefit consulting, 75% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 20% of revenues. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 5% of revenues. Includes plan design consulting, evaluation of other service providers, exclusive provider organization network formation/consulting.

Other services: 75% of revenues. Includes compensation consulting, brokering, health care and other types of claims administration.

Locations: El Centro, Calif.

Staff: 23 total staff members; six professionals, including one CLU, one CPCU.

Clients: 65% with 1-100 employees, 35% with 101-1,000 employees; 70% corporations, 5% multiemployer plans, 25% public and municipal; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $125; clerical, $45; benefit analyst, $65.

Gross revenues: $1 million from benefit consulting in 1990; $949,000 in 1989. Total 1990 revenues: $1.4 million.

International benefit consulting: 5% of revenues.

Principal officers: E.J. Phelps, president/chief executive officer; Bonnie S. Pearlman, executive vp-sales/marketing; Frank A. Cuenca, vp-employee benefits division; Dave G. DuPar, vp-property casualty division; Kim Schmitz, vp-administration.

Q

Queoff Associates Inc.

300 Third St., P.O. Box 6068, Wausau, Wis. 54402-6068; 715-845-5115

Year founded: 1989.

Services provided: 70% of gross revenues from benefit consulting, 30% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 7% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 42% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, plan administration.

Employee benefit communications consulting: 21% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, conducting of employee meetings/seminars.

Other services: 30% of revenues. Includes risk management consulting.

Staff: Three professionals, including one MBA, one associate in risk management, one life underwriter training council fellow.

Clients: 40% with 1-100 employees, 50% with 101-1,000 employees, 10% with 1,001-5,000 employees; 90% corporations, 10% partnerships/sole proprietors; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $75-$100; consultant, $50-$75; clerical, $30; data input/graphics, $50.

Principal officers: Pamela F. Queoff, president.

R

The Reimbursement Update

355 Oak Trail Drive, Double Oak, Texas 75067; 817-491-3593; fax: 817-491-3593

Year founded: 1986.

Services provided: 80% of gross revenues from benefit consulting, 20% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 70% of revenues. Includes plan design consulting, provider contracting/reimbursement, evaluation of other service providers.

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

Other services: 20% of revenues. Includes general management consulting, health care and other types of claims administration.

Staff: Two professionals, including one CEBS and one PhD.

Clients: Nine total clients; 78% with 101-1,000 employees, 22% with 1,001-5,000 employees; 100% corporations; no minimum size client.

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

Principal officers: Frederic R. Curtiss, president.

Contact: Frederic R. Curtiss.

Risk Management Consultants Inc.

1050 E. Flamingo, Suite 333, Las Vegas, Nev. 89119; 702-369-7475; fax: 702-796-7475

Year founded: 1985.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 20% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, plan design.

Other services: 70% of revenues. Includes compensation consulting, general management consulting, risk management activities.

Staff: Two total staff members; one professional, includes one MBA.

Clients: 20 total clients; 35% with 1-100 employees, 40% with 101-1,000 employees, 25% with 1,001-5,000 employees; 90% corporations, 10% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour: senior consultant, $125.

Principal officers: K. Steven Kawa, president.

Roller Consulting Co. Inc.

1117 Lancaster Ave., P.O. Box 692, Berwyn, Pa. 19312-0692; 215-640-1300; fax: 215-640-1316

Year founded: 1983.

Services provided: 31% of gross revenues from benefit consulting, 69% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 10% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 16% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

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

Other services: 69% of revenues. Includes brokering.

Staff: Five total staff members; four professionals.

Clients: 47 total clients; 50% with 1-100 employees, 28% with 101-1,000 employees, 11% with 1,001-5,000 employees, 11% with 5,001 or more employees; 100% corporations; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $175; consultant, $125; clerical, $50.

Gross revenues: $189,421 from benefit consulting in 1990; $158,350 in 1989. Total 1990 revenues: $421,615.

Principal officers: Kevin N. Roller, president; Pauline F. Hicks, vp.

Contact: Kevin N. Roller.

S

San Diego Pension Consultants Inc.

1202 Morena Blvd., Suite 300, San Diego, Calif. 92110; 619-275-5005; fax: 619-275-3291

Year founded: 1981.

Services provided: 100% of gross revenues from benefit consulting.

Retirement and savings plan consulting: 99% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 1% of revenues. Includes plan design consulting.

Locations: Anaheim, Calif.

Staff: 25 total staff members; 18 professionals, including one FSA, one ASA, five accredited pension administrators, one enrolled agent, one attorney.

Clients: 1,950 total clients; 98% with 1-100 employees, 2% with 101-

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Issue of December 17

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FREE LITERATURE FOR READERS

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C ☐ Union
D ☐ Government
E ☐ Educational Inst
F ☐ Ins Agent
G ☐ Ins Broker
H ☐ Ins/Reins Co
I ☐ Actry/Conslt
J ☐ Attorney
K ☐ Adj/Apprs
L ☐ TPA
M ☐ Healthcare Inst
N ☐ Other _____

2. Number of employees:
1 ☐ 150 or less
2 ☐ 151 - 499
3 ☐ 500 - 999
4 ☐ 1,000 - 4,999
5 ☐ 5,000 or more
6 ☐ Unkncwn

3. My title is best defined as:
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B ☐ Financial Mgt
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D ☐ Benefits Mgt
E ☐ Loss prevention Mgt
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4. My purchasing involvement for the requested products is to:
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5. Do you now receive a personally addressed copy of Business Insurance?
A ☐ Yes
B ☐ No, so please send subscription info

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Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone ( ) _____

Continued from previous page
1,000 employees; 85% corporations, 15% sole proprietorships/partnerships; no minimum size client.

Compensation: By the project.

Gross revenues: $2.6 million from benefit consulting in 1990; $2 million in 1989.

Principal officers: Thomas J. Pancheri, president; Todd A. Flores, vp; James A. Peterson, vp; Robert J. Pancheri, chairman.

Contact: Thomas J. Pancheri.

Schmidt, Long & Associates Inc.

Four SeaGate, 5th Floor, Suite 505, Toledo, Ohio 43604;
419-249-7220; fax: 419-249-7221

Year founded: 1986.

Services provided: 97% of gross revenues from benefit consulting, 3% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 85% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 12% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation, employee meetings.

Other services: 3% of revenues. Includes compensation consulting, brokering.

Staff: Six total staff members; five professionals.

Clients: 12 total clients; 8.3% with 1-100 employees, 8.3% with 101-1,000 employees, 25% with 1,001-5,000 employees, 58.4% with 5,001 or more employees; 100% corporations; minimum size client, 100 employees.

Compensation: By the project, by the hour: senior consultant, $200; consultant, $150; clerical, $75.

Principal officers: Timothy L. Schmide, president/chief operating officer; Ralph A. Long, chief executive officer; Tedd A. Long, vp; James A. Mauntler, vp.

Sedgwick James Consulting Group

600 Montgomery St., Third Floor, San Francisco, Calif. 94111;
415-983-5250; fax: 415-983-4907

Year founded: 1858.

Parent Company: Sedgwick Group Ltd.

Services provided: 55% of gross revenues from benefit consulting, 45% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, actuarial work for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 49.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, executive benefits consulting.

Employee benefit communications consulting: 0.5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 45% of revenues. Includes brokering.

Locations: 22 locations in the United States.

Staff: 440 total staff members; 180 professionals.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150-$275; consultant, $100-$175; clerical, $35-$60.

Gross revenues: Total 1990 revenues: $47 million.

International benefit consulting: 1% of revenues. Includes consulting via overseas branch offices.

Principal officers: Carroll D. Cox, president; E.H. Wood, Scot E. Smith, executive vps/benefits directors; Susan T. Gilbert, vp/director-resources.

Martin E. Segal Co.

One Park Ave., New York, N.Y. 10016-5895; 212-251-5000;
fax: 212-251-5490

Year founded: 1939.

Services provided: 96% of gross revenues from benefit consulting, 4% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 47% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 43% of revenues. Includes plan design consulting, evaluation of other service providers.

Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 4% of revenues. Includes compensation consulting, brokering, general management consulting.

Locations: Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; New York; Phoenix; San Francisco; Seattle; Washington D.C.; West Palm Beach, Fla.; Edmonton, Alberta; Toronto.

Staff: 682 total staff members; 514 professionals, including 12 FSAs, 23 ASAs, 45 EAs, 36 MAAAs.

Clients: 3,000 total clients; 48% corporations, 52% multiemployer plans.

Compensation: By the project; on retainer; by the hour: $70-$325.

Revenues: $67.1 million estimated from benefit consulting in 1990, $61 million estimated in 1989. Total 1990 estimated revenues: $69.9 million.

International benefit consulting: 3% of revenues. Includes consulting via two Canadian offices.

Principal officers: Martin E. Segal, chairman; Robert D. Paul, vice chairman; Robert D. Krinsky, president; Howard Fluhr, John F. Gentleman, Dale B. Grant, executive vps.

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

Self Insurers Plan Administrators Inc.

2831 Ringling Blvd., P.O. Box 2928, Sarasota, Fla. 34230-9998

Year founded: 1989.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting.

Staff: Five total staff members.

Clients: 100% with 1-100 employees; 100% corporations; minimum size client, 25 employees.

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

Principal officers: Robert F. Kallio, president; Gerald Shivener, Mark Osborn, vps.

Silva Financial Group

1550 The Alameda, Suite 305, San Jose, Calif. 95126; 408-554-6600;
fax: 408-554-0449

Year founded: 1976.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 45% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 15% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 25% of revenues. Includes compensation consulting, brokering, general management consulting, health care and other types of claims administration.

Staff: 10 total staff members; three professionals, including ASAs, MBAs, CLUs, CPAs, attorneys.

Clients: 50% with 1-100 employees, 50% with 101-1,000 employees; 75% corporations, 10% multiemployer plans, 10% multiemployer welfare arrangements, 5% individuals; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $125; consultant, $75; clerical, $50.

Gross revenues: $900,000 from benefit consulting in 1990; $600,000 in 1990. Total 1990 revenues: $1.2 million.

Principal officers: Robert E. Silva.

Siver Insurance Management Consultants

9400 Fourth St. N., Suite 119, St. Petersburg, Fla. 33702;
813-577-2780; fax: 813-579-8692

Year founded: 1970.

Services provided: 45% of gross revenues from benefit consulting, 55% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 5% of revenues. Includes plan design consulting, plan/trust legal document drafting.

Welfare plan consulting: 36.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, provider negotiations.

Employee benefit communications consulting: 3.5% of revenues. Includes general consulting on communications programs.

Other services: 55% of revenues. Includes risk management/property/casualty insurance consulting.

Staff: 25 total staff members; seven professionals, including four CLUs, seven CPCUs, four attorneys, one ChFC, five ARMs, one AU, two AAIs, one CIC.

Clients: 96 total clients; 5% with 1-100 employees, 5% with 101-1,000 employees, 60% with 1,001-5,000 employees, 30% with 5,001 or more employees; 40% corporations, 8% individuals, 52% government entities, cities, counties, school boards, hospitals and miscellaneous government agencies; no minimum size client.

Compensation: By the project; by the hour: senior consultant, $125-$195; consultant, $70-$125; clerical, $35-$45.

Gross revenues: $886,932 from benefit consulting in 1990; $821,434 in 1989. Total 1990 revenues: $2 million.

Principal officers: Edward W. Siver, president; Robert I. Siver, vp-secretary/treasurer; Jim Marshall, vp.

Smith Kazazian Inc.

350 W. Arden Ave., Suite 201, Glendale, Calif. 91203;
818-409-0821

Year founded: 1987.

Services provided: 100% of gross revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, compliance consulting, financing evaluation.

Staff: Six total staff members; six professionals.

Clients: 15 total clients; 13% with 101-1,000 employees, 40% with 1,001-5,000 employees, 47% with 5,001 or more employees; 100% corporations; minimum size client, 200 employees.

Compensation: By the hour: senior consultant, $180-$280; consultant, $140-$170.

Principal officers: Vine H. Smith, president; Alice Kazazian, vp.

Contact: Vine H. Smith.

Sobeco Group Inc.

505 Rene-Levesque Blvd. W., Montreal, Quebec H2Z 1Y7;
514-878-9090; fax: 514-875-2673

Year founded: 1962.

Services provided: 73% of gross revenues from benefit consulting, 27% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 61% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 9% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 3% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program prepar-ation, translation of materials and employee surveys.

Other services: 27% of revenues. Includes compensation consulting, general management consulting, software consulting, library management, risk management.

Locations: Fredericton, New Brunswick; Toronto; Calgary, Alberta.

Staff: 320 total staff members; 92 professionals, including 40 FSAs, 30 ASAs, five MBAs, three PhDs, two attorneys, three FCAs, one FCAS, two IAFs.

Clients: 1,550 total clients; minimum size client, 200 employees.

Compensation: By the project; on retainer; by the hour: senior consultant, $145-$325; consultant, $95-$195; clerical, $40-$60; actuarial assistants, $70-$125; technical support, $60-$110.

Gross revenues: $22.5 million from benefit consulting in 1990; $17 million in 1989. Total 1990 revenues: $30 million.

International benefit consulting: 98% of revenues. Includes consulting via overseas branch offices.

Principal officers: Yves Guerard, president; Jean-Louis Gauvin, senior vp/treasurer; Allan Lennox, Margaret Tarrel, Martin Brown, office managers.

Contact: Antoine Landry, communications director.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 550, Houston, Texas 77056;
713-622-8930; fax: 713-622-6705

Year founded: 1987.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 39% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 50% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, past retirement valuations, self-funded rate/reserve calculations.

Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 5% of revenues. Includes brokering.

Locations: Dallas.

Staff: 14 total staff members; 10 professionals, including one FSA, one ASA, one MBA, one Ph.D.

Clients: 36 total clients; 28% with 101-1,000 employees, 52% with 1,001-5,000 employees, 20% with 5,001 or more employees; 89% corporations, 11% government/municipality; minimum size client, 100 employees.

Compensation: By the project; commissions for insurance placed

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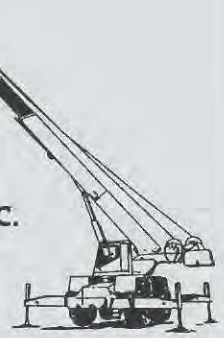

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Continued from previous page
with underwriters; by the hour: senior consultant, $225; consultant, $165; clerical, $40.

International benefit consulting: 10% of revenues. Includes consulting from the United States.

Principal officers: J.E. Stone, K. Haynes, T. McCord, C.R. Rennpage, E.B. Sanborn.

Strategic Health Development Corp.

9315 N.E. Sixth Ave., Miami Shores, Fla. 33138; 305-754-7933; fax: 305-751-1029

Year founded: 1985.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 10% of revenues. Includes plan design consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs.

Other services: 60% of revenues. Includes general management consulting; health care and other types of claims administration.

Locations: Columbia, S.C.

Staff: 30 total staff members; 12 professionals, including 10 CEBS, two PhDs.

Clients: 90% with 101-1,000 employees, 10% with 5,001 or more employees; 100% corporations; minimum size client, 50 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $125; consultant, $65; clerical, $25; RNs, loss control, travel, $65.

Gross revenues: $600,000 total revenues in 1990.

Principal officers: Nigel Wallbank, president; Alfred Karniewicz, chief executive officer; Lucy Guadalope, vp.

T

TPF&C, a Towers Perrin Co.

245 Park Ave., New York, N.Y. 10167-0128; 212-309-3400; fax: 212-309-0950

Year founded: 1934.

Services provided: 62% of gross revenues from benefit consulting, 38% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 39% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 8% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 38% of revenues. Includes compensation consulting, brokering, general management consulting.

Locations: 28 cities nationwide; 26 cities worldwide.

Staff: 5,298 total staff members; 281 professionals, including 229 ASAs.

Clients: 5,300 total clients; 100% corporations; no minimum size client.

Compensation: By the hour.

Gross revenues: $419 million from benefit consulting in 1990; $330 million in 1990. Total 1990 revenues: $672 million.

International benefit consulting: 8% of revenues. Includes consulting via overseas branch offices.

Principal officers: John T. Lynch, president/chief executive officer; J. Russell Southworth, managing director-TPF&C; Alan H. Dugan, vp-line of business manager/health/welfare plans; William N. Kuendig II, vp-chief actuary/retirement, Richard Ostuw, vp/chief actuary-health/welfare plans; Richard Bevan, vp-communication services.

Contact: Edward L. Hansen, marketing services, 100 Summit Lake Drive, Valhalla, N.Y. 10595; 914-745-4179.

Treacy & Rhodes Consultants

462 Stevens Ave., Suite 308, Solana Beach, Calif. 92075; 619-481-1191; fax: 619-481-9545

Year founded: 1985.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 85.5% of revenues. Includes plan design consulting, evaluation of other service providers.

Employee benefit communications consulting: 9.5% of revenues. Includes general consulting on communications programs, benefit statement preparation.

Other services: 5% of revenues. Includes general management consulting.

Staff: 28 total staff members; 22 professionals, including four FSAs, two ASAs.

Clients: 10 total clients; 10% with 101-1,000 employees, 90% with 5,001 or more employees; 100% corporations; minimum size client, 500 employees.

Compensation: By the hour: senior consultant, $185-$300; consultant, $125-$180; clerical, $50-$70; benefit analyst, $80-$125.

Principal officers: Jane D. Rhodes, president; Michael E. Treacy, chairman; Sandra M. Comrle, chief operating officer; Thomas J. Parciak, consultant.

Contact: Sandra M. Comrle.

V

A.W. Vidmer & Co.

111 Westwood Pl., Suite 430, Brentwood, Tenn. 37027; 615-373-1851; fax: 615-370-0351

Year founded: 1988.

Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from non-benefit consulting activities.

Employee benefit communications consulting: 90% of revenues. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation, interactive communication.

Other services: 10% of revenues. Includes corporate communications and advertising.

Staff: Eight total staff members; four professionals.

Clients: 32 total clients; 40% with 101-1,000 employees, 50% with 1,001-5,000 employees, 10% with 5,001 or more employees; 100% corporations; no minimum size client.

Compensation: By the hour: senior consultant, $125; consultant, $100; clerical, $40; graphic design, $80.

Gross revenues: $567,000 from benefit consulting in 1990; $468,000 in 1989. Total 1990 revenues: $630,000.

Principal officers: Tony Vidmer, president.

W

David H. Walker Co.

777 Davis St., San Francisco, Calif. 94111; 415-398-2655; fax: 415-434-2793

Year founded: 1948.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 10% of revenues. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, claims evaluation, provider evaluation, provider network review, cost projections.

Employee benefit communications consulting: 5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee seminars.

Other services: 60% of revenues. Includes brokering, health care and other types of claims administration.

Locations: San Francisco and San Diego, Calif.

Staff: 40 total staff members; eight professionals.

Clients: 40 total clients; 10% with 1-100 employees, 80% with 101-1,000 employees, 10% with 1,001-5,000 employees; 20% corporations, 80% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $150; consultant, $85; clerical, $35; fee basis determined client by client.

Principal officers: David Walker, president.

Walston & Associates Inc.-Employee Benefits Division

2424 Herodian Way, Suite 100, Smyrna, Ga. 30080; 404-980-9423; fax: 404-980-1181

Year founded: 1985.

Services provided: 100% of gross revenues from benefit consulting.

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

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, strategic planning.

Employee benefit communications consulting: 5% of revenues. Includes booklet preparation, wellness/health promotion.

Staff: 12 total staff members; one professional.

Clients: 10 total clients; 20% with 1-100 employees, 20% with 101-1,000 employees, 50% with 1,001-5,000 employees, 10% with 5,001 or more employees; 100% corporations; minimum size client, 25 employees.

Compensation: By the hour: senior consultant, $125-$150; clerical, $20.

Gross revenues: $75,000 from benefit consulting in 1990; $50,000 in 1989.

Principal officers: Thomas F. Walston II; James Wiley; Olan B. Hembree.

Contact: James Wiley.

J.B. Walton Co. Inc.

Chesley Office Campus, 108 Chesley Drive, Media, Pa. 19063-1712; 215-566-8001

Year founded: 1990.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 1.5% of revenues. Includes plan design consulting.

Welfare plan consulting: 27% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, self-funding analysis, managed care studies, flexible benefit plan studies and design/implementation, plan financial analysis and plan strategy development.

Employee benefit communications consulting: 1.5% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation and employee meetings.

Other services: 70% of revenues. Includes brokering, general management consulting.

Staff: Two total staff members; one professional who holds a CLU designation.

Clients: 27% with 1-100 employees, 53% with 101-1,000 employees, 20% with 1,001-5,000 employees; 100% corporations; minimum size client, 10 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $175.

Principal officers: John B. Walton, president.

Contact: John B. Walton.

Warren, McVeigh & Griffin Inc. & Subsidiary Cos.

1420 Bristol St. N., Suite 220, Newport Beach, Calif. 92660; 714-752-1058; fax: 714-955-1929

Year founded: 1968.

Services provided: 20% of gross revenues from continuous consulting, 22% from welfare claims, management audits, 58% of gross revenues from special projects, including plan design, benefit and cost analysis, excess insurance analyses, pooling feasibility studies, employee communication studies, expert witness assignments, welfare claims management reviews, self-funded and alternative funded feasibility studies, cost-containment studies, compensation and performance evaluations, design and evaluation of bid specifications, design and implementation of management information systems, publishing.

Locations: San Francisco.

Continued on next page

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Continued from previous page

Staff: 18 total staff members; five professionals, including one RHU, one CPCU, one ARM.

Clients: No minimum size client.

Compensation: By the project; on retainer; by the hour: principal consultant, $160-$200; senior consultant: $120-$150; technical staff, $60-$100; clerical staff, $25-$45.

Principal officers: C.C. Griffin, chief executive officer; Robert Wilkinson, senior vp; Timothy Beck, vp/managing consultant-employee benefits; Ronald Rakich, vp.

Webber Consulting Group Inc.

630 Colonial Park Drive, Suite 200, Roswell, Ga. 30075; 404-641-1868; fax: 404-641-1899

Year founded: 1984.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from non-benefit consulting activities.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, occupational health.

Employee benefit communications consulting: 10% of revenues. Includes general consulting on communications programs.

Other services: 65% of revenues. Includes risk management consulting.

Staff: Four total staff members; three professionals, including one MBA.

Clients: Two total clients; 50% with 101-1,000 employees, 50% with 5,001 or more employees; 100% governmental entities; no minimum size client.

Compensation: By the project.

Principal officers: Steven R. Webber, president/chief executive officer.

Williams, Thacher & Rand

630 Third Ave., New York, N.Y. 10017; 212-949-1344; fax: 212-682-9147

Year founded: 1975.

Services provided: 89% of gross revenues from benefit consulting, 11% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 47% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, software development.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, HMO evaluation.

Employee benefit communications consulting: 12% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, survey development/analysis.

Other services: 11% of revenues. Includes compensation consulting, international, software and systems.

Locations: Baltimore; Washington D.C.; Richmond, Va.; Indianapolis; Philadelphia.

Staff: 140 total staff members; 110 professionals, including two FSAs, 10 ASAs, 12 MBAs, two CEBS, one CLU, one Ph.D., one attorney.

Clients: 800 total clients; 10% with 1-100 employees, 55% with 101-1,000 employees, 30% with 1,001-5,000 employees, 5% with 5,001 or more employees; 83% corporations, 2% multiemployer plans, 10% partnerships; 5% associations; minimum size client, 100 employees.

Compensation: By the project; by the hour: senior consultant, $200-$290; consultant, $130-$185; clerical, $38-55; administrative, $65-$100.

Gross revenues: $14.5 million from benefit consulting in 1990; $11.8 million in 1989.

Principal officers: Charles Thacher, Robert Williams, Thomas Rand, and Terry Stokes, principals.

Contact: Charles Thacher.

The Wyatt Co.

Suite 1000, 601 13th St. N.W., Washington, D.C. 20005-3808; 202-508-4760; fax: 202-508-4758

Year founded: 1946.

Services provided: 85% of gross revenues from benefit consulting, 15% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 65% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 12% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, managed care consulting, health care consulting.

Employee benefit communications consulting: 8% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 15% of revenues. Includes risk management, organization research, surveys.

Locations: 30 cities in the United States; 39 cities worldwide.

Staff: 3,700 total staff members; 2,300 professionals, including 177 FSAs, 190 ASAs.

Clients: 15,000 total clients; 40% with 1-100 employees, 36% with 101-1,000 employees, 12% with 1,001-5,000 employees, 12% with 5,001 or more employees; 95% corporations, 3% multiemployer plans, 2% governmental entities; no minimum size client.

Compensation: By the hour.

Gross revenues: $365 million from benefit consulting in 1990; $315 million in 1989. Total 1990 revenues: $430 million.

International benefit consulting: 18% of revenues. Includes consulting via overseas branch offices, consulting from the United States.

Principal officers: Michael H. Davis, president/chief executive officer; Leroy B. Parks Jr., vp/treasurer; Robert L. Barnes, Michael D. Evans, and Albert C. Simmonds, vps.

Y

Yaffe & Co. Inc.

800 N. Charles St., Baltimore, Md. 21201; 301-332-1166; fax: 301-727-1344

Year founded: 1976.

Services provided: 96% of gross revenues from benefit consulting, 4% of gross revenues from non-benefit consulting activities.

Retirement and savings plan consulting: 75% of revenues. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communications consulting: 6% of revenues. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 4% of revenues. Includes compensation consulting.

Staff: 37 total staff members; 30 professionals, including two ASAs, three MBAs, two CEBS, one CPA, one CCP.

Clients: 50 total clients; 10% with 1-100 employees, 50% with 101-1,000 employees, 40% with 1,001-5,000 employees; 100% corporations; minimum size client, 75 employees.

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

Principal officers: Rian M. Yaffe, president/chief executive officer. ■

Geographical listing of benefit consultants

Alabama

Birmingham
- Booke & Co.
- Corroon & Black Corp./ C&B Consulting Group
- William M. Mercer Cos. Inc.

Alaska

Anchorage
- William M. Mercer Cos. Inc.

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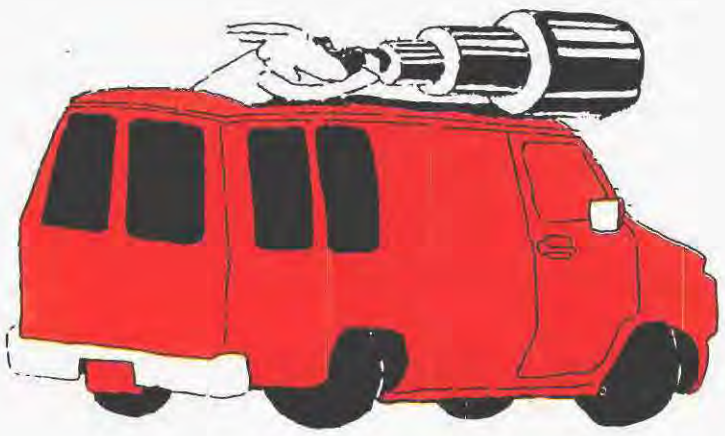

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JAN. 6-8. Benefits, Products, Services: Positioning Your HMO to Gain a Competitive Edge symposium in Phoenix, sponsored by the Group Health Assn. of America Inc.; $570 for GHAA members; $670 for non-members; add $60 after Dec. 28. GHAA, Dept. 0612, Washington, D.C. 20036; 202-331-7487.

JAN. 7-11. Modern Safety Management seminar in Calgary, Alberta, sponsored by the International Loss Control Institute; $855 for members; $950 for non-members. **Also Jan. 14-18** in Atlanta and London; **Jan. 28-Feb. 1** in Cleveland and Vancouver, British Columbia; **Feb. 4-8** in Toronto, Mexico City, and London; **Feb. 11-15** in Atlanta; **Feb. 25-March 1** in San Francisco; **March 4-8** in Calgary, Alberta; Lexington, Ky.; and Atlanta; **March 11-15** in San Juan, Puerto Rico, and Salt Lake City; **March 18-22** in London and Los Angeles. ILCI, P.O. Box 1898, 4546 Atlanta Highway, Loganville, Ga. 30249; 404-466-2208.

JAN. 8-9. Annual Meetings and Joint Industry Conference in New York City, co-sponsored by American Insurance Assn., Insurance Information Institute and Insurance Services Office Inc.; no fee. Invitation only to membership of the three organizations, Diane Portantiere, Insurance Information Institute, 110 William St., New York, N.Y. 10038; 212-669-9200.

JAN. 10. An Advanced Course on Business Interruption Exposures and Their Treatment workshop in Newburgh, N.Y., co-sponsored by The Society of Chartered Property Casualty Underwriters and the Hudson Valley Chapter; $75 plus $20 exam fee; add $15 after Dec. 27. Bonnie Kinsley, Continuing Education Coordinator, The Society of CPCU, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355; 215-251-2735.

JAN. 10-11. Practical Strategies for Managing a Cost—Effective Injury Prevention Program in Santa Clara, Calif., sponsored by the Southern California Safety Institute; $385. **Also March 12-13** in Irvine, Calif.; **March 26-27** in Fresno, Calif.; **April 11-12** in Ontario, Calif. Southern California Safety Institute, 3858 Carson St., Suite 210, Torrance, Calif. 90503; 213-540-2612.

JAN. 13-16. Communicating with the Customer conference in Orlando, Fla., sponsored by the Insurance Marketing Communications Assn.; $300 for IMCA members; $350 for non-members. William Hadley, executive director-IMCA, 62 Northgate Road, Wellesley, Mass. 02181; 617-266-8400.

JAN. 13-16. Medical Issues/Data Management Conference in Tucson, Ariz., sponsored by American Managed Care & Review Assn.; $445 for AMCRA members; $575 for non-members; add $100 after Dec. 28. AMCRA, 1227 25th St. N.W., Suite 610, Washington, D.C. 20037; 202-728-0506.

JAN. 13-16. Nuclear Insurance Conference 1991 in Orlando, Fla., sponosored by the U.S. Council for Energy Awareness; $500 for USCEA members; $700 for non-members; U.S. Council for Energy Awareness, Suite 400, 1776 I St., N.W., Washington, D.C. 20006-2495; 202-293-0770.

JAN. 14-15. Understanding the Scientific Principles Behind Environmental Regulation: The Scientific and Technical Survival Course for Lawyers and Managers in Washington, D.C., sponsored by Executive Enterprises Inc.; $1,045. **Also Feb. 28-March 1** in San Francisco. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

JAN. 14-18. Accredited Safety Auditor seminar in Calgary, Alberta, sponsored by the International Loss Control Institute; $1,050 for ILCI members; $1,250 for non-members. **Also Jan. 21-25** in Atlanta; **Feb. 11-15** in Mexico City; **Feb. 25-March 1** in Vancouver, British Columbia; Cleveland; Madrid, Spain; **March 4-8** in San Francisco; **March 11-15** in Atlanta and Lexington, Ky.; **March 18-22** in San Juan, Puerto Rico. ILCI, P.O. Box 1898, 4546 Atlanta Highway, Loganville, Ga. 30249; 404-466-2208.

JAN. 15. Symposium on Research Applications of Large Health Care Data Sets in Boston, co-sponsored by the Massachusetts Health Data Consortium Inc., Massachusetts Peer Review Organization, Graduate School for Health Studies, Simmons College; No charge. Susan Carman, conference manager, Massachusetts Health Data Consortium Inc., 400-1 Totten Pond Road, Waltham, Mass. 02154.

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NAIC audit rule

Continued from page 2

or if one or more examiners from an accredited state participated in the report.

At the meeting, the NAIC also decided to:

- Exclude reciprocal insurers from the model law regulating managing general agents, but it plans to soon adopt a separate model for reciprocals.
- Seek comments on proposals to cap insurers' use of medium and low-quality investments and to make the ratings of preferred stocks follow the same six-category designation previously adopted for bonds.
- Develop a model law requiring that an insurer's capital requirement reflect the riskiness of its book of business and its investments.
- Study self-insurance pools operated by governmental entities.
- Consider the possibility of insurers aiding regulators in examining the solvency of other insurers.

The NAIC's 1991 solvency agenda "while ambitious, is both essential and achievable," noted James E. Long, the North Carolina insurance commissioner and new president of the NAIC.

The agenda calls for the NAIC to:

- Improve tools used in financial evaluations.

For example, the NAIC plans to finish revising the Examiners Handbook and incorporate the American Institute of Certified Public Accountants' generally accepted auditing standards, tailored where appropriate to reflect a regulatory perspective.

In addition, the NAIC plans to better emphasize and coordinate computer audit techniques.

The NAIC also will examine and evaluate existing statutory accounting principles outlined in its Accounting Practices and Procedures Manual.

- Strengthen its Financial Regulation Standards used to determine whether states merit NAIC accreditation.

At the December meeting, Florida and New York were formally recognized as the first two states to become accredited (*BI*, Dec. 10; Dec. 3).

However, the NAIC also increased accreditation requirements to include state adoption of model laws relating to examination processes and controls over the operations of managing general agents and reinsurance intermediaries.

Accredited states, or those in the process of being accredited, will have two years to adopt the requirements.

- Require insurers to put more information on material transactions in the annual statements they file with state departments.
- Continue evaluation of surplus relief and financial reinsurance contracts that do not entail the transfer of risk, with an eye to developing or refining statutory accounting standards for these transactions.
- Create a reinsurance office to help state regulators interpret reinsurance contracts and evaluate reinsurance companies.
- Create an education fund and develop and implement intermediate- and high-level training courses for such persons as financial analysts, financial auditors and financial regulators who hold decision-making and policy-setting responsibilities.
- Create a centralized financial analysis unit to help state insurance departments analyze financial statements.

The centralized financial analysis unit will, for example, refine and improve financial ratios used by the Insurance Regulatory Information System, the NAIC system for detecting troubled insurers.

The new unit also will develop computerized analytical routines for states to use in reviewing financial information from insurance companies.

In addition, the NAIC will develop approaches that the financial analysis unit can use to evaluate financially troubled insurers.

The National Assn. of Insurance Commissioners' 1991 solvency agenda 'while ambitious, is both essential and achievable,' says James E. Long, the North Carolina insurance commissioner and new president of the NAIC.

The U.S. General Accounting Office recommends in a report released last week that the NAIC expand and improve the ability of its IRIS program to spot troubled insurers.

Its report was requested by Rep. Doug Walgren, D-Pa., chairman of the House Commerce, Consumer Protection and Competitiveness Committee.

The report criticized the IRIS system as unable to promptly provide state regulators with information on potentially failing companies.

Regulators are often aware of an insurer's difficulties before the IRIS data is available, the report said.

In addition, the GAO noted other regulatory problems reported by state insurance regulators and insurance company officials.

Regulators and insurers, for example, said that financial ratios are limited in scope and may not uncover all troubled insurers.

Also, the assessment of different types of insurers of varying size is not equally effective, according to the report.

- Enhance oversight of insurance company investments by developing a model law on authorized investments.

The NAIC also plans "to determine the extent of investment in real estate and real estate-related assets and develop a monitoring mechanism for those insurers with a high level of investments in this area," the NAIC said.

- Survey state insurance departments about the operation of receiverships

The NAIC plans to create a study committee consisting of representatives of state insurance departments, guaranty funds and the insurance industry to make recommendations for any needed improvements in the operation of receiverships.

In addition, the NAIC plans to hire a new staff member to assist the committee and state insurance departments on receivership matters.

The NAIC solvency agenda is designed to build on "dramatic" progress made in 1990, Mr. Long commented.

Highlights of those developments include the development of the state insurance department accreditation program and other revisions to the annual insurer statement blank, including the addition of a requirement that loss reserves be certified, said Earl R. Pomeroy, the North Dakota insurance commissioner and outgoing president of the NAIC.

In addition, the NAIC has expanded its use of the peer review process by requiring that the regulator in the state where a troubled company is domiciled answer questions in a closed meeting about how the regulator is handling the situation.

Thus far, each state has complied, Mr. Pomeroy said.

However, "if a state's response had been inadequate, a multi-state team would have been sent in," he noted.

And, the NAIC has significantly enhanced its resources by increasing its budget by $2 million, or more than 15%, to more than $15 million and adding more highly skilled staff, including actuaries and reinsurance specialists, he said.

These developments demonstrate that "the NAIC can respond quickly and nationally when it comes to solvency regulation," Mr. Pomeroy said.

However, Mr. Pomeroy said he is concerned that the "giant strides" made in enhancing insurer solvency regulation in the past year may be drowned out by "media hysteria" and concerns by legislators that a fundamental change is needed in the nation's system of insurance regulation.

Yet proposals that there be a federal role in insurance regulation are impossible to evaluate because there is no clearly defined proposal available, he said during his formal address. ■

NAIC model law limits small group health rates

By MEG FLETCHER

LOUISVILLE, Ky.—Small employers with good health care plan experience may be penalized with higher premiums in states that adopt a model insurance law designed to protect the availability of affordable coverage for all small employers, a health insurer says.

The model law adopted by the National Assn. of Insurance Commissioners would cap rates for small group coverage and limit when insurers could cancel coverage for small employers.

The NAIC approved the model law at its winter meeting earlier this month in Louisville, Ky.

Insurers generally support the measure, but insurers may respond by boosting rates for small employers with good to average losses roughly 1% to 5% to make up for their own higher costs, estimated Dick Helms, second vp with Principal Mutual Life Insurance Co. of Des Moines, Iowa.

And, the relatively few insurers that have in the past had abusive cancellation and rate increase policies may have to boost rates even more for employers with good-to-average loss experience, said Mr. Helms, who served on an industry advisory group that helped draft the model bill.

However, competitive pressures likely would prevent insurers from boosting rates for insured health care plans sponsored by large employers in a state that adopts the model law, Mr. Helms said.

"The intent of this act is to promote the availability of health insurance coverage to small employers, to prevent abusive rating practices, to require disclosure of rating practices to purchasers, to establish rules for continuity of coverage for employers and covered individuals, and to improve the efficiency and fairness of the small group health insurance marketplace," the model law states.

Some small employers have faced health care plan rate increases of up to 500%, said Trevor Smith, assistant insurance commissioner for the Florida Insurance Department, who oversaw development of the model law on "Premium Rates and Renewability of Coverage for Health Insurance Sold to Small Groups."

Some small employers have faced rate increases of up to 500%, says Trevor Smith.

Under the model bill, an index rate is calculated for each class of business for small employers—defined as those with fewer than 25 employees—with similar characteristics. That rate is the arithmetic average of the applicable base premium rate and the corresponding highest premium rate.

Under the model law, the index rate for a rating period for any class of business cannot exceed the index rate for any other class of business by more than 20%, with few exceptions.

In addition, rates established during a rating period for small employers with similar characteristics seeking similar coverage cannot vary from the index rate by more than 25%.

Other provisions of the model require that insurers renew coverage in most instances and disclose their rating practices and renewal provisions.

Insurers may cancel or cease to renew plans for a specified class of business—not just individual employers within the class—if the insurer meets such requirements as giving 90 days' notice.

In other action on health-related matters, the NAIC:

- Approved amendments to the NAIC's Third Party Administrator Statute that will require all TPAs handling group life/health insurance claims to register with the state insurance department.

Other amendments require TPAs to disclose to covered lives the relationship among the TPA, the policyholder and the group health insurer and spell out grounds for suspension or revocation of a certificate of authority.

- Adopted amendments to the NAIC's Coordination of Benefits Model Law to reflect the requirements imposed by the recent budget reconciliation bill.
- Decided not to develop a model law on utilization review, although it decided to maintain information on the topic.
- Decided not to develop a model law on health care products offered where service is rendered.

Regulators have "strong" reservations about such products at this time, reported Elaine McReynolds, Tennessee insurance commissioner. ■

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NAIC to bar fully developed comp rates

By MEG FLETCHER

LOUISVILLE, Ky.—The National Assn. of Insurance Commissioners is recommending that by 1994 all states limit the role of workers compensation rating organizations to providing only loss-cost data.

The National Council on Compensation Insurance of Boca Raton, Fla., and other rating organizations should no longer provide insurers with fully developed rates, which take into account profits and expenses, according to a resolution the NAIC adopted during its winter meeting in Louisville, Ky., earlier this month.

"The NAIC believes it is good public policy to no longer allow the NCCI to prepare fully developed rates for member companies," said William McCartney, Nebraska insurance director and NAIC vp.

Mr. McCartney chaired the working group that scrutinized the operations of workers comp rate-making organizations like the NCCI, following criticisms leveled by some consumers and regulators that providing fully developed rates is a form of price-fixing.

In the short term, the change "probably will not have a major impact on the insurance market one way or another," based on NAIC studies of the market in states that already have adopted a similar loss-cost approach, Mr. McCartney said.

"In the long term, it may bring discipline and additional competition" to work comp insurance markets, he said.

The NAIC's resolution reaffirms the intent of a preliminary recommendation made by the NAIC's Workers Compensation Advisory Organization Working Group (*BI*, Dec. 11, 1989).

In July, the NCCI responded to that recommendation by voluntarily changing its primary focus to providing data on trended loss costs rather than fully developed advisory rates (*BI*, July 23).

But, it also announced that it would continue to provide fully developed rates to those states that want them.

Currently, 15 states in some way restrict a rating organization's ability to file fully developed advisory rates, said Michael Camilleri, the NCCI's senior vp and general counsel.

However, only seven of those 15 states currently restrict the information to the pure loss-cost approach that the NAIC now recommends, he said. Those states are: Connecticut, Kentucky, Louisiana, Michigan, Minnesota, Oregon and South Carolina.

"We are prepared to respond to whatever rate regulatory environment any state chooses to adopt, either by statute or regulation," Mr. Camilleri said.

He said he expects that the NAIC to develop guidelines for states to follow in adopting a loss-cost approach to workers comp rate filings.

"Our concern lies with our ability to continue to collect statistics on a basis adequate to continue to develop credible historical loss information," he said. "We are also concerned with our ability to develop rates for and administer residual market programs," which the NCCI operates in several states, he said.

However, "we are confident that the NAIC and individual states will allow us to work with them in protecting the data base and assisting the industry in maintaining accurate information," Mr. Camilleri said.

Following research by another subgroup headed by Mr. McCartney, the NAIC previously adopted proposals recommending a loss-cost approach for organizations like the Insurance Services Office Inc. that file advisory rates for other lines of property/casualty insurance.

New York-based ISO, the largest advisory organization serving property/casualty insurers, voluntarily adopted that approach last year (*BI*, April 10, 1989).

Insurers generally criticize the loss-cost approach, saying it unnecessarily increases insurers' expenses because individual insurers have to calculate their expenses and individually file their rates with each state.

Insurers also complain that the mass of individual rate filings burdens state regulators with paperwork.

However, NAIC regulators do not believe that the change to a loss-cost approach will cause any material increase in insurer expenses, Mr. McCartney said.

In addition, paperwork should not be a burden for regulators, he said. For example, he expects that an insurer's rate filing in Nebraska will consist of a single sheet of paper containing the insurer's own allocations for expenses, profits and contingencies and referring to the NCCI's loss-cost filing, which will have been made previously.

The NAIC also took action on several other matters, including the following:

Educating non-U.S. regulators

The NAIC plans to increase its commitment to explaining to insurance regulators around the world the operation of the nation's state-based system of insurance regulation rather than rely on federal trade negotiators.

The full NAIC adopted a recommendation by the International Insurance Relations Task Force that NAIC officers participate in semi-annual meetings of the Organization for Economic Cooperation and Development, which are typically held in Europe.

The need to communicate how the 50-state system of regulation works outweighs the financial burden such participation entails, regulators agreed.

The task force recommendation followed a report on the November OECD meeting in Paris by Alaska Insurance Commissioner David Walsh, who represented the NAIC at that meeting.

"It was very obvious that the U.S. federal government's focus with regard to insurance is different than the NAIC focus," Mr. Walsh noted in his written report.

"The Commerce Department's mission is to increase trade, and that is a noble goal indeed.

"The NAIC mission, however, is not only to have a healthy marketplace, but to protect consumers. Our consumer orientation and the federal government's trade orientation are inherently incompatible," Mr. Walsh wrote.

"While the federal government's commitment to the state regulatory regime is technically correct, in my view it is philosophically suspect due to their low level of knowledge on how state regulation actually works," he added.

"I think there are some significant misconceptions among the OECD members with regard to how regulation actually works in this country and what the NAIC is doing," he said.

For example, many OECD delegates were "quite surprised" to learn that the NAIC had never implemented the "port of entry" concept, a proposal that a non-U.S. insurer accepted by one state should be able to write in all states.

Contributing to the lack of understanding may be that the federal official who headed the U.S. delegation to the OECD has been a different person for at least the past three meetings, according to Hawaii Insurance Commissioner Robin Campaniano, task force chairman.

The OECD is "a very valuable organization" with an "extraordinarily academic" approach, Mr. Walsh said. The NAIC should attempt to refocus the OECD's discussion of insurance issues to the practical from the theoretical, he said.

"Further, the OECD seems to have concluded that national treatment and non-discrimination mean, de facto, a single license," Mr. Walsh said. "A number of delegates were incredulous when I said that the 50-state system is not particularly burdensome and that our companies (and theirs) operate under our system and get along very well," he said.

Mr. Walsh's recommendation to increase the NAIC's participation in the OECD was supported by other state regulators, including Zack Stamp of Illinois and Earl Pomeroy of North Dakota.

In addition, Mr. Walsh reported that the OECD has decided to use statistics from the NAIC rather than A.M. Best Co. of Oldwick, N.J., as its data source.

Surplus lines law amended

The NAIC adopted amendments to its Model Surplus Lines Law to establish a framework for allocating how surplus lines insurance premiums for multistate risks are reported and taxed.

The framework hinges on several states adopting the changes and agreeing to allocate the premiums on such risks, especially when a policy is written in one state but the risks are located in one or more other states.

Essentially, states that adopt the amendments agree to divide premiums according to an as-yet-undetermined allocation schedule.

Other provisions make the surplus lines broker responsible for reporting and allocating the tax to all states. The commissioner in the state where the broker is licensed is given enforcement authority over the broker.

The NAIC will next consider developing and adopting regulations to implement the model law, including the allocation schedule.

NAIC elects officers

NAIC members elected three state regulators to head their organization for the 1990-91 year.

James E. Long of North Carolina was elected president and William McCartney of Nebraska was elected vp and chairman of the NAIC's Executive Committee.

In addition, Robin Campaniano of Hawaii was elected recording secretary to replace Fletcher Bell of Kansas, who is retiring from state office.

Mr. Campaniano's election may make the post of recording secretary—which traditionally had been an honorary position—a stepping-stone to the NAIC presidency, observers say.

The NAIC also honored James W. Schacht, chief deputy director of the Illinois Insurance Department, as an outstanding regulator by presenting him with the annual Robert Dineen Award. ■

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Panel views adequacy of guaranty fund system

By MEG FLETCHER

LOUISVILLE, Ky.—The guaranty fund system is working adequately and does not need major revisions, although improvements are possible, according to a panel of insurers and regulators.

But, to prevent both property/casualty and life/health guaranty fund systems from developing problems in the future, regulators and insurers should take any steps they can to prevent company insolvencies, the panel recommended.

Regulators and others who consider ways to improve the existing system of guaranty funds generally are frustrated because "by and large, they do a very good job," said Virginia Insurance Commissioner Steven T. Foster during a panel discussion at the winter meeting of the National Assn. of Insurance Commissioners in Louisville, Ky., earlier this month.

Because the funds pay claims promptly, few—if any—policyholders complain to their state legislators about them, Mr. Foster said.

However, Mr. Foster said he is concerned about the "alarming" increase in guaranty fund assessments that insurers are being asked to pay.

And, those assessments could increase even more, another panelist said.

There will be a new wave of insolvencies among some badly managed property/casualty insurers, predicted Bruce W. Clements, vp and assistant general counsel of Allstate Insurance Co. of Northbrook, Ill., a subsidiary of Sears, Roebuck & Co.

Mr. Clements urged "timely regulatory involvement" to reduce the size of the insolvencies to which property/casualty guaranty funds must respond.

The real issue for both property/casualty and life/health companies is the adequacy of solvency regulation, said Joel Freedman, vp and federal affairs counsel in the Hartford Insurance Group's Washington, D.C., office.

"There is a lot the regulatory system can do," such as preventing predatory pricing and ending artificial suppression of insurance rates, Mr. Freedman said.

He also recommended that the best way to make commercial policyholders better scrutinize the insurers they buy coverage from would be to exclude those large buyers from guaranty fund protection.

In addition, caps on all fund payouts might help, said Earl R.

Continued on next page

Continued from previous page
Pomeroy, North Dakota insurance commissioner.

However, sophisticated consumers generally want guaranty fund coverage and complain when the insurer they bought coverage from goes under, Virginia's Mr. Foster said.

Panelists also expressed their views about the financial condition and administration of life/health guaranty funds.

The American Council of Life Insurance recently reviewed life/health guaranty funds and reported that they are in an acceptable financial condition, said Ray Hathaway, senior vp and secretary of the John Hancock Mutual Life Insurance Co. of Boston.

To help keep the life/health guaranty funds healthy, "the ACLI actively seeks adoption" by states of NAIC model laws to enhance insurer solvency, he said.

However, claims administration by life/health guaranty funds is more complex now because a fund typically focuses on paying only a state resident's claim, and there can be several funds involved in a single insurer's insolvency, Mr. Hathaway said.

Previously, a life/health guaranty fund typically focused on paying all the claims of an insolvent insurer domiciled in its state, regardless of where policyholders lived.

Mr. Hathaway suggested that the National Organization of Life & Health Guaranty Assns. may be able to help coordinate activities in insolvencies involving policyholders in multiple states.

James M. Jackson, vp and deputy general counsel in the Los Angeles office of Transamerica Occidental Life Insurance Co., also endorses the idea of a centralized claims handling system for life/health guaranty funds.

However, Mr. Jackson recommends that a single liquidation and service center be developed for life/health guaranty funds under the aegis of the NAIC.

The NAIC is explicitly recognized in the statutes of every state, the District of Columbia and Puerto Rico, Mr. Jackson said. That gives the NAIC "unprecedented status and power as a voluntary association of state officials," he said in a pre-publication copy of an article scheduled to appear in the December edition of the NAIC's Journal of Insurance Regulation.

States could agree to form such a centralized facility through the use of interstate agreements called compacts, he said.

In addition, Mr. Jackson recommends that the centralized facility be prefunded and that insurers be required to pay assessments to it that reflect the degree of risk in the books of business they write.

However, Mr. Foster responded that prefunding guaranty funds can be dangerous in states that face budget deficits. Prefunding creates a pot of money that is not needed for immediate expenses, which is tempting to state legislators who are trying to balance budgets.

State legislators have been able to dip into such funds in the past, he said.

For example, insurers are battling with the state of New York in court to regain $124 million that the Legislature appropriated from the state property/casualty guaranty fund between 1979 and 1982 (*BI*, Aug. 27).

"We need a reciprocal interstate fund to prevent a single state from raiding a prefunded fund," Mr. Jackson said.

In addition, several panelists questioned the feasibility of risk-based assessments on insurance companies.

North Dakota's Mr. Pomeroy moderated the session. ■

Experts assess measures to cut mental health costs

By JOANNE WOJCIK

PALM DESERT, Calif.—Case management is more effective than pretreatment utilization review in controlling mental health care costs, experts say.

Employers also should consider providing coverage for alternative psychiatric treatment, such as outpatient therapy, because such a benefit could be more cost-effective in the long run, at least one mental health expert says.

Psychiatric preferred provider networks also can help manage mental health care costs, another expert suggests.

Many benefit managers think utilization review is case management, but it really is not, said Don Anderson, director of mental health programs in William M. Mercer Inc.'s Medical Audit Services unit in San Francisco.

Unlike utilization review, which he described as merely giving "a thumbs up or thumbs down" to a particular treatment strategy, "case management involves following a patient's case from start to finish," he said.

Case management "is much more valuable than UR," Mr. Anderson told benefit managers attending a roundtable discussion, "Challenges in Employee Health Benefits: Cost Effective Design and Delivery," held Dec. 5-7 in Palm Desert, Calif.

The discussion was sponsored by drug manufacturer Marion Merrell Dow Inc. of Kansas City, Mo.

It is difficult for utilization reviewers to determine the adequacy of the psychiatric treatment because psychiatry is an inexact science, said Dr. Brian S. Gould, senior vp of specialty company operations for United HealthCare Corp. of Minneapolis.

"Diagnosis in the behavioral health arena is more subjective than in other areas of medicine," Dr. Gould explained. "It's not like orthopedics or dentistry, where we can ask to see the X-rays to confirm the diagnosis."

As a result, an employer trying to manage mental health care costs "is not sure what was done, why it was done, or what happens next," he said.

In addition, as psychiatric treatment becomes more complex, more treatment options are being created, Dr. Gould pointed out.

"What about the different religions of therapy—Freudian, Jungian, etc.? Should they all be covered?" he asked.

A good case management program should permit patients to have access to non-traditional therapies that have proved effective in treating certain psychiatric disorders, said Dr. Mary Jane England, president of the Washington Business Group on Health.

For example, some patients may only need to talk to a master's level social worker to work out some personal problems, rather than a full-fledged psychiatrist, she said.

In addition, not all children will respond to treatment in an inpatient setting, especially if they are being treated for drug abuse, Dr. England said.

Dr. Gould agreed that many teen-agers are inappropriately treated in psychiatric hospitals because their parents, frustrated by their rebellious adolescent behavior, admit them in such institutions "to be 'fixed.' "

"In the 1950s, we used to call it juvenile delinquency and expected the criminal justice system to cope with the problem," he recounted.

In the 1960s, the educational system was tapped to deal with teenagers' so-called "learning disabilities," he said.

Today, "middle-class kids are being put into psychiatric hospitals at record numbers," he said.

"There's no cookie-cutter approach or formula applicable to a large number of people," Dr. England stressed.

Rather, "benefits should be designed to provide access to a continuum of care with maximum early funding," she said.

For example, employers should provide full coverage for the first three outpatient visits with a mental health practitioner, such as a psychologist, Dr. England said.

But, the remainder of care should be covered at the same level as medical benefits, she said.

Dr. England advised employers not to offer a lower level of mental health benefits than medical benefits, or the doctor will treat a mental health problem "as another diagnosis."

Likewise, employers that fail to provide adequate substance abuse benefits will find those cases diagnosed as psychiatric disorders that are covered under the employee benefit plan, Dr. Gould said.

"Mental health issues will cut through many parts of your business: medical benefits, workers compensation, employee performance," he said.

A worker who excessively drinks alcohol has 400% more occupational injuries and 500% more medical claims than a non-drinker, Dr. Gould said.

In addition, a heavy drinker is three times more likely to be tardy and has an average of 16 more absences a year than a non-drinker, according to Dr. Gould.

Productivity losses related to substance abuse cost employers $65 billion a year, "or 50% of the aftertax profits of all U.S. companies," he said.

Dr. England suggested that a psychiatric case management and substance abuse programs permit employees to substitute certain less restrictive treatments for traditional inpatient therapy so that employees receive the same dollar amount of benefits in a setting best suited for a particular disorder.

"Write it in your benefit plan," Dr. England said, suggesting the following substitutions for each inpatient hospital day:

- One-and-a-half days of non-hospital residential treatment if 24-hour services other than skilled nursing care are required.
- Three days of halfway house or in-home care, which can prevent the social breakdown syndrome that often accompanies hospitalization or residential confinement.
- Four outpatient office visits for behavior therapy, cognitive psychotherapy, group therapy or family therapy.

Employers also can manage mental health treatment and its costs by steering employees to select providers, Dr. Gould suggested.

"Most employees will accept networks because most people don't know who to go to," he said. Consulting a list of "preferred" providers is "better than the newspaper or the TV set."

In addition, employers today have a larger selection of mental health providers to choose from to establish psychiatric PPOs since "more doctors are willing to become part of networks today than two years ago," Dr. Gould said.

"Performance-based compensation is becoming more acceptable by mental health practitioners," he added.

Elan Rubinstein, president of E/B Rubenstein Associates, a consulting firm in Canoga Park, Calif., moderated the discussion. ■

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Business Insurance
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Controlling overuse of drug benefits

By JOANNE WOJCIK

PALM DESERT, Calif.—Employers must do more than implement a plastic drug card program if they want to effectively manage prescription drug costs, experts say.

Employers also should encourage substituting generic or less-expensive brand name drugs for costly "designer drugs" as well as steer employees to less expensive pharmacies, they say.

However, employers should beware of gimmicky mail-order pharmacies, because they often do not limit prescription drug purchases, the experts warn.

While intended to reduce prescription drug costs, some plastic drug card programs can actually increase an employer's health care costs by making the benefit more accessible, said Jim Braun, a consultant with The Wyatt Co. in Washington, D.C.

For example, an employee's spouse may use a new drug card program even if he or she did not previously take advantage of the employee's other health care benefits, Mr. Braun said.

"If you provide a benefit to people, they use it. And if you make it accessible, they use it more," agreed Fred Curtiss, principal of Drug Benefit Management Systems of Dallas.

However, prescription drug programs can provide statistics of purchases on a group-specific basis, and this data can be used to implement a managed pharmacy program, said Diane Giaquinta, director of pharmacy and vision at Blue Cross of California in Woodland Hills.

The three employee benefits experts made their remarks during a roundtable discussion, "Challenges in Employee Health Benefits: Cost Effective Design and Delivery," held Dec. 5-7 in Palm Desert, Calif. The discussion was sponsored by Marion Merrell Dow Inc. of Kansas City, Mo.

Prescription drug costs average between 5% and 8% of an employer's total health care expenditures for active employees and 20% for retirees, said Wyatt's Mr. Braun.

And, with inflation, these costs are rising at an annual clip of 9% to 10%, Ms. Giaquinta added. In addition, when the cost of new drug development is factored in, the annual prescription drug inflation rate grows to 18% to 20%, she said.

To combat these rising costs, employers are turning to plastic drug card programs, which ease plan administration and monitor employee drug purchases.

Employees use the plastic cards much like they would a credit card, presenting it to a pharmacist when filing a prescription. If a copayment is required under the employee benefit plan, the employee usually will be asked to make it at the time the prescription is filled.

At the end of each month, the employer receives a detailed accounting of employees' prescription drug usage and cost.

Unfortunately, such easy administration can be a mixed blessing: Studies have shown that employees are more apt to participate in plastic drug card programs, while they may never submit a claim for a prescription covered by an indemnity plan, Ms. Giaquinta said.

Based on Blue Cross' experience, plastic card programs annually generate six to nine claims per enrollee on average, compared with two to four claims per indemnity plan enrollee, she said.

Fixed copayments often required under prescription drug programs also can increase employers' costs because inflation is not taken into account, said DBMS' Mr. Curtiss.

If an employee benefit plan enrollee is always paying $5 to $10 per prescription but drug costs are increasing 18% to 20% annually, the employer ends up picking up the difference, he said.

"The structure of the drug plan benefit should be well thought-out," he said, suggesting that employers require instead that plan enrollees pay a percentage of total drug costs.

Wyatt's Mr. Braun agreed: "25% to 20% of the cost should be the employee's responsibility."

Another way to manage prescription drug costs is to encourage pharmacists to substitute generic drugs, which can be 25% cheaper than their brand-name counterparts, Mr. Curtiss said.

And, in cases in which no generic drug equivalent is available, pharmacists could request doctors' permission to substitute less-expensive but equally effective brand name drugs, Mr. Braun suggested.

For example, the pharmacist could ask a physician for permission to substitute less-expensive Tagamet for Zantac when filling a prescription for an ulcer patient, since both are H2 blockers, he said.

Employers also can reduce their prescription drug costs by using the data on drug usage collected through a plastic drug card program to negotiate discounts with pharmacists, especially if the data show which pharmacists are getting the largest volume of employees' business, Mr. Braun said.

Studies have shown that employees are more apt to participate in plastic drug card programs, while they may never submit a claim for a prescription covered by an indemnity plan, says Ms. Giaquinta of Blue Cross of California in Woodland Hills.

However, he warned employers to keep the number of network pharmacies low or they will risk losing their purchasing clout.

"Benefit managers can't afford to deal with 100 different vendors," he said.

Employers also should not build networks composed only of large pharmacy chains, because many employees who have used the same neighborhood pharmacist for years might object, Ms. Giaquinta said.

"It's best to offer a combination of chain and independent pharmacies," Mr. Braun agreed.

Employers that think mail-order drug programs are the answer to rising prescription drug bills should think again, both Mr. Braun and Ms. Giaquinta said.

Mail-order drug programs can increase an employer's costs by making prescription drugs even more accessible to employees, Mr. Braun said.

Such programs also encourage waste by forcing employees to purchase large quantities, some of which may not be used, he added.

"The jury's still out on the cost-effectiveness of mail-order drug plans," he said.

However, Mr. Curtiss said mail-order drug programs can effectively cut costs if employees also are taught treatment alternatives, such as biofeedback to treat migraine headaches.

Society has become increasingly drug dependent, and too many people think taking a pill will make them feel better, he said. "Wellness promotion is the quintessential way of managing care and managing costs," he said.

Elan Rubinstein, president of E/B Rubenstein Associates, a consulting firm in Canoga Park, Calif., moderated the discussion. ■

Experts tout new style of benefit administration

By JOANNE WOJCIK

PALM DESERT, Calif.—Total quality management, the theory behind Japanese management, can be used to improve the administration of health care benefits, a management expert says.

However, the program is not easy to implement because it requires a change in corporate philosophy, said Shan Cretin, an independent health care consultant based in Santa Monica, Calif.

Total quality management requires interdepartmental teamwork, Ms. Cretin told benefit managers at a roundtable sponsored by drug manufacturer Marion Merrell Dow Inc. of Kansas City, Mo.

"Challenges in Employee Health Benefits: Cost-effective Design and Delivery," was held Dec. 5-7 in Palm Desert, Calif.

"Total Quality Management, or TQM, is a continuous and integrated effort by all members of an organization to meet the needs and expectations of their customers," Ms. Cretin said.

The concept is an outgrowth of statistical quality control programs used in manufacturing that were originated by Walter A. Shewhart at Bell Laboratories in the 1930s, she explained.

In the 1950s, when later TQM pioneers W. Edwards Deming and Joseph Juran encountered reluctance to implement the technique in the United States, it was exported to Japan, where it helped rebuild the economy after World War II.

Only recently have U.S. companies rediscovered the concept, "when Japan started to threaten them economically," according to Ms. Cretin.

TQM is a continuous process that focuses on the needs of both internal and external customers. It's also a systematic approach to reducing chronic waste. And cross-functional teamwork is employed to continuously improve the process.

"The more complex the process is, the more likely errors will occur," Ms. Cretin said. Therefore, it is important "to get people talking to each other all around the organization," she stressed. "The biggest problems are errors that occur between steps."

In the health care arena, interaction between the clinical and administrative processes is important. For example, a case reviewer needs to know what treatments a physician has administered in order to determine whether a patient is receiving adequate care.

And it is essential that each process involved—from the inpatient admitting process to the claims paying process—be properly designed to prevent the creation of what Ms. Cretin termed "non-real work."

Total quality management treats problems by 'getting at the root causes,' Ms. Cretin said.

"What's non-real work? That's what you do to cover up or fix mistakes. You can spend more time fixing things that went wrong rather than doing them right the first time," she said.

Every step of a process has a customer, who receives the output of a step, and a supplier, who provides the input of a step. And sometimes one participant can be both a customer and a supplier at the same time, according to Ms. Cretin.

For example, a patient can be a supplier of information about his or her condition to a physician, who is a customer. At the same time, the physician can be a supplier of information to the self-insured employer by submitting a claim for services rendered.

The key to making TQM work is maintaining good customer-supplier relations through communication.

But "many organizations lose sight of their internal customers," such as employers that fail to recognize that their employees are the customers of their health benefit programs.

In addition, managers tend to focus on sporadic problems rather than chronic problems, Ms. Cretin said.

TQM treats chronic problems by "getting at the root causes," Ms. Cretin said. This is accomplished by documenting the problem, using data and analysis to test the theories of causes, directing the remedy at the most important cause and verifying that the remedy works, she explained.

It also is important that the right people tackle a problem, Ms. Cretin stressed.

"The right team to work on a process is composed of the people who actually carry out the process on a day-to-day basis," not one made up of individuals outside of the process, she said.

"Managers think they have to tell workers what to do. But as it turns out, workers often know better than managers what the problems are," she said.

In addition to assembling a problem-solving team, management must be willing to give the team the time and resources to diagnose the problem, find a remedy and monitor it to verify that the solution worked, according to Ms. Cretin.

"It costs to invest in quality," she said. "I'm not talking thousands of dollars, but still it's a commitment. The Japanese, for example, spend a lot of money on training."

In addition, "management has to be willing to give the team the time to work on a problem. An environment pressuring to do things fast contradicts with TQM.

"But the good news is that if you systematically try to prevent failures, you can cut failures—and their cost—in half," Ms. Cretin pointed out. ■

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Troubled market

Argentinians call for refinancing state reinsurer

By MARIA KIELMAS

BUENOS AIRES, Argentina—Argentinian insurers are calling for reforms of the country's reinsurance system with renewed vigor as foreign investor interest in the country grows following the sweeping economic reforms of President Carlos Saul Menem.

Insurers say that more than 90% of the country's 230 insurers are effectively insolvent, which they say will only be cured by reform and refinancing of state reinsurer Instituto Nacional de Reaseguros.

"We have to solve the reinsurance crisis," said Patricio Gordon Whitney, chairman of Sud Atlantica Cia. de Seguros S.A., one of the nation's 10 largest insurance companies.

Despite growing international interest in the country, some foreign insurers remain wary of Argentina, stating that the insurance industry remains hostage to Argentina's turbulent history of economic reform and collapse.

"We hold on here in hope, but I have a horrible feeling we may see things go wrong next year," said a foreign insurance executive.

About 150 of the country's 230 insurance companies are locally-owned. Perhaps 15 function effectively and control half of the domestic market, Mr. Whitney said.

In addition to locally-owned insurance corporations are state-owned insurers, co-operatives, mutuals and foreign affiliates.

"You can say that we have some 100 companies that will go out of business through merger, closure or liquidation within the next 48 months," Mr. Whitney said.

The most immediate reasons for their collapse are bouts of hyperinflation and the fluctuating value of Argentina's austral to the U.S. dollar, he said.

Monthly austral inflation during July and August last year was 150% to 180%, falling slightly and then picking up again to 240% in January 1990, according to the World Bank.

January's inflation works out on an annualized basis as 1,000% in U.S. dollars and 3,000% in austral terms, according to Mr. Whitney.

In addition, the austral has hardened against the dollar since the government stopped a long-standing practice of printing new money to cope with budget deficits.

"We are a totally dollarized economy; Argentinians keep some $30 billion to $40 billion abroad," Mr. Whitney said. "As soon as the government stopped printing money, we had a massive input of dollars."

However, in an attempt to protect the austral inflation rate, the government has so far bought up $2.3 billion from the market. As a result, the value of the austral has risen from 7,000 to the U.S. dollar as of February to 4,900 as of last week.

The effect on insurers has been devastating, Mr. Whitney said. In keeping with a traditional lack of confidence in the local currency, insurers maintain much of their assets in dollars while accounting for liabilities in australs, he ex-

Continued on next page

Natural disasters like hurricanes have caused more than half of all insured catastrophe losses over the past 20 years, Swiss Re says.

Frequency, toll of catastrophes to grow: Study

By STACY SHAPIRO

ZURICH, Switzerland—More than 1,000 natural and man-made catastrophes occurring since 1970 have cost insurers a staggering $88.3 billion, according to one of the world's largest reinsurers.

This excludes major insured disasters in 1990, including the string of European storms in January and February, which are likely to cost insurers more than $10 billion, according to Swiss Reinsurance Co. of Zurich.

These statistics are contained in Swiss Re's recently published report, "Natural Catastrophes and Major Losses 1970-1989: Increasing Catastrophe Losses from Forces of Nature in the 1980s."

The report was prompted by a United Nations declaration that the 1990s should be the "international decade of natural disaster reduction," Swiss Re says. "This has prompted us to undertake a long-term study of natural catastrophes and major losses in the hope that in this way we can make a contribution to raising awareness of the problem and to loss prevention," the reinsurer adds.

"Because of a persistent change in the interaction of civilization and nature, the environmental changes linked with this and their effect on the ecological equilibrium, global danger caused by a fundamental change in the risk situation, particularly in the natural catastrophes sector, must be expected in the next decades," Swiss Re says.

There have been 3,111 registered natural catastrophes and major man-made losses between 1970 and 1989, costing 1.6 million human lives. This means that there is an average of 166 events per year, or an average of one catastrophic event every two to three days.

However, only 1,055, or 34%, of these events were considered by Swiss Re to cause major insured damage, based on monetary and inflationary equations. This means that insurers have paid an average of $4.4 billion in losses from these major disasters each year between 1970 and 1989, or $84 million per recorded event, Swiss Re says.

However, the "most devastating" year ever for insurers was 1989, when the accumulation of several billion-dollar natural disasters and major fires occurred, said the company (*BI*, April 30).

"Seen over the last 20 years. . .the annual number of events with significant insured damage has clearly risen," the reinsurer notes.

More than half of the total insured cost from disasters between 1970 and 1989—or $46.2 billion—resulted from natural perils, Swiss Re says. Altogether, there were 972 events caused by natural catastrophes, or 92% of the total.

Earthquakes "took the largest toll of human lives of all natural phenomena" during the period, resulting in about 1 million deaths, Swiss Re says. These include an earthquake that hit Peru in 1970, which killed 60,000 people; one in China in 1976, which killed 665,000; another in Iran in 1978, which killed 26,000; and one in Armenia, Soviet Union, in 1988, which caused 25,000 deaths.

In its report, Swiss Re observes that climate development may now have a "decisive influence" on the frequency and extent of damage caused by natural catastrophes. And, global warming caused by increasing emissions of carbon dioxide and other gases into the air is also being considered a cause for increased frequency of natural disasters, the reinsurer adds.

"Some indicators support this argument. It is relatively certain today that hurricanes developing in Central America in the next few years will be pushed farther and farther northward due to the warming of the Earth's atmosphere, and in North America a large amount of damage could be caused in view of the high degree of insurance," the report says.

However, Swiss Re contends there is not yet sufficient evidence to predict whether the increasing frequency of natural disasters will continue due to global warming or whether this is an historical fluctuating pattern in weather.

"The greenhouse effect will very probably have important consequences for the Earth in general and the insurance industry in particular over the next few years and decades," the reinsurer says. "When, where and to what extent these consequences will manifest themselves cannot, however, be evaluated conclusively as yet."

Man-made disasters accounted

Continued on next page

Anglo American rebuilds after the fall of Weavers

By CAROLYN ALDRED

LONDON—Anglo American Insurance Co. Ltd., which formerly underwrote as much as 45% of the now defunct underwriting slip managed by H.S. Weavers (Underwriting) Agencies Ltd., is rebuilding its presence in the London market.

Since Weavers' parent company, London United Investments P.L.C., earlier this year was put into administration—a British form of rehabilitation similar to Chapter 11 bankruptcy proceedings in the United States—Anglo American has built operations to continue underwriting as an independent insurer.

Since March, Anglo American has increased its staff in London to 55 from one, leased additional office space, invested heavily in a comprehensive computer system and re-established its position as an important London-based underwriter of U.S. casualty risks.

The Weavers stamp—previously the largest market in London for U.S. liability risks—fell apart after Walbrook Insurance Co. Ltd., the leading insurer on the stamp, was forced to suspend underwriting following concerns about the adequacy of its loss reserves (*BI*, April 2).

Throughout the crisis, Anglo American continued to offer to renew its commitments to policyholders, although it refused to assume Walbrook's share of the business written by Weavers, said Chairman John E. Cumming.

In September, Anglo American received approval from the British Department of Trade and Industry to start writing new business, he added.

Anglo American also has been authorized by the National Assn. of Insurance Commissioners to write new business for U.S. risks following the establishment of a U.S. trust fund and additional pledged collateral that total about $50 million.

Anglo American expects by year-end to have gross written premiums of 100 million pounds to 130 million pounds ($193.7 million to $251.8 million at current exchange rates) and net premiums of 75 million pounds to 85 million pounds ($145.3 million to $164.6 million). It projects profits of 13 million pounds to 14 million pounds ($25.2 million to $27.1 million), according to Mr. Cumming.

This is half of Anglo American's 1989 gross written premiums of

Continued on next page

GLOBAL BRIEFS

Grand Union liquidation urged

HONG KONG—At least one creditor of Hong Kong-based insurer Grand Union Insurance Co. Ltd. is pressing for the company to be put into liquidation.

Lloyd's of London underwriter John Dendy, of syndicate 546, which is managed by Oxford Syndicate Management Ltd., petitioned the London High Court to take control of the company's U.K. assets late last month.

The High Court has appointed accountants Michael Jordan and Ian Barker Bond of London firm Cork Gully, a unit of Coopers & Lybrand, as provisional liquidators pending a further hearing on Jan. 30.

Grand Union announced to brokers in London last month plans to commute insurance and reinsurance policies it has written because it is suffering from severe cash flow problems (*BI*, Dec. 3).

Grand Union believes any attempt to liquidate the company "is the wrong course to take because the initial reaction from creditors is that they are willing to take part in any commutation initiative," said Andrew Flowers, director of Conocean International Adjusters Co. Ltd., which is acting as London agent for Grand Union.

The London High Court ruling only applies to Grand Union's U.K. assets, which are minimal compared with its assets in Hong Kong, Mr. Flowers noted.

—By Carolyn Aldred

Typhoon Mike losses

MANILA—As the Philippines cleans up the devastation from Typhoon Mike, which hit the central islands last month, marine insurers and government officials are weighing up the losses from the disaster.

The typhoon, with winds up to 380 mph, hit the Visayan Islands and portions of Northern Mindanao on Nov. 13, killing at least 326 people and injuring 464 others, government sources said. A total of 2 million people were affected by the typhoon.

Some 77 vessels—including at least 25% of the country's commercial fleet—were damaged in Cebu City, the leading port in Central Philippines. The typhoon sank at least 48 boats and motor launches, including three from the Philippines Navy, before heading for the South China Sea, said a spokesman for the Philippine Coast Guard. A number of vessels also ran aground, although some were later refloated.

In addition, the Mandawe Bridge, which links Cebu to Mac

Continued on next page

INTERNATIONAL

Anglo American

Continued from previous page
200 million pounds ($322.8 million at year-end 1989 exchange rate) written through the Weavers' agency and net premiums of 142.8 million pounds ($230.5 million).

Mr. Cumming admits that the nine months since Walbrook ceased underwriting have been a period of intense rebuilding.

Mr. Cumming, chief executive of NRG London Reinsurance Co. Ltd., was recruited as chairman of Anglo American earlier this year following the acquisition of Anglo American from Calfed Inc. by Magister Agency Investments Ltd., the U.K. Subsidiary of Head Insurance Investors (Bermuda) Ltd. (*BI*, Oct. 16, 1989).

"My key task as incoming chairman of Anglo American was effectively to build a new company out of the old. . . .One week into the job and with the beginnings of an 18-month development plan under way, the crisis broke," Mr. Cumming explained in a bulletin issued by Anglo American to clients and brokers earlier in the fall.

From Anglo American's inception in April 1987 until March 1990, it was a member of the Weavers' slip, with its underwriting, claims management and other administration handled by the Weavers' agency.

To continue underwriting after the demise of Weavers, Anglo American had to grow into an independent insurer in the space of a few months.

One of Anglo American's first moves, following its change in ownership, was to purchase reinsurance contracts for 75 million pounds ($145.3 million at current exchange rates) from Zurich International Ltd. and Centre Reinsurance (Bermuda) Ltd. to provide aggregate excess-of-loss reinsurance protection for all its insurance business written between April 14, 1987, and Jan. 1, 1990.

Mr. Cumming noted that Anglo American has been writing U.S. liability business on a claims-made basis since it began underwriting in 1987. Anglo American's reinsurance and loss reserves were separate from Walbrook's and loss reserves were not discounted, he pointed out.

As a result, Anglo American does not have the reserving problems that forced Walbrook to suspend underwriting, Mr. Cumming said.

"All North American casualty business has been written on a claims-made basis. With reserves standing at more than 200 million pounds ($387.4 million), Anglo American has emerged from the LUI affair in a strong, healthy position with the capacity and staff to underwrite specialist risks," Mr. Cumming announced in the company's bulletin.

Anglo American reported $58.6 million in shareholders' funds at year-end 1989, the equivalent of capital and surplus.

Since early summer, Anglo American has intensively recruited both underwriting and administrative staff in London. Of the 55 staff members recruited, 15 formerly worked for LUI and Weavers.

The company now has five separate underwriting divisions:

- A liability department headed by Paul Dowden, formerly an underwriter with Weavers.

This department insures product and general liability exposures in the United States and the rest of the world for large North America-based clients.

The department also handles European liability risks, trucking risks and hospital professional liability risks ranging in size from small rural clinics to major city hospitals.

- A directors and officers liability insurance department headed by Adrian Lewthwaite, who was an underwriter with Weavers and previously had worked for London-based credit insurer Trade Indemnity P.L.C.

The department writes D&O liability insurance, bankers blanket bonds, fidelity insurance, fiduciary liability and financial institutions professional liability coverages.

- A professional indemnity department, headed by Jack Reckitt, formerly of Weavers and previously Alexander Stenhouse Ltd. in London.

The department underwrites insurance for many North American, British and other professionals worldwide, including lawyers, architects, engineers, designers and brokers.

- A property and automobile physical damage department, headed by Michael Jackson, formerly of Weavers and previously a Lloyd's of London syndicate.

The department underwrites insurance for American trucking concerns, both for vehicles and cargo, as well as property classes.

- A marine department, headed by Bob Orriss, formerly with London United Marine Agencies Ltd. and previously an underwriter with Parr Agencies Ltd. of London.

The department specializes in "brown water" insurance for inland water vessels, like tugboats and barges.

Marcus C. Brown, formerly managing director of the North American division of Jardine Insurance Brokers Ltd. in London, was recently appointed underwriting director for Anglo American, overseeing the company's entire underwriting operations. Anglo American's claims manager is Stephen Guarnori, formerly London claims manager for Insurance Corp. of Ireland P.L.C.

Anglo American currently is making presentations to brokers and clients in the United States to boost confidence in the company, as well as to boost business.

With a sophisticated computer system already functioning and space already allocated for Anglo American in the new London Underwriting Centre, which is due to open in 1992, Mr. Cumming says the future looks bright for Anglo American.

In addition, Anglo American will continue to work "with the market" in trying to ensure an orderly runoff of the Weavers slip, said Mr. Cumming. Anglo American is currently reviewing the runoff to "find out what's going to be the most efficient way of doing it," he said.

Currently, all claims against Anglo American involving insurance written through Weavers are being handled by Southwark Run-off Services Ltd., a subsidiary of Walbrook. ■

Argentina

Continued from previous page
plained.

Higher austral inflation rates have caused one insurer, Boston Cia. Argentina de Seguros S.A., to lose 123 billion australs ($25 million, at current exchange rates) in assets, according to Mr. Whitney.

"But we were not affected, as we saw this happening and made a lot of investments in local currency and have been earning 8% to 10% per month. In dollars, we would have been earning 8% to 10% per year," he said of Sud Atlantica.

The current rate of austral inflation has been quoted as between 8% and 12% per month, and government officials expect overall 1990 inflation to be around 600%, down sharply from the more than 4,000% inflation for all of 1989.

However, the currency and inflation problems only compound the festering need for reinsurance reforms, Mr. Whitney said.

Until last year, all insurers were required to place 100% of their reinsurance with through INdeR. Only credit and export credit business, as well as 40% of the portfolios of foreign companies operating in the country, were exempt.

Compulsory reinsurance with INdeR has since been reduced to 60% of domestic insurers' portfolios and, beginning next year, Mr. Whitney said he expects it to be reduced to 30%. "What happened was that companies acted not as insurance companies but as agents of INdeR," he said.

All companies received the same reinsurance program with INdeR, regardless of their book of business, nor with any regard for past or current underwriting performance.

In addition, a high degree of government regulation in the market and strict tariffs produced technical results seemingly better than in less regulated markets, Mr. Whitney contends.

Furthermore, although companies are obliged to cede reinsurance premiums to INdeR within 120 days, many choose to pay late, usually after 180 days, because of high short-term interest rates available on the open market, Mr. Whitney said. INdeR will not reject claims if premiums have not been paid within 180 days, but it will reduce coverage by the amount of reinsurance premiums due.

When the government of former President Raul Alfonsin introduced a price freeze with the so-called Plan Austral in the mid-'80s, it was estimated that some two-thirds of Argentina's insurers were effectively insolvent. Now Mr. Whitney estimates that nine out of 10 are insolvent.

In addition, he says, INdeR is undercapitalized by about $200 million and has liabilities as high as $1 billion, which is worsening as more insurers fall into financial difficulties.

Mr. Whitney suggests that the ideal solution would be for the government to recapitalize INdeR. But there are doubts as to whether the government wants to take over INdeR's debt.

"There has also been talk about some companies purchasing INdeR, but who wants a company with such a debt?" he said.

The government's recent privatization program includes selling the state airline Aerolineas Argentinas, the telephone company ENTel and most of the rail and road networks. So far, however, INdeR has not been included in these privatization measures.

Mr. Whitney says that foreign insurers continue to be interested in the market, despite the problems with INdeR.

Spain's Corp. Mapfre has acquired a controlling stake in Aconcagua Cia de Seguros, while Germany's Allianz A.G. Holdings has taken a position in Plus Ultra CA de Seguros y Reaseguros. Foreign insurers are allowed to hold up to 100% of an Argentinian insurer.

Since the late 1960s, governments have tried to encourage foreign investment to fuel short-term economic expansion to stave off recession—first in 1970, then in 1976 and again in 1986. Labor and political unrest have thwarted these efforts.

The dictatorship of Juan Peron in the early 1970s, followed by military rule in the mid-1970s, consolidated state control over major sectors of the economy. And, a fragile political truce and labor unrest ended the democratic government of Raul Alfonsin, which attempted to free up the economy in the 1980s.

Thus, Argentina has not had any substantial foreign investment since the early part of this century.

London-based Commercial Union Assurance Co. P.L.C. has had a presence in Argentina since 1890. According to Latin American Regional Manager John Amos, legislation in the 1970s required certain classes of business to be written by Argentinian companies, so foreign insurers bought stakes in these. Commercial Union, for example, acquired a 49% stake of Antorcha Cia. Argentina de Seguros S.A.

The government then planned to oblige foreign insurers to reduce their holdings in these domestic companies, and Commercial Union reduced its stake to below 20%. But this legislation was never adopted, even though insurance regulators tended to deal with the foreign insurers as though it had been, Mr. Amos said.

The upshot, Mr. Amos said, is that foreign companies may own up to 100% of local insurers, and there are plans for foreign companies to operate branches in Argentina. ■

Swiss Re study

Continued from previous page
for less than half of the total insured catastrophes suffered in the last 20 years, and these catastrophes caused only about 100,000 deaths, according to Swiss Re. They include:

- 318 major fires that were responsible for almost one quarter of the total insured damage during this period, or $22 billion.
- 402 aviation disasters, which accounted for 12%, or $10.6 billion, of total losses.
- Waterborne traffic disasters totaling 9.6%, or $8.5 billion, of total losses. This figure includes $2 billion from the separate 1988 losses of two offshore platforms, the Piper Alpha and Enchova No. 1.

Other miscellaneous losses over the period include the collapse of buildings and bridges, mine disasters and major traffic accidents.

About one-third of all natural and man-made loss events have occurred in the countries that comprise the world's 24 leading economic nations, all of which belong to the Organization for Economic Cooperation and Development, a Paris-based coalition of free market nations.

Also, insured damage per million inhabitants caused by natural catastrophes "clearly rose in the OECD countries in the '80s," Swiss Re says. "The development of recent years indicates, furthermore, a continuing rising trend."

But there may be several reasons why the level of insurance losses is increasing along with the frequency of disasters, Swiss Re notes.

For example, the increase in the world's population and "the growth in human settlements" has increased the Earth's risk potential permanently, the reinsurer says. In 1950, there were 2.5 billion people on Earth and today there are about 5.3 billion people, Swiss Re quotes from a United Nations estimate. By 2025, there are expected to be more than 8 billion people, it adds.

Also, "the increasing exploitation and leveling of the earth, the deforestation and burning of protective rain forests and new building methods for buildings and traffic arteries have sharply increased loss potential in the case of floods," Swiss Re warns.

Industrialization has also become more complex over the years, with increasing interdependence of production processes and the centralization of production in large plants with higher values.

Fortunately, however, "an improvement in safety measures" means that the number of major losses in these plants has not increased in frequency over the years, Swiss Re says.

However, the report observes that "there is no doubt that the insurance protection of people and objects has risen greatly in the surveyed period. Today, a greater number of people and objects are insured—and are better insured—which has at the same time increased the loss potential correspondingly." ■

GLOBAL BRIEFS

Continued from previous page
tan Island, was closed to traffic at the height of the typhoon when a huge tanker hit a portion of the bridge causing damage and rendering it impassible.

Two of the country's leading marine hull insurers—Prudential Guarantee & Insurance Co. and Pioneer Insurance & Surety Corp.—have reported sizeable losses from the typhoon. Prudential Guarantee says that it insured about 20 vessels damaged by the storm, with the biggest loss amounting to 40 million pesos ($1.5 million) due to grounding.

Other damage, the insurer says, was caused by collisions against mooring piers or other vessels.

Pioneer Insurance reported that five vessels it insured were damaged, including the "Sweet Home," which is insured for 8 million pesos ($296,000). Two barges insured by Pioneer also were damaged, although the insurer could not estimate the extent of damages.

Other underwriters—including Malayan Insurance Co. Inc.; CIGNA Corp.; American Home Assurance Co. Inc.; and Provident Insurance Co.—do not write marine hull business but are anticipating some marine cargo losses from the typhoon.

Most of the shipping risks are reinsured with the London market.

The typhoon demolished some 78,000 homes and damaged roads, bridges, school buildings, flood control facilities, sea walls and health centers, news reports say.

The Department of Agriculture reported at least 1 billion pesos ($37 million) in losses to agricultural crops and livestock. The Department of Public Works & Highways estimated the total damage to government infrastructure projects will exceed 300 million pesos ($11.1 million).

Much of the property, however, may not have been insured. London sources believe that government installations such as the schools are not insured. And many of the private houses are not insured.

The typhoon follows the devastating July 16 earthquake in the Philippines, which caused extensive damage in Central and Northern Luzon (*BI*, July 23) with insured losses totaling more than 1 billion pesos.

—By Reynaldo A. de Dios

Soviet credit

LONDON—The United Kingdom's official export credit insurer will guarantee the first multi-currency line of credit to the Soviet Union for the supply of British capital goods and/or associated services.

The Export Credit Guarantee Department recently announced that it will guarantee a 50 million pound ($96.9 million) line of credit to the Bank for Foreign Economic Affairs of the U.S.S.R. The line of credit was arranged by investment banker Midland Montagu Trade Finance. Funds are provided by Moscow Narodny Bank and Midland Bank P.L.C.

Under the multi-currency line of credit, exporters may draw up to 85% of the eligible contract price from the loan in British pounds, German deutsche marks, U.S. dollars or European Currency Units.

To qualify, contracts must have a minimum value of 100,000 pounds ($194,000) or the appropriate equivalent in other currencies and be finalized by Oct. 10, 1991.

For further information, contact Diana Wilkin at Midland Montagu Trade Finance in London, 71-260-5518; or Steven Carroll at ECGD, 71-382-7152.

—By Stacy Shapiro

Illinois PPOs omitted from special issue

Due to a production error, the following preferred provider organizations in Illinois were omitted from the Business Insurance 1990-1991 Managed Care Market Report sent to subscribers last week.

Business Insurance apologizes for the error.

Med-Connect Network

15 Salt Creek Lane, Suite 115, Hinsdale, Ill. 60521; 708-850-2310; fax: 708-850-9804

Operational date: November 1988.
Sponsorship: Two hospital systems and three insurers.
For profit.
Staff: 1,459 participating physicians; 923 specialists; nine administrative staff members; 85% board certified physicians.
Facilities: 30 hospitals; one diagnostic lab.
Service area: Cook, DuPage, Kane, Lake, McHenry, Will counties in Illinois; Lake County in Indiana.
Services provided: General service, plus vision, substance abuse, psychiatric services, podiatry, obstetrics/gynecology. Utilization review available unbundled. Employees can select non-PPO providers. Can be customized to meet employer specifications.
Users: 108 employer/payer groups; 5,390 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee. The PPO is under contract with American General Group Insurance Co., Benefit Trust Life Insurance Co., Provident Life & Accident Insurance Co.
Control measures: Standard utilization review procedures, excluding hospital bill audits; utilization review provided by the PPO.
Gross revenues: $217,164 in 1989.
Officers: Daniel R. Schuh, president.
Contact: Karen V. Rocco.

MetLife Network-Illinois

200 E. Randolph Drive, Suite 6836, Chicago, Ill. 60601-6804; 312-861-3000

Contact: P. Kerry Finnegan, vp.
See MetLife Network under Connecticut.

Midwest Business Medical Assn. Ltd.

5901 N. Cicero, Suite 207, Chicago, Ill. 60646; 312-685-9299; fax: 312-685-4819

Operational date: 1984.
For profit.
Staff: 2,708 participating physicians; 1,327 specialists; nine administrative staff members; six marketing staff members; 350 average of patients per primary physician; 100% board certified or board eligible physicians.
Facilities: 71 hospitals.
Service area: Illinois, Iowa, Wisconsin, Northwest Indiana.
Services provided: General service, plus prescription drugs, vision, dental, substance abuse, psychiatric services, durable medical equipment, podiatry, obstetrics/gynecology, home health care, rehabilitation, immediate care sites, chiropractic. Utilization review is available unbundled. Employees can select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment is allowed.
Users: 386,000 employees with single coverage; 30,000 employees with family coverage; 476,000 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate, percent discount off customary rates for individual services; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee or percent of savings rendered by participating doctors/hospitals. The PPO will contract to receive a higher fee if savings are realized; the PPO will contract to reduce its fee if savings are not met.
Control measures: Standard utilization review procedures, including psychiatric/substance review, outpatient and rehabilitation review; utilization review provided by the PPO and FOCUS Healthcare Management.
Officers: Noreen F. Orbach, president; James M. Golden, chief executive officer; Dr. Robert Babick and Nancy Peterson, medical directors; DeVern Swope and Tod A. Kruse, marketing directors.

Midwest Vision Service Plan

1200 Jorie Blvd., Oak Brook, Ill. 60521; 708-990-5900; fax: 708-990-0144

Operational date: 1974.
Sponsorship: Group of doctors.
Not for profit.
Staff: Nationwide: 19,000 participating physicians; 50 administrative staff members; 500 marketing staff members.
Service area: Nationwide.
Services provided: Vision only. Employees cannot select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment is allowed.
Users: Over 5,000 employer/payer groups; 5 million employees with single coverage; 10 million employees and dependents with access to the network.
Compensation: The PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee.
Control measures: utilization review procedures include precertification only; utilization review provided by the PPO.
Officers: Daniel E. Morgan, president; Sharon Presutti, vp-sales.

MultiPlan Inc.-Illinois

17 W. 17th St., New York, N.Y. 10011; 212-727-9700; fax: 212-627-6396

See MultiPlan Inc. under New York.

Mutually Preferred-Illinois

Mutual of Omaha Plaza, Omaha, Neb. 68175; 402-342-7600; fax: 402-978-2274

See Mutually Preferred under Nebraska.

New England Care-Chicago

8505 E. Orchard Road, Englewood, Colo. 80111; 303-889-3375

Operational date: May 1986.
Staff: 1,612 participating physicians; 75% board certified physicians.
Facilities: 25 hospitals.
Service area: McHenry, Lake, DeKalb, Kane, Cook, Kendall, Grundy, Will, Dupage counties in Illinois. Lake, Porter and LaPorte counties in Indiana.
See New England Care corporate listing under Colorado.

PCN of Illinois

7257 N. Lincoln, Lincolnwood, Ill. 60646; 708-673-3113; fax: 708-679-4804

Operational date: September 1986.
For profit.
Staff: 2,200 participating physicians; 35 administrative staff members; three marketing staff members; average of 150 patients per primary physician; 95% board certified physicians.
Facilities: 61 hospitals; 400 pharmacies.
Service area: Illinois.
Services provided: General service, plus prescription drugs, substance abuse, psychiatric services, podiatry, obstetrics/gynecology. All services available unbundled. Employees can select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment is allowed.
Users: 850 employer/payer groups; 150,000 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee. The PPO will contract to reduce its fee if savings are not met; 5% of those with access to the network are covered by such contracts.
Control measures: Standard utilization review procedures, excluding hospital bill audits; utilization review provided by the PPO.
Officers: Tom Stateman, president; Jim Trainor, executive director; Rich Schuch, medical director; Lynn Dowling, marketing director; Bob Hofstadter, executive vp.
Contact: Lynn Dowling.

PATH Health Network

205 W. Touhy Ave., Suite 200, Park Ridge, Ill. 60068; 800-843-1978, ext. 14; fax: 708-698-4804

Operational date: March 1987.
Ownership: Parkside Health Management Corp.
For profit.
Accredited by AAPPO: 1990.
Staff: 2,300 participating physicians; 1,300 specialists; 10 administrative staff members; 15 marketing staff members; average of 250 patients per primary physician; 85% board certified physicians.
Facilities: 31 hospitals; 31 diagnostic labs.
Service area: Cook, DuPage, Lake, Kane, McHenry and Will counties in Illinois; Lake County in Indiana.
Services provided: General service, plus substance abuse, psychiatric services, obstetrics/gynecology. Substance abuse and psychiatric services available unbundled. Employees can select non-PPO providers. Can be customized to meet employer specifications.
Users: More than 1,200 employer/payer groups; 101,000 employees with single and family coverage; 252,500 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate and percent discount off customary rates for individual services; the PPO is compensated by employers/payers and claims administrators; the PPO charges a flat fee per eligible employee, percent of savings due to PPO's negotiated rates. The PPO is under contract with John Alden Life Insurance Co. and Principal Financial Group.
Control measures: Standard utilization review procedures, including disability management; utilization review provided by the PPO.
Gross revenues: $10.3 million in 1989; $4.4 million in 1988.
Officers: Stephen R. Tiwald, president; Dr. Walter A. Hollinger, medical director; Lee B. Green, marketing director; Jennifer Cline, vp-utilization management.
Contact: Lee B. Green.

PPO Illinois/Participating Provider Option

233 N. Michigan Ave., Chicago, Ill. 60601; 312-938-6000

Operational date: January 1985.
Sponsorship: Blue Cross & Blue Shield of Illinois.
Staff: 6,511 preferred physicians.
Facilities: 166 hospitals.
Service area: Illinois.
Users: 701,806 members.
Compensation: The PPO negotiates hospital charges by per diem rate.
Control measures: Standard utilization review procedures, excluding retrospective review, hospital bill audits and outpatient service predetermination.

Preferred Plan Inc.

123 N. Wacker Drive, 17th Floor, Chicago, Ill. 60606; 708-564-0235; fax: 708-480-8959

Operational date: July 1983.
For profit.
Staff: 1,750 participating physicians; 1,100 specialists; eight administrative staff members; four marketing staff members; 80% board certified physicians.
Facilities: 32 hospitals; two diagnostic labs.
Service area: Illinois.
Services provided: General service, plus prescription drugs, vision, substance abuse, psychiatric services. All services available unbundled. Employees can select non-PPO providers. Can be customized to meet employer specifications.
Users: 57 employer/payer groups; approximately 150,000 employees with family coverage; 350,000 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate and percent discount off customary rates for individual services; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee and percent of saving through PPO use. The PPO is under contract with several insurers and third party administrators.
Control measures: Standard utilization review procedures, excluding retrospective review, outpatient service predetermination, case management; utilization review provided by outside contractors.
Officers: Robert Curry, president; Stephanie M. Fretz, executive director; Dr. Nicholas C. Caro, medical director; Robert J. Curry, marketing director.

Preferred Plus of Northern Illinois

1295 State St., J235, Springfield, Mass. 01111; 413-788-8411, ext. 3192; fax: 413-730-6229

Operational date: February 1987.
Ownership: Massachusetts Mutual Life Insurance Co.
For profit.
Staff: 1,650 participating physicians.
Facilities: 43 hospitals.
Service area: Cook, Lake, Kane, DuPage, Will, McHenry counties in Illinois.
Services provided: General service, plus inpatient psychiatric services, obstetrics/gynecology. Employees can select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment is not allowed.
Users: 96 employer/payer groups; 14,141 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate, percent discount off customary rates for individual services; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee.
Control measures: Standard utilization review procedures, excluding hospital bill audits; utilization review provided by the PPO.
Contact: Robert F. Moran, regional sales director, One S. Wacker, Suite 2240, Chicago, Ill. 312-977-1170.

Private Healthcare Systems Ltd.—Illinois

O'Hare International Center, 10255 W. Higgins Road, Suite 260, Rosemont, Ill. 60018; 708-299-7560

See Private Healthcare Systems Ltd. under Massachusetts.

PruCare of Illinois—PruCare Plus

Columbia Centre II, 9450 Bryn Mawr, Rosemont, Ill. 60018; 312-671-8700; fax: 312-671-6958

Operational date: January 1986.
Ownership: Prudential Insurance Co. of America.
For profit.
Staff: 4,594 participating physicians; 3,444 specialists; 105 administrative staff members; 61 marketing staff members; average of 97 patients per primary physician; 60% board certified physicians.
Facilities: 54 hospitals; more than 250 pharmacies.
Service area: Boone, Cook, Dekalb, DuPage, Grundy, Kankakee, Kane, Kendall, Lake, Lasalle, Lee, McHenry, Will counties in Illinois.
Services provided: General service, plus prescription drugs, vision, substance abuse, psychiatric services, durable medical equipment, podiatry, obstetrics/gynecology. Employees can select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment may be allowed.
Users: 240 employer/payer groups; 85,677 employees and dependents with access to the network.
Control measures: Standard utilization review procedures; utilization review provided by the PPO.
Officers: William Link, president; Dr. Henry Hollander, medical director; Michael Dooley, marketing director.
Contact: Scott Serota, vp.

Rush Contract Care

33 E. Congress, Suite 710, Chicago, Ill. 60605; 312-347-4502; fax: 312-347-4500

Operational date: September 1985.
Ownership: Rush Presbyterian St. Luke's Health Plans Inc.
Not for profit.
Staff: 1,913 participating physicians; 851 specialists; 40 administrative staff members; three marketing staff members; 113 average of patients per primary physician; 100% board certified physicians.
Facilities: 31 hospitals.
Service area: Lake, Peoria, McHenry, Cook, DuPage, Will and Kane counties in Illinois; Porter and Lake counties in Indiana.
Services provided: General service, plus substance abuse, psychiatric services, obstetrics/gynecology. Employees can select non-PPO providers. Can be customized to meet employer specifications. Individual enrollment is allowed.
Users: 2,738 employer/payer groups; 120,000 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate, percent discount off customary rates for individual services; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee.
Control measures: Standard utilization review procedures, excluding hospital bill audits, outpatient service predetermination, case management; utilization review provided by the PPO.
Officers: Truman Esmond, president-Rush Presbyterian St. Luke's Health Plans Inc.; Gordon Mallett, director; Dr. Pat McCreary, medical director; Gail Dalenais, account executive.

Travelers Preferred-Chicago

Travelers Health Network, 50 Shaman Blvd., Suite 500, Naperville, Ill. 60563; 708-983-2269

Operational date: 1987.
Sponsorship: The Travelers Insurance Co.
For profit.
Staff: 2,275 participating physicians.
Facilities: 28 hospitals.
Service area: Cook, DuPage, Kane, Lake, McHenry and Will counties in Illinois.
Services provided: General service. Employees can select non-PPO providers. Can be customized to meet employer specifications.
Users: 604 employer/payer groups; 48,320 employees and dependents with access to the network.
Compensation: The PPO negotiates hospital charges by per diem rate, percent discount off customary rates, DRGs; the PPO is compensated by employers/payers; the PPO charges a flat fee per eligible employee, percent of services rendered by participating doctors/hospitals.
Control measures: Standard utilization review procedures, excluding outpatient service predetermination; utilization review provided by The Travelers Insurance Co.
Contacts: Tim Dickman, director-operations; Josh Duffy, director-development.

USA Healthnet Inc.

7301 N. 16th St., Suite 201, Phoenix, Ariz. 85020; 602-371-3880

See USA Healthnet Inc. under Arizona.

Wausau Preferred Care-Illinois

2000 Westwood Drive, Wausau, Wis. 54402; 715-847-6896; fax: 715-847-8740

See Wausau Preferred Care under Wisconsin.

FASB rule

Continued from previous page

many years. Employers really didn't worry about the programs," said Edward J. Davey, a principal with A. Foster Higgins & Co. Inc. in New York.

Retiree health care programs, which became widespread more than two decades ago, often were established without serious thought to their design or ultimate cost, benefit consultants say.

Unlike pension plans, which base benefits on salary and years of service, retiree health plans typically pay the same benefits to all participants meeting a minimum service requirement.

Few employers had any idea how the costs of the plans would escalate as their workforces aged and the pool of retirees covered by their plans swelled.

The accounting proposal changed that. Employers were gradually alerted to the true cost of their retiree health care programs.

"It is the dawning of a new age. Companies, because of the FASB proposals, became sensitized on how promises to provide retiree health care benefits would affect the bottom line and balance sheets," said Frederick Rumack, director of tax and legal services at Buck Consultants Inc. of New York.

"Because of FASB, the corporate spotlight began to focus on retiree health care benefits. Companies began to ask themselves: 'What have we promised and can we afford that promise,' " said Foster Higgins' Mr. Davey.

That growing corporate sensitivity to the cost of retiree health care programs is not surprising in the wake of numerous studies detailing the impact of the new rule.

TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc. in New York, last year found that the proposals could reduce pretax earnings 10% on average and net worth 11% on average (*BI*, Dec. 4, 1989).

"The corporate financial executives have been saying, 'We can't live with these kind of numbers,' " said John Hickey, a partner at benefit consultant Kwasha Lipton in Fort Lee, N.J.

"Some employers fell off their chairs when they saw the impact of the FASB proposals. Some companies saw their pretax earnings cut in half," said Jerry Carnegie, a consultant with Hewitt Associates in Rowayton, Conn.

Indeed, many employers, in anticipation of the FASB rules, have dramatically changed their retiree health care plans. What was once a virtually open-ended promise has been sharply limited.

More than 30% of employers surveyed by Hewitt Associates said that during the last two years they have boosted premium contributions by retirees or have hiked deductibles or coinsurance requirements for retirees (*BI*, Sept. 24).

Other employers are taking different approaches.

For example, American Airlines Inc., a subsidiary of Fort Worth, Texas-based AMR Corp., is requiring about half of its workforce to pay a monthly fee to prefund a portion of the cost of their future retiree health care coverage.

The employee contributions are $10 a month for employees hired before Jan. 1, 1990. The contribution will vary based on the age of employees hired after Jan. 1.

Employees who decline to make the contributions will not receive retiree health care coverage from American (*BI*, Dec. 4, 1989).

Ball Corp. is taking an even more radical approach. The Muncie, Ind.-based company will not provide retiree health care coverage to employees hired since January.

Instead, the company is offering a program in which employees can prefund retiree health care coverage through contributions to a group annuity program (*BI*, Nov. 26).

Other employer tactics to rein in retiree health care costs and liabilities include:

'It is the dawning of a new age. Companies, because of the FASB proposals, became sensitized on how promises to provide retiree health care benefits would affect the bottom line and balance sheets,' says Buck's Mr. Rumack.

- Linking benefits or employer contributions to length of service.

For example, Ball Corp. employees hired before this year will vest in retiree health care coverage at the rate of 5% a year. Previously, employees would be eligible for full coverage at age 55 with 10 years of service.

"Benefits will be more closely linked to service. That will be a trend as employers will ask themselves why their pension programs are linked to service and retiree health care plans are not entirely," according to Patricia Wilson, a principal with Foster Higgins in Philadelphia.

- Actuarially reducing retiree health care benefits for those retiring before normal retirement age.

Currently, many companies provide full health care coverage to workers retiring as early as age 55, an extremely expensive practice.

A Foster Higgins study last year found that annual health care expenses for retirees younger than 65 were $2,397 per retiree on average, or 74.7% greater than average plan costs of $1,372 per retiree over age 65—the age of eligibility for Medicare (*BI*, Feb. 13, 1989).

- Limiting employer contributions for retiree health care coverage to a fixed amount, similar to a defined contribution pension plan approach.

Under one variant of a defined contribution approach, an employer would make a fixed annual contribution to an employee's retiree health care "account."

When the employee retires, the balance in the account would be used to purchase retiree health care coverage.

With such an approach, employers know exactly what their retiree health care programs will cost.

Benefit experts say that even if FASB had not adopted the retiree health care accounting rule, employers eventually would have taken action to overhaul their retiree health care plans.

Galloping medical cost inflation, along with demographic changes, ultimately would have awakened corporate consciousness on the enormous expense of retiree health care programs, they say.

The FASB proposals, though, accelerated corporate action, benefit experts say.

"FASB has made employers aware of the cost. It has accelerated the process," said John Woyke, a principal with TPF&C in Valhalla, N.Y.

"FASB will be the catalyst for many employers to change their

Continued on next page

The professional marketplace

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Continued from previous page
retiree health care plans. You will see tremendous changes," said Kwasha Lipton's Mr. Hickey.

But employees and retirees will most likely resist limits on health care plans, observers say.

"Retiree health care could be one of the biggest benefit issues of the 1990s as companies, employees and government grapple with how the cost burden will be shared," said Foster Higgins' Mr. Davey.

Already, employers cutting back benefits have been hit with a barrage of suits from retirees challenging the legality of such actions.

Courts have ruled that companies can cut benefits as long as plan documents made clear that employers reserved the right to do so. ■

FASB stops pay-as-you-go accounting

NORWALK, Conn.—Today, accounting for retiree health care costs is simple.

Employers now report as an expense item on their income statements only their pay-as-you-go costs for retiree health benefits. These include the premium for a health insurance policy or claims costs if a company self-funds its retiree health care plan.

A new financial Accounting Standards Board rule—FASB 106—will scrap that method of cost recognition.

Instead—starting in 1993 for big employers and 1995 for small firms—companies will have to accrue as an expense against earnings retiree health care liabilities from the date an employee is hired until the employee is first eligible for benefits.

Differences between accrued expenses and actual payments for retiree health care benefits also would have to be recognized as a liability on balance sheets.

In addition, employers will be required to amortize on a straight-line basis their accumulated retiree health care liabilities as of the proposal's effective date over the remaining average service period of employees, or 20 years, if longer.

In projecting future retiree health care costs, an employer can take into account its past practice of maintaining a consistent level of cost sharing by plan participants.

While FASB 106 generally will not go into effect until 1993, some employers will have to disclose retiree health care cost information sooner.

A 1987 Securities and Exchange Commission bulletin, known as SAB 74, says employers must disclose—as a footnote to their financial statement—the impact, if known, of FASB rules once those rules are adopted.

Employers are to describe the new FASB rule and the impact on their financial statements "unless not known or reasonably estimable." No additional information would be required of companies that don't know or can not reasonably estimate the impact.

For companies that can make such estimates, the SEC bulletin doesn't make clear how much information would have to be provided.

"Nothing specific is spelled out. The employer would have some flexibility," said Chip Kerby, a principal with William M. Mercer Inc. in Washington, D.C.

Employers could probably satisfy the requirement by providing the anticipated impact of the FASB rule on corporate earnings per share or an estimate or a range of how the rule will increase reported retiree health care expenses, Mr. Kirby said.

—By Jerry Geisel

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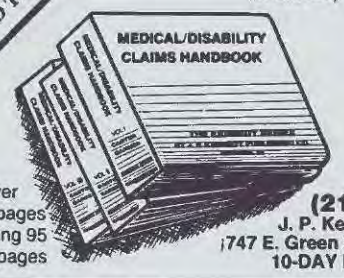

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Seidman suit

Continued from page 1

Casualty will be able to cover 65% of its liabilities after legal and liquidation expenses are deducted, Mr. Gee said.

Universal Casualty was operated by Vishwa P. Shah, a New York insurance executive who is now on probation after pleading no contest to federal wire fraud charges (*BI*, July 6, 1987; Jan. 19, 1987).

Mr. Shah's wire fraud indictment, which was unrelated to Universal Casualty, charged that he used phony documents to defraud a Philadelphia bank on a $2.5 million loan.

According to documents introduced at the Seidman trial, Mr. Shah approached Seidman in 1978 after two other accounting firms—Coopers & Lybrand and Touche Ross & Co.—expressed reluctance to audit Universal Casualty.

The two firms' reluctance stemmed from the fact that Universal Casualty's main asset—a $10 million CD—was issued by a related entity, Merchants & Shipowners Bank Ltd. of St. Vincent, British West Indies, according to a Seidman conference report.

However, Seidman concluded that the related-party transactions posed no legal problems and accepted the engagement in 1978, court papers say. Seidman served as Universal Casualty's auditor until 1982, the papers say.

Universal Casualty's license was suspended by Cayman regulators in July 1983 and the insurer entered liquidation a year later.

Mr. Gee, as Universal Casualty's liquidator, filed a lawsuit against Seidman and an affiliated auditing partnership, Binder Dijker Otte & Co., in 1987 and amended the complaint in January 1988.

The amended complaint charged that while Universal Casualty balance sheets audited by Seidman showed more than $10 million in CDs as assets each year between 1978 and 1982, the insurer did not actually own these CDs.

The insurer also did not have the more than $10 million in shareholders equity it reported in each year, the complaint alleged.

Seidman knew or should have known that Universal Casualty was actually insolvent and failed to report the insolvency to regulators, the lawsuit alleged.

The complaint charged Seidman with negligence, gross negligence, breach of contract and fraud, though the liquidator dropped all but the negligence count before trial, according to Mr. Sherouse.

The Universal Casualty CD investments changed repeatedly between 1978 and 1982, and Seidman consistently failed to take adequate steps to confirm the existence of the assets, lawyers for the liquidator argued at trial.

For example, from early 1978 until January 1979, Universal Casualty reported holding a $10 million CD from Merchants & Shipowners that purportedly was backed by CDs from major U.S. banks deposited at the St. Vincent bank, court documents show.

Seidman accepted the CD, with Seidman partner John Abernathy concluding in a June 23, 1978, memo that "the financial stability of Merchants & Shipowners appears to be a matter of disclosure (in Universal Casualty's financial statement), and not a matter of opinion qualification."

However, the U.S. Comptroller of the Currency had issued a circular letter on June 8, 1978, warning U.S. banks and banking regulators to use "extreme caution" in dealing with Merchants & Shipowners and reporting that checks drawn on the bank may be worthless.

John W. Shockey, special assistant in the U.S. Comptroller's office, testified at the Seidman trial that if he had been contacted by auditors, he would have told them of the warning letter and that a Connecticut man involved in promoting the bank had been indicted on fraud charges in New York.

Mr. Shockey also testified that he was quoted in an Aug. 10, 1979, story in the Atlanta Constitution that described Merchants & Shipowners as a shell bank that was being used by con artists to generate millions of dollars in worthless paper.

The U.S. Comptroller's circular letters are not automatically distributed to auditors, though, and the Seidman spokesman said last week that it would not be common practice for an accounting firm to contact the Comptroller's office regarding an offshore bank CD.

Universal Casualty's investment changed in January 1979, when the Merchants & Shipowners CD was purportedly replaced with major bank CDs that Merchants & Shipowners held in trust for the insurer, according to Mr. Sherouse, the attorney for Universal Casualty's liquidator.

In June 1979, Merchants & Shipowners was replaced as trustee by Mertrust Ltd., a Liberian trust company that operated through post office boxes in Bermuda and Geneva, Switzerland, according to Mr. Sherouse and court records.

In the course of subsequent audits, Mertrust provided Seidman with reports of trust activity that variously included notarized photocopies of the CDs supposedly held for Universal Casualty, along with brokers' confirmation slips showing the purchase of the CDs, according to Mr. Sherouse and court documents.

Seidman auditors never inspected the actual CDs supposedly owned by Universal Casualty.

The Seidman spokesman said last week that the certified photocopies of the CDs were considered sufficient to support the firm's audit opinions.

However, the liquidator's lawyers presented evidence at the trial that the CDs were actually "rented" by Mr. Shah and Sheldon Silverston, chairman of New York-based Meridian American Deposit Corp., which acted on behalf of Universal Casualty. The CDs never were actually in the insurer's possession, evidence showed.

Under these "rent-a-CD" arrangements, Mr. Shah and Mr. Silverston arranged for Mertrust to buy and sell the same CD on the same day or within 24 hours, according to testimony of Kenneth Kaltman, a securities broker who dealt with the two men.

Mertrust never actually paid for the CDs. The only money that changed hands in the transactions was commission paid to the broker, Mr. Kaltman testified.

Mertrust also never took possession of the instruments. Instead, it received a photocopy of an actual bearer CD and brokers' confirmations of the purchase and sale, he said.

Mertrust provided the copies and purchase confirmations to Seidman as evidence of the CDs Universal Casualty claimed on its books, Mr. Sherouse charged.

Separately, Seidman attempted at trial to show that Universal Casualty's liabilities were much smaller than the liquidator contended.

The auditing firm presented testimony from an official of New York-based claims consultant BCS Management Inc., who testified that of $10 million in claims filed by Universal Casualty's largest creditors and allowed by the liquidator, all but $1 million were improperly admitted.

BCS confirmed the legitimacy of $1 million in claims from the Beacon Insurance Co. estate but totally disallowed $9 million in other creditors' claims on the grounds that they were not adequately documented, Mr. Sherouse said.

At trial, however, lawyers for the liquidator questioned the impartiality of BCS, noting that it is a wholly owned subsidiary of Merrett Holdings Ltd. and thus an affiliate of the underwriting manager leading Seidman's professional liability coverage.

Seidman's coverage information emerged as a result of the BCS testimony, Mr. Sherouse said.

The Seidman spokesman denied any lack of impartiality, noting that BCS employees spent 500 hours examining Universal Casualty claim files and that BCS' relationship to Merrett's underwriting arm "is so remote that there is no conflict."

Robin Jackson, former underwriter of Merrett syndicate 799 and director of Merrett Holdings, agreed with the Seidman spokesman that the link between BCS and Merrett "is tenuous at best." He added that the relationship between BCS and Merrett Holdings would have been disclosed to Universal Casualty anyway "at an early stage."

In an interview, Mr. Shah also disputed the liquidator's charges.

Mr. Shah said that Coopers & Lybrand and Touche Ross had been reluctant to audit Universal Casualty because they insisted that the Merchants & Shipowners CD be backed by "first-class bank CDs." This condition subsequently was met, but Universal Casualty already had chosen Seidman for reasons of cost and convenience.

Mr. Shah also denied that the CDs held for Universal Casualty by Mertrust were rented. He said that Universal Casualty made "account transfers that in effect were full payment to Mertrust" for the CDs and that if Mertrust rented CDs on its own, the rentals did not involve the reinsurer.

Mr. Shah blamed Universal Casualty's insolvency on "totally inflated claims" and the settlement of millions of dollars in reinsurance recoverables for a fraction of their value.

Mr. Shah also called his wire-fraud indictment a "total travesty of justice," saying that he pled no contest because of ill health and the "life-threatening stress" of a trial. ■

C&B taps Askwyth for risk manager post

Comings & goings: buyers

Diane Askwyth, 38, has been named a vp of Corroon & Black Corp. in New York. In this newly created position, Ms. Askwyth is responsible for risk management and insurance programs as well as professional standards and policies. She reports to Richard A. Maxwell, senior vp-marketing and professional standards. Two years ago, Ms. Askwyth joined Corroon & Black Corp.—which merged in October with Willis Faber P.L.C.—after spending more than 10 years with Corroon & Black Co. of New York. Most recently, she was assistant vp and director of professional standards and risk management. She holds a bachelor's degree in economics from Seton Hall University in South Orange, N.J. Ms. Askwyth, who has taught at The College of Insurance in New York, serves on the board of directors of the New York chapter of the Risk & Insurance Management Society and holds the Chartered Property & Casualty Underwriter designation.

* * *

Stephen W. Scammell, 39, has been named director-risk management at Bristol-Myers Squibb Co. in New York. In this newly created position, he is responsible for worldwide risk assessment, property/casualty insurance, self-insurance and safety programs. Mr. Scammell reports to Anthony R. Hall, vp. Before joining Bristol-Myers Squibb Co., he was director of risk management at GAF Corp. in Wayne, N.J. He holds a bachelor's degree in economics from Colgate University in Hamilton, N.Y., as well as a master's degree in business administration from Fairleigh Dickinson University in Teaneck, N.J. Mr. Scammell holds the Chartered Property & Casualty Underwriter designation and is a deputy member of RIMS.

* * *

Barbara Harfosh, 40, has been named vp at National Westminster Bank USA in New York. In this newly created position, she is responsible for portions of the bank's risk management and insurance operations. Ms. Harfosh reports to Kristin W. Davis, vp and head of risk and insurance management. Ms. Harfosh was named assistant vp in 1986. Before joining the subsidiary of London-based National Westminster Bank P.L.C. in 1983, she was risk management officer at Buffalo, N.Y.-based Marine Midland Banks Inc. She holds a bachelor's degree in music from City University of New York-Hunter College, as well as a master's degree in music from Michigan State University in East Lansing. She is a deputy member of RIMS.

Ms. Harfosh

* * *

Ronald L. Pollard, 48, has been named director-risk management for the city of El Paso, Texas. In this newly created position, he is responsible for all insurance, self-insurance, employee benefits and safety programs. Mr. Pollard reports to Kenneth Beasley, administrative officer. Before joining the city of El Paso, Mr. Pollard was director of risk management for the city of Abilene, Texas. Prior to that, he was risk manager for the city of San Antonio. He holds a bachelor's degree in business administration and marketing from the University of Maryland through its South Reislip, England, campus, as well as a master's degree in international relations from Kings College, Cambridge University, England. He also holds a law degree from La Salle University in Philadelphia. Mr. Pollard is a deputy member of RIMS and is a member of the Public Risk Management Assn.

* * *

Kathryn E. Schmauss, 32, has been named risk manager at the American Automobile Assn. in Heathrow, Fla. In this position she is responsible for property/casualty insurance and risk management activities. She replaces **Valerie Walters**, who is now risk manager at American University in Washington, D.C. Ms. Schmauss reports to William Hardy, director of insurance operations. Before joining AAA, she was benefits manager at Tri-City Electrical Contractors Inc. in Altamonte Springs, Fla. She holds a bachelor's degree in psychology from Winthrop College in Rock Hill, S.C., as well as a master's degree in business administration from Clemson University in Clemson, S.C. Ms. Schmauss is a deputy member of RIMS and is currently pursuing the Associate in Risk Management designation.

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Work comp study

Continued from page 1

whelming 83% of respondents blamed rapidly rising medical costs for climbing workers comp costs.

The survey also cited National Council on Compensation Insurance statistics that medical expenses now account for about 41% of workers comp costs, up from 33% in 1980.

And, medical costs could reach 50% of the workers comp bill by the end of the decade, the survey said, quoting NCCI again.

In addition, 75% blamed rising workers comp costs on a widening definition of work-related injuries, 62% blamed attorney involvement and 56% blame the increasing costs for indemnity benefits.

Other factors driving up workers comp costs cited by at least 40% of the respondents were: employee abuse of the system, 50%; high insurance costs and prohibitions against cost-containment measures, both 48%; and erosion of the exclusive remedy doctrine, 40%.

Mr. Miccolis found it interesting that less than half of the survey respondents felt that high insurance costs were driving up workers comp costs. "Perhaps employers view high insurance costs and related matters as more of a symptom than a cause of the system's troubles," he said.

However, 63% of employers predicted they will have costs "somewhat" under control and 8% more say they will have costs "completely" under control in the next five years. Twenty-seven percent predicted costs would be "somewhat" out of control and 3% said they would be "totally" out of control in the next five years.

According to the survey, "Responding to the Workers' Compensation Crisis: Can Employers Manage and Control Costs?" the most popular method of controlling escalating workers comp costs is through safety programs.

The survey found that 84% of respondents already have implemented safety programs and that 8% more plan to do so.

In certain industries—such as manufacturing, construction, energy and chemicals—safety programs are nearly universal.

Eighty-two percent of the employers that have implemented safety programs say the technique is effective, with only 12% claiming they are ineffective. Six percent said it was too early to tell.

The next most popular cost-containment initiative is pre-employment screening, used by 64% of employers and planned by 13% more.

This kind of program could include a physical examination to determine pre-existing conditions as well as checks for prior workers comp claims, the survey said.

Sixty-seven percent of employers said the method is effective, while 19% said it is ineffective. Fourteen percent said it is too early to tell.

These two methods represent efforts an employer can make to hold down costs before a worker is even hired, Mr. Miccolis pointed out.

Light-duty programs for workers recovering from injuries are used by 62% of surveyed employers, with 11% more planning to institute them.

Seventy-eight percent of employers rated the programs as effective, while 11% rated them ineffective and another 11% could not tell yet.

Fifty-four percent of employers offer vocational rehabilitation for employees who cannot perform their pre-injury jobs, with 6% more planning to start rehabilitation programs.

Among those employers, 58% rated the technique effective, while 17% said the method was ineffective and 25% said they could not tell yet.

And, 48% of employers use medical bill audits to control workers comp costs, while 10% more plan to implement this technique.

Eighty percent of the employers using this technique said it is effective.

The next most popular cost control initiatives include:

- Claims administration audits, used by 45% and planned by 10%.
- Job analyses to make sure workers have the right skills to perform the task, used by 38% and planned by 19%.
- Litigation management, used by 38% and planned by 7%.
- Fee schedule compliance checks, used by 34% and planned by 8%.
- Case management, used by 30% and planned by 12%.

Other cost control initiatives used by less than 30% of the survey respondents are utilization review, review of physician practice patterns, use of managed health care organizations such as health maintenance organizations and preferred provider organizations; precertification; cost-control incentive programs; rate negotiations with health care providers; and coordination with the company's group health program.

Among those employers that have instituted cost control measures, more than half rated each of the initiatives as effective. And, in most cases, more than 70% rated the measures as effective.

However, the cost-control strategy rated the most effective by the employers that use it—coordination of workers compensation programs with group health plans—is the measure least utilized by employers, according to the survey.

Only 17% of employers said they coordinate workers comp with group health benefits, with 11% more saying they plan to do so.

However, among those employers using the technique, 87% said it is effective.

"We strongly suggest" that employers examine this option, Mr. Miccolis said.

He explained that coordinating workers comp and group health benefits could include integrating claims records to make sure that claims are not submitted separately to each system.

In addition, such a strategy could entail giving the case managers who oversee group health care claims the responsibility for also managing workers comp claims.

Surveyed employers also believe that some health care costs are being shifted from traditional health benefit plans to the workers comp system.

For example, workers comp's first-dollar coverage of medical expenses is very attractive to employees who increasingly are being required to pay larger deductibles and larger shares of claims under their group health care plans, the survey noted.

Workers comp is "really the deep pocket—the last open checkbook," Mr. Miccolis said.

But, many employers may not be implementing the same kind of medical cost controls for workers comp as they are for group health care because of state regulations, the survey noted. Regulations in about half the states do not allow employers to choose a physician to treat an employee injured in the workplace or to direct injured workers into health care networks, the survey pointed out.

During the 1990s, employers expect that the increasingly wider definition of work-related injuries will lead to a jump in repetitive motion and stress-related claims.

For example, the survey noted that the definition of a work-related injury in recent years has come to include various repetitive motion injuries—such as carpal tunnel syndrome—and stress-related disorders.

The survey said employers expect that these types of injuries represent "potential areas of explosive claims growth" in the 1990s.

Other areas of potential claims growth this decade cited by employers include injuries stemming from exposure to video display terminals, cited by 21%; psychological disorders, 13%; heart problems, 6%; sick building syndrome, where the air in a building causes various respiratory and other illnesses, cited by 5%; and acquired immune deficiency syndrome, cited by 4%.

The most important ways to reform the workers compensation system would be to limit attorney involvement, enforce the exclusive remedy system and institute third-party review systems and mandatory arbitration, said 49% of respondents.

The survey noted that although workers comp was designed to be the exclusive remedy for a worker's job-related injury, "growing numbers of employees now contest—many successfully—workers compensation awards in the courts, thus eroding the exclusive remedy doctrine."

In addition, 27% of respondents suggested having doctors agree to fees and practice standards; 22% suggested screening doctors or using company doctors; and 20% of employers said the system should better define types of compensable injuries and require that injuries be 100% work-related.

The survey also recommended employers try to lower workers comp costs by using their information systems better.

For example, although 77% of administration systems allow for tracking claims by type of injury, only 10% allow quantification of the impact of cost-containment initiatives, the survey found.

The survey also found that:

- Workers comp expenses averaged 1.5% of payroll in 1989, according to information supplied by some of the responding companies. The construction and transportation industries reported the highest costs relative to payroll, while colleges and universities reported the lowest.

For the most part, larger organizations had relatively lower workers comp costs than smaller organizations, the survey found.

However, "for all companies nationwide, industry and government sources estimate average workers compensation costs at over 2% of payroll," the survey noted.

"Our actual cost figure cannot be strictly compared with this nationwide estimate because of likely differences between the industry affiliation, size and geographic location of our respondents vs. the (much larger) samples represented in industry and government analyses."

- The cost of a state's workers comp system influences 10% of companies "a great deal" and 28% of companies "somewhat" in their decision on whether to locate in that state, according to the survey.

However, 24% said those costs would not influence them much, and 38% said it would not influence them at all.

The survey explained that workers comp costs "are influenced by the level of benefits a state mandates, by how efficiently the system is administered and by how much state rules encourage—or discourage—costly litigation."

- Fifty-two percent of companies finance their workers comp exposure with commercial insurance or through a state fund, while 42% self-insure and 6% are covered through an assigned risk pool.

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The survey, "Responding to the Workers Compensation Crisis: Can Employers Manage and Control Costs?" is available free of charge from Keith Freeman at Towers, Perrin, Forster & Crosby Inc., 100 Summit Lake Drive, Valhalla, N.Y. 10595.

Washington

Senate questioning misleading: Borman

By ADRIENNE C. LOCKE

WASHINGTON—Minnesota Insurance Commissioner Thomas H. Borman maintains he favors state regulation of insurers over federal regulation, despite conceding during a Senate subcommittee hearing that federal regulation would be preferable if the government committed adequate resources.

In a later interview, Mr. Borman said he felt "strongly pressured" by Sen. Strom Thurmond, R-S.C., to make a choice between state and federal regulation of the insurance industry under circumstances that he does not believe are realistic.

Mr. Borman emphasized he does not believe that the federal government fully comprehends what regulation of the insurance industry would entail nor that it would commit enough resources to regulate the industry better than states do.

The Senate Antitrust, Monopolies, and Business Rights Subcommittee hearing last week focused on whether financial reporting methods used by insurers to value reserves allow them to disguise losses in real estate, junk bonds and other holdings.

Subcommittee Chairman Sen. Howard M. Metzenbaum, D-Ohio, called for the hearing out of concern that the insurance industry might be heading in the same direction as the savings and loan industry, he said. Other hearings will be scheduled in the coming months, he said.

"If we have learned anything from the S&L crisis, we have learned that to a large degree it was preventable. The warning signs were clear, but unfortunately they were ignored," he said.

"We must not ignore some of the same signs in the insurance industry," Sen. Metzenbaum said.

He said those signs include:

- Outdated accounting methods.
- Overvalued assets.
- Low capital requirements in some instances.
- Lax regulation.

However, the focus of the proceedings deviated as the questioning turned to the issue of state vs. federal regulation of the insurance industry.

During two hours of testimony, Mr. Borman told the Senate Subcommittee that states need more help in solvency regulation.

"One of the principal problems that all states have is the lack of manpower and resources" to regulate the industry more effectively, he said. "And, Minnesota is no exception."

Sen. Thurmond, who is the ranking Republican on the Subcommittee, asked Mr. Borman if federal regulation of insurers would be better than state regulation.

"I said that I might come down to federal regulation if it were well-funded by the government," he said in the interview.

However, Mr. Borman was quick to add that the federal government does not fully comprehend the kind of administrative commitment and financial backing that is needed to regulate the insurance industry properly.

In addition, budget concerns would hinder any federal regulatory attempts, he said.

"If the federal government is not willing to commit the resources to do the job right, then they should not do it," he said. ■

Markets

A&A consolidates reinsurance brokers

Alexander & Alexander Services Inc. is consolidating its worldwide reinsurance brokerage subsidiaries.

The subsidiaries—including Thomas A. Greene & Co. Inc. of New York and Alexander Reinsurance Brokers Ltd. of London—will report to Ronald A. Iles, chairman of Alexander Howden Reinsurance Brokers.

"I think the general goal is to say, 'Here we are. This is a major reinsurance group,' " Mr. Iles said.

A&A says its reinsurance brokerage operations, with more than 1,250 employees in 18 offices worldwide, will generate revenues exceeding $135 million in 1990.

The combined operations will facilitate solving "common problems in reinsurance" found in different countries, Mr. Iles said.

A&A's combined reinsurance intermediary operations will rank as the second- or third-largest worldwide, Mr. Iles estimated. Marsh & McLennan Cos. Inc.'s Guy Carpenter & Co. Inc. is the largest reinsurance broker worldwide with 1989 revenues estimated at nearly $250 million. Sedgwick Group P.L.C. reported that reinsurance brokering generated 11% of its revenues in 1989, or $114.4 million.

Thomas A. Greene & Co. was the ninth-largest reinsurance broker in the United States in 1989, with an estimated $22.1 million in gross revenues (*BI*, Nov. 12).

Thomas A. Greene, formerly president and chief executive officer of the company that bears his name, is now chairman. Mr. Iles has been named president and chief executive officer.

Mr. Greene stressed that there is no mandate that all of Greene's accounts placed in London be handled by Howden and that existing agreements with other London brokers will be honored.

For the time being, the A&A reinsurance brokerage subsidiaries will keep their individual names, Mr. Iles said. However, he added, "there seems to be a groundswell that there should be a global name," and a final decision will be made in 1991.

The reinsurance operations are "pretty well set in offices," Mr. Iles noted, with offices also in Europe, the Asia-Pacific region and South America.

A&A is "thinking about Eastern Europe" for expansion, he said.

Name changes

Houston-based **Great State Agency Corp.**, which specializes in placing general liability, commercial auto, property, excess and umbrella risk with select markets, changed its name to **Preferred General Agency of the Southwest Inc.**

Minet International Professional Indemnity Ltd., a brokerage division of Minet Group Holdings, changed its name to **Minet Professional Services.** ■

Sedgwick James

Continued from page 2

together with the U.S., which will help us make more money," said Mr. Rowland. "He's now the boss of North America."

New York-based Quill Healey, currently chief operating officer of Sedgwick James, will become chief executive officer of Sedgwick James in the United States and will join the board of the Sedgwick group.

And Donald K. Morford, senior executive vp of Sedgwick James, will become president of Sedgwick James in the United States.

The usually outspoken Mr. Page last week refused a request for an interview, referring telephone calls to Sedgwick's London office.

Mr. Page has been a rising star in the insurance brokerage business. He was executive vp of Alexander & Alexander Services Inc. in March 1984 when he was named chairman and chief executive officer of A&A's then-troubled London brokerage, Alexander Howden Group Ltd. (*BI*, March 5, 1984).

After successfully re-establishing Howden's reputation in London, Mr. Page joined then-independent Fred S. James & Co. Inc. in 1985 as president and chief executive officer.

Immediately, he began negotiations to merge James with Sedgwick (*BI*, April 8, 1985).

When Sedgwick Group Chairman Carel Mosselmans announced his retirement in 1988, Mr. Page was considered by many to be a candidate for the position (*BI*, March 7, 1988).

But Sedgwick instead recruited Mr. Rowland from Willis Faber P.L.C., which had merged with Stewart Wrightson Holdings P.L.C., where he had been chairman.

Earlier this year, in a major restructuring of the Sedgwick Group, Mr. Page was given one of the most powerful roles within the company—that of chairman of Sedgwick James worldwide, which last year produced 62% of the group's revenues (*BI*, June 18; Jan. 15).

Sedgwick's reinsurance brokerage unit, E.W. Payne Cos. Ltd., four years earlier had absorbed James' intermediary, John F. Sullivan, but Fred S. James had continued to operate autonomously.

Mr. Page, who maintained offices in both New York and London, had flown around the world this year to visit subsidiaries in 60 countries.

Last week's unexpected departure of Mr. Page—announced in the next to last paragraph of a two-page press release issued by Sedgwick in London—created speculation on both sides of the Atlantic about the reason for his split with the company.

Mr. Page

Rumors spread of a "power play" between Mr. Page and Mr. Rowland, a proposed management buyout of a segment of the North American retail business and Sedgwick's dissatisfaction with the results of its U.S. retail brokerage operations.

Mr. Rowland denied there was a rift between himself and Mr. Page. "Our relations are perfectly good," he said, describing Mr. Page's departure as "an amicable" parting. He praised Mr. Page for his contribution to Sedgwick and said he hopes Mr. Page will be "well satisfied" with his severance agreement.

Mr. Rowland also denied that Mr. Page was ousted because of an attempted management buyout of part of the James group. "I know nothing about a management buyout attempt," he said.

And, Mr. Rowland said Mr. Page did not leave because of Sedgwick's failed attempt this autumn to merge with Johnson & Higgins. Mr. Page "was part of that negotiating team from beginning to end," he said.

Mr. Rowland also denied that Mr. Page was ousted because of James' poor performance, "since most U.S. brokerages are suffering at the moment because of the soft insurance market."

With more than 6,300 employees in North America, Sedgwick James has shown a "poor performance" over the past year that "was not wholly attributable to soft market conditions," according to London stock analyst Barclays de Zoete Wedd Research Ltd. in a forecast report on Sedgwick's third-quarter results earlier this year.

Sedgwick "described the U.S. operations as presenting the toughest battle for management," said Barclays. "Certainly the U.S. property/casualty market has given little comfort to middle market players like James so far this year, but we believe that James' malaise is more deep-seated."

Sedgwick James' worldwide operating income grew 4% at the third quarter to 319.9 million pounds ($607.8 million at applicable exchange rates) from 306.3 million pounds ($496.2 million) at Sept. 30, 1989; but operating income from North American decreased 2% to 197.8 million pounds ($375.8 million) from 200.9 million pounds ($325.5 million).

Mr. Rowland admitted he wants to see Sedgwick James' performance improve in the United States "in the future," and streamlining of management is designed to do that.

Sedgwick James in the past year has eliminated about 200 jobs, Mr. Rowland confirmed. And, Sedgwick James' posh New York corporate headquarters will be closed and moved to the New York regional office.

There is no indication that Mr. Page has a new position lined up, but few believe he will retire from insurance. He is healthy, say those who know him, dispelling rumors that he is retiring because of ill health.

In an interview, Mr. Healey said that Sedgwick James in the United States will continue to work with the Sedgwick organization on global accounts and focus on the strengths of James in the States, in areas like construction and utilities.

"The world moves on," said Mr. Healey. "We are building our relationships with Sedgwick (and) Sax Riley has a major contribution to give." ■

IRS extends non-discrimination date

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is delaying the effective date of proposed pension plan non-discrimination regulations.

The IRS has pushed back to 1992 from Jan. 1, 1991, the effective date of proposed regulations that cover areas like integration of pension benefits with Social Security, minimum participation requirements and non-discrimination tests relating to benefits and employer contributions (*BI*, May 28, May 21).

Those rules, comprising more than 300 pages, represent the IRS' interpretation of the pension non-discrimination provisions of the Tax Reform Act of 1986. Many of those requirements went into effect on Jan. 1, 1989.

While the effective date of the rules has been delayed, the IRS says it expects employers to make a "reasonable good-faith" effort to comply with the law.

Because reasonableness and good faith are subjective concepts, employers will probably develop a variety of compliance strategies, a benefit consultant says.

Some employers, for example, may try to follow the proposed regulations as closely as possible. Others will comply based on what they believe is a reasonable interpretation of the 1986 law, said Tom Butterworth of Hewitt Associates in Rowayton, Conn.

Some firms have "frozen" their pension plans until final IRS regulations are published. Under this approach, which the IRS permits, companies can temporarily freeze benefit accruals and make retroactive amendments when they know what the rules are.

Benefit experts say employers will welcome the IRS decision to delay the effective date of its pension non-discrimination rules.

"Absolutely, this is good news," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"Employers will have more time to think about what they want to do," said Paul Strella, a principal with William M. Mercer Inc. in Washington, D.C.

Delaying the effective date reduces employers' compliance burdens in other ways, benefit experts note.

They say the IRS may finalize the regulations during the first three months of next year. Those rules would take effect in 1992, giving employers time to make changes to comply.

Meanwhile, benefit experts say the IRS continues to grapple with a number of issues as it prepares to draft final regulations.

For example, benefit consultants have been pressing the IRS to approve a "safe harbor" for cash balance plans, a hybrid plan that combines elements of defined benefit and defined contribution plans (*BI*, Nov. 19).

By qualifying for a safe harbor, a cash balance plan automatically would be considered non-discriminatory and employers would be able to avoid complex non-discrimination testing procedures.

At the same time, the IRS is struggling with whether to allow employers to "restructure" their 401(k) plans to make it easier to pass the separate non-discrimination tests that cover those plans.

Under the proposed IRS rules issued in May, the agency said a 401(k) plan could be "restructured" just for testing purposes into separate components, or groups of participants (*BI*, July 9).

This approach would let companies break 401(k) plans down into separate plans covering employees at different locations or in separate job categories. These components then could be separately tested.

That would be allowed as long as the percentage of non-highly compensated employees covered by a component plan was at least 70% of the percentage of highly compensated employees covered by the plan.

In certain situations, component plans would pass non-discrimination tests more easily than would single, whole plans.

"401(k) restructuring for some employers is a very big deal. We have been heavily engaged with restructuring," said Gary Blank, a vp and consultant with The Wyatt Co. in San Francisco.

The IRS said in September that it would allow restructuring—if certain conditions were met—at least until it finalized the non-discrimination pension regulations issued in May. After that, though, the IRS said it would consider, among other things, banning or more sharply restricting the practice (*BI*, Sept. 17).

At the moment, though, the IRS is undecided on whether to permit a safe harbor for cash-balance plans or to allow 401(k) restructuring, benefit consultants said. ■

Update

New VDT safety law expected

Continued from page 2

for example, striking a vision care benefit requirement.

City budget officials say the new rule would cost private companies between $32 million and $76.5 million.

NTSB finds jet hatch was stuck

WASHINGTON—Federal safety investigators looking into the fatal runway collision of two Northwest Airlines Inc. jets in Detroit this month have found that a mechanism in the destroyed DC-9 for opening an emergency escape hatch in the tail cone section failed to operate.

The National Transportation Safety Board also confirmed that two bodies were found at the locked door and that the handle to the hatch was partially raised from its normal position. The board refused to draw any conclusions from these findings.

Eight people were killed and more than 20 injured when the DC-9 wandered onto the wrong runway in heavy fog and collided with a 727 that had been cleared for takeoff (*BI*, Dec. 3).

Equitable plans to demutualize

NEW YORK—The Equitable Life Assurance Society of the United States—one of the nation's largest underwriters of guaranteed investment contract—plans to convert to a stock-owned company to raise about $500 million in badly-needed capital.

Equitable's surprise announcement came shortly after Standard & Poor's Corp. lowered its ratings on Equitable debt to A from A+, citing its $200 million of anticipated losses in 1990 from investments in junk bonds, mortgages and real estate.

Demutualization will give Equitable "more flexibility in meeting the company's future financial needs," explained Richard H. Jenrette, Equitable's chief executive officer.

Equitable expects to have nearly $10 billion of outstanding GICs for 1990, down 10% from $11.1 billion in 1989. Equitable does not write group health or life insurance.

The company's demutualization is subject to approval by the company's board, New York regulators and policyholders.

Asbestos class action allowed

NEW YORK—A federal judge in New York has conditionally approved a nationwide class-action lawsuit for the purpose of settling all present and future claims against former asbestos manufacturer Eagle-Picher Industries Inc.

However, plaintiffs attorneys oppose the preliminary order last week by U.S. District Judge Jack B. Weinstein certifying the class.

If the class-action order survives, Eagle-Picher would become the first company to have all the asbestos bodily injury suits against it consolidated into a single case without declaring bankruptcy. Other former asbestos producers would be expected to file similar actions.

A move by some plaintiffs attorneys to force Eagle-Picher into involuntary bankruptcy was dismissed last week by a federal judge.

Hearings will now be held to determine the fairness of a proposed settlement by Eagle-Picher to pay $500 million over 20 years to 65,000 current claimants and an estimated 110,000 future claimants (*BI*, Dec. 10; Nov. 12).

State Farm case dismissed

LOS ANGELES—A California superior court judge last week dismissed a class-action lawsuit against State Farm Mutual Automobile Insurance Co. by a policyholder who sought the return of nearly $7 billion of surplus as dividends.

An amended version of the 1988 suit charged that the Bloomington, Ill.-based insurer retained too great a portion of its policyholder premium as surplus (*BI*, May 29, 1989; Sept. 5, 1988; Aug. 22, 1988.) The initial 1988 suit claimed State Farm, California's largest insurer, violated some policyholders' free speech rights by spending surplus on a political campaign opposing Proposition 103.

The amended suit called State Farm's 1988 premium-to-surplus ratio of 1.23-to-1 "unconscionable" compared with the 2.17-to-1 average for the 20 largest property/casualty insurers. It also sought damages for policyholders who disagreed with State Farm's opposition to the 1988 rate rollback initiative.

In dismissing the suit, Superior Court Judge Barnet Cooperman ruled that the insurer has a constitutional right to oppose initiatives and legislation and bear related costs.

The policyholder "definitely" will appeal, said plaintiff's attorney William Shernoff of Shernoff, Bidart & Darras in Claremont, Calif.

Briefly noted

A New York State Supreme Court judge last week threw out a $9.3 million jury award against the **New York Transit Authority** in litigation involving an intoxicated man whose arm was severed when he fell onto a New York subway track and was hit by a train (*BI*, Sept 24). . . .The Internal Revenue Service has stopped taking applications to approve plans similar to the $1 billion leveraged employee stock ownership plan Procter & Gamble Co. is using to **prefund retiree medical benefits** (*BI*, Nov. 26). . . .California Insurance Commissioner Roxani Gillespie began **unfreezing rates** last week for insurers whose rate applications have been approved by the Department of Insurance. . . .The National Council on Compensation Insurance is asking the Texas State Insurance Board for a re-hearing on the board's decision to **freeze workers comp rates** in the state (*BI*, Dec. 3). . . .**Amtrak** self-insures the first $50 million of its liability coverage. An Amtrak train smashed into a Boston commuter train last week, injuring a total of 264 passengers on both trains. . . .**American Universal Insurance Co.** says it is seeking a hearing to contest an Illinois Insurance Department order suspending the company's license through July 1, 1992. . . .Manufacturers, importers, and dealers of "assault weapons" would be held strictly liable for the injuries and deaths caused during their use, under a bill approved by the **District of Columbia** last week. Congress would have to approve the measure.

Brokers can survive decline in growth of new business

By LEONARD M. WILSON

Special to Business Insurance

NEW BUSINESS IS the lifeblood of retail insurance brokerage growth during soft markets. The public brokers have enjoyed remarkably consistent new business production for many years through soft as well as hard markets. This consistency, though, and the public brokers' aggregate volume of new business has prompted observers more than once to ponder whether the new business spigot could run dry.

In our last column, we commented on the third quarter's apparent modest, if perceptible, slowdown in net new business production for some of the public brokers (*BI*, Nov. 26). Net new business can be defined as total new business less lost business. For many quarters, brokers typically chalked up net new business amounting to around 10% to 15% of the prior year's commissions. In the third quarter, we believe that net new business declined to about 8% for several brokers.

Mr. Wilson

Received wisdom holds that hard markets are better for new business than soft markets. In a tight market, placing skills and the clout of a highly professional broker count for a great deal. Business flows to larger brokers. Indeed, during the tight market of 1985 and 1986, "coming in over the transom" was the comment many brokerage contacts used to describe the copious flow of new business.

Soft markets, on the other hand, are supposed to be less conducive to new business because price takes precedence over professionalism. When price is paramount and capacity is abundant, any broker can market the risk at a rock bottom quote. Differentiation through service, the stock in trade of the professional broker, goes by the board.

Yet our analysis suggests that the public brokers have fared almost as well in the new business arena during soft markets, despite the obstacles to production posed by a price-conscious client and plenty of insurance capacity. We need look no farther than the current soft market that began in 1987. For the past four years, new business production, by our estimate, was strong, almost matching the level of the tight market years. The public brokers, by and large, have gotten through with no worse than a flattening in earnings growth mainly due to production prowess.

The public brokers, in our view, have proven supremely adaptable. In soft markets, their sales pitch seems to shift. They emphasize access to a wide selection of highly responsive markets offering advantageous prices and an eagerness to accommodate innovation in structuring coverages. Brokers have also expanded producer ranks in soft markets to offset the effect of declining premiums rates.

If soft markets don't much affect the flow of new business, then why the deceleration in the new business just now? One explanation takes the following line. Prices in commercial lines are still soft, but are moving toward stability. With smaller changes in rates, the client has less inducement to shift from one broker to another. In addition, given the length of this soft market, clients who would find an advantage in changing have already done so.

Slowing production could have long-range implications for brokerage growth. We can illustrate with a few numbers. Commercial premiums have a fairly close correlation with current dollar gross national product. Growth in GNP over the long run reflects real economic expansion of roughly 3%, and probable inflation of 4%, a total of 7% annually. Commercial premiums, in turn, can be expected to rise at an annual rate of perhaps 8%, a little faster than GNP.

Let us assume an absence of net new business for the public brokers; that is, lost business cancels out new business. In this improbable scenario, the typical broker and its stable existing book of business would over the long run grow at the 8% annual pace of premiums, assuming no change in property/casualty commission rates.

We indicated earlier that for a long time public insurance brokers have generated net new business equal to about 10% of prior year's commissions within commercial retail brokerage. An underlying secular growth of 8% in existing business coupled with net new business gains of 10% arithmetically lead to an expected rate of 18% annually for the public brokers.

This calculation poses a twin paradox. First, we know that over the full cycle of the hard and soft markets, the public brokers have not grown their property/casualty commissions at that annual rate. We estimate annual long-term growth at 13% to 15%.

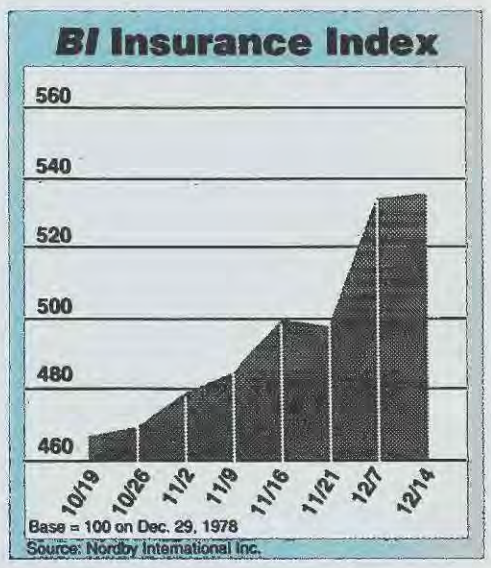
Secondly, public brokers' new business gains come at the expense of all other brokers, the non-public sector represented mostly by local or regional firms. We do not believe that this private sector of brokerage has lost as much market share as the public insurance brokers' new business figures suggest.

In part, the paradox could be one of definition. The public brokers' new business includes the activity of both existing and new clients. Existing clients, it appears, often are sold additional services that may be fee-related and outside the stream of revenues generated by traditional brokerage. As for overall growth, we believe premiums and commissions did not grow anywhere near 8% during the 1980s because markets have been almost unendingly competitive.

These issues we raise here of market share and contributors to growth deserve a fuller treatment than the scope of a columnist's writ. But we think that a measured slowing in net new business can be taken in stride. In fact, it is quite probable that new business production of the public brokers, again taken in the aggregate, could decelerate further over the next several years even if markets tighten.

In our view, public brokers can still achieve a desirable 13% to 15% annual growth rate over the cycle with a new business production well below current levels.

Any change in parameters of performance may be seized upon by investors alert to a shading in a company's prospects. And in a soft market, a slowing in new business production is scarcely a cause for celebration. Earnings estimates may be tailored to reflect the trend in new business. Nonetheless, we conclude that the long-term growth prospects of insurance brokerage do not appear to be in jeopardy. ■



Insurance industry stocks climbed only slightly last week as the *Business Insurance* Index went up 1.4 points to 536.2 on Dec. 14, from 534.8 on Dec. 7. Advancing issues for the week were led by Frank B. Hall, up 19.1%; Sierra Health Services, up 13.8%; and USLICO Corp., up 12.8%. Declining issues for the week followed American Indemnity Financial Corp., down 15.0%; Belvedere Corp., down 10.6%; and USF&G Corp., down 8.3%. The most active issue for the week was Sears, Roebuck & Co. (Allstate), with 2.5 million shares traded. The *BI* Index was down 0.3%; The Standard & Poor's 500 dropped 0.3%; the Dow Jones 30 Industrials were up 0.1%; and the New York Stock Exchange Composite fell 0.2%.

British Issues

Dec. 13 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commil Union	492	22.5	28.7	5.8	501—	492
Gent Accident	488	14.7	33.4	6.8	492—	488
Gdn Royal Exch	192	16.8	15.3	8.0	200—	192
Royal	418	22.3	34.0	8.1	440—	418
Sun Alliance	334	12.0	16.7	5.0	340—	334
Brokers						
Bradstock	254	14.4	10.0	3.9	277—	254
CE Health	464	13.6	34.5	7.4	483—	462
Hogg Group	166	17.6	9.7	5.8	177—	166
Lloyd Thompson	300	20.0	10.0	3.3	306—	300
PWS Holdings	90	13.6	3.3	3.7	90—	90
Sedgwick Grp	227	17.0	16.0	7.0	239—	226
Steel Birt Jones	265	15.7	14.7	5.5	274—	265
Willis Corroon	255	18.9	16.0	6.2	255—	250

Source: Philip Olsen, Insurance Industry Analyst London

BI Industry Stock Report

DECEMBER 10, 1990 THROUGH DECEMBER 14, 1990

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	23.00	-2.65	-26.98	32.25	16.13	355	1.00	4.35	19	9.18	2.51
Corroon & Black	NYS	32.50	0.00	-15.03	39.88	0.13	0	1.36	4.18	16	12.73	2.55
Gallagher Arthur J. & Co.	NYS	23.88	-1.04	-3.54	25.25	19.75	115	0.60	2.51	19	5.33	4.48
Frank B. Hall	NYS	3.13	19.05	4.17	4.25	2.00	298	0.00	0.00	-4	-2.80	-1.12
Hilb, Rogal & Hamilton	OTC	14.50	-1.69	-22.15	19.00	11.25	67	0.36	2.48	19	4.60	3.15
Marsh & McLennan	NYS	74.50	1.36	-4.49	81.00	59.75	560	2.60	3.49	18	10.56	7.05
Poe & Associates	OTC	8.00	-3.03	-39.62	13.00	7.75	33	0.40	5.00	11	1.93	4.15
BROKERS	AVERAGE		1.7	-15.4					3.1	14		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	38.75	1.31	-6.91	45.88	28.50	49	0.44	1.14	11	25.06	1.55
Berkshire Hathaway Inc.	NYS	6750.00	2.66	-21.74	8900.00	5675.00	0	0.00	0.00	21	2869.00	2.35
ITT (Hartford Group)	NYS	47.50	-3.06	-20.67	61.13	40.25	738	1.72	3.62	6	56.33	0.84
Sears (Allstate)	NYS	26.63	1.91	-31.29	41.88	22.00	2507	2.00	7.51	8	37.75	0.71
CONGLOMERATES	AVERAGE		0.7	-20.2					3.1	11		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	39.00	0.97	-32.76	58.38	29.00	1439	2.76	7.08	7	58.11	0.67
Ambase Corp.	NYS	0.41	-7.31	-96.78	12.75	0.31	409	0.00	0.00	0	29.08	0.01
American General	NYS	29.63	0.42	-9.54	50.63	23.50	2247	3.20	10.80	6	34.68	0.85
American Heritage	NYS	20.75	-1.19	-27.19	24.63	19.63	5	1.00	4.82	10	22.60	0.92
American Indemnity/Fin'l	OTC	3.19	-14.99	-60.15	8.25	3.38	14	0.08	2.51	-2	17.38	0.18
American International	NYS	76.75	4.07	-9.06	84.75	57.00	1981	0.44	0.57	11	41.92	1.83
Aon Corp.	NYS	34.00	-3.55	-19.76	43.25	26.75	318	1.52	4.47	9	19.62	1.73
Argonaut Group	OTC	59.25	2.16	-13.97	78.00	53.00	31	1.60	2.70	7	36.83	1.61
AVEMCO Corp.	NYS	26.38	1.44	8.21	30.13	21.13	26	0.44	1.67	18	9.52	2.77
Baldwin & Lyons Inc.	OTC	18.50	0.00	-13.95	24.00	18.25	3	0.28	1.51	7	20.80	0.89
Belvedere Corp.	ASE	2.13	-10.53	-61.36	5.63	1.75	27	0.04	1.88	-3	8.03	0.26
Chandler Insurance	OTC	6.00	-7.69	-48.94	11.88	4.50	79	0.00	0.00	3	9.53	0.63
Chubb Corp.	NYS	53.00	5.74	-44.72	53.38	34.63	2286	1.32	2.49	10	55.49	0.96
CIGNA Corp.	NYS	39.88	0.31	-33.82	61.75	33.25	409	3.04	7.62	11	66.64	0.60
CNA Financial Corp.	NYS	62.38	1.84	-37.63	100.00	49.50	72	0.00	0.00	11	54.87	1.14
Continental Corp.	NYS	24.25	-5.83	-22.71	32.25	15.75	747	2.60	10.72	8	41.36	0.59
Durham Corp.	OTC	27.00	-0.92	-12.20	34.00	23.00	11	0.92	3.41	12	26.32	1.03
Fund American Corp.	NYS	49.50	0.51	40.43	51.88	29.50	279	0.68	1.37	124	32.74	1.51
Fremont General Corp.	OTC	14.00	4.67	-30.43	22.50	10.13	209	0.80	5.71	4	19.09	0.73
Frontier Insurance Group	NYS	18.63	0.00	0.68	33.00	14.13	0	0.00	0.00	8	7.29	2.55
General RE Corp.	NYS	90.38	2.12	0.42	93.25	69.00	880	1.52	1.68	13	29.04	3.11
Hanover Insurance Co.	OTC	26.25	-2.78	-13.93	31.00	21.00	295	0.44	1.68	12	32.03	0.82
Harleysville Group	OTC	23.00	3.37	-16.36	27.38	13.50	40	0.64	2.78	7	18.94	1.21
Hartford Steam Boiler	NYS	49.38	-1.74	-8.99	62.13	43.50	123	1.80	3.65	13	18.94	2.61
Kansas City Life Ins.	OTC	30.25	0.00	-15.68	36.50	30.00	5	1.12	3.70	7	39.22	0.77
Kemper Corp.	NYS	23.38	1.63	-50.53	51.00	17.13	531	0.92	3.94	83	29.97	0.78
Lawrence Insurance Group	ASE	7.13	-1.72	0.00	9.13	6.50	4	0.36	5.05	11	4.40	1.62
Liberty Corp.	NYS	40.75	-1.81	-4.12	50.25	39.00	26	0.92	2.26	9	31.82	1.28
Lincoln National	NYS	40.25	-4.17	-34.02	61.25	30.75	333	2.72	6.76	8	49.19	0.82
NAC Re Corp.	OTC	33.75	0.75	-6.90	38.75	25.50	23	0.20	0.59	14	22.81	1.48
Navigators Group	OTC	31.50	-0.79	14.55	33.75	24.75	8	0.00	0.00	12	15.22	2.07
Nobel Insurance LTD.	OTC	3.00	9.09	50.00	3.75	1.50	61	0.00	0.00	-300	7.76	0.39
NWNL Companies	NYS	16.38	0.00	-58.54	44.13	11.75	0	1.32	8.06	3	37.50	0.44
Ohio Casualty Corp.	OTC	40.88	7.57	-14.40	50.75	26.75	438	2.32	5.68	11	33.30	1.23
Old Republic Int'l	NYS	23.25	0.54	-9.27	27.00	19.00	71	0.76	3.27	5	30.70	0.76
Orion Capital Corp.	NYS	18.25	3.55	-21.51	24.00	13.00	45	0.92	5.04	5	19.72	0.93
Phoenix RE Corp.	OTC	8.00	0.00	-38.46	14.25	5.00	83	0.20	2.50	-11	12.99	0.62
Protective Life Corp.	OTC	14.50	7.41	1.75	14.63	10.25	45	0.76	5.24	8	14.54	1.00
Provident Life	OTC	18.25	5.80	-29.47	27.25	12.00	484	0.92	5.04	5	23.24	0.79
Re Capital Corp.	ASE	12.25	-4.85	-15.52	15.25	11.50	11	0.00	0.00	9	14.43	0.85
RLI Insurance Corp.	NYS	13.13	1.94	47.89	14.75	8.25	20	0.44	3.35	6	12.42	1.06
St. Paul Companies	OTC	63.88	-0.97	6.46	66.00	47.00	1650	2.40	3.76	7	43.47	1.47
SAFECO Corp.	OTC	33.13	-0.38	-16.67	42.38	25.13	992	1.36	4.11	9	24.87	1.33
SCOR U.S. Corp.	NYS	11.38	-1.09	-20.18	14.38	8.38	24	0.20	1.76	10	10.61	1.07
Seibels Bruce Group	OTC	4.50	-2.70	-58.62	11.75	4.25	15	0.36	8.00	-1	13.75	0.33
Selective Ins. Group	OTC	13.25	-0.93	-30.72	20.25	12.50	66	1.04	7.85	5	15.72	0.84
Statesman Group Inc.	OTC	1.63	8.33	-40.91	2.88	1.25	70	0.04	2.46	3	4.19	0.39
Tokio Marine & Fire	OTC	50.00	-5.21	-33.67	75.50	34.50	28	0.26	0.52	30	70.93	0.70
Torchmark Corp.	NYS	47.13	-2.08	-17.69	57.38	38.00	322	1.40	2.97	11	13.23	3.56
Transamerica	NYS	33.38	-3.26	-25.21	44.63	23.25	385	1.96	5.87	9	34.63	0.96
Travelers Corp.	NYS	16.38	10.08	-55.59	37.75	11.50	2400	1.60	9.77	-8	44.85	-
Trenwick Group Inc.	OTC	22.50	5.88	-7.69	25.25	16.25	39	0.48	2.13	10	16.91	1.33
United Fire & Casualty	OTC	36.00	0.00	9.09	36.00	28.75	1	1.32	3.67	8	22.56	1.60
USF&G Corp.	NYS	8.38	-8.22	-71.73	30.38	7.50	2067	1.00	11.94	6	22.87	0.37
UNUM Corp.	NYS	46.88	-4.58	-1.83	57.13	32.13	205	0.80	1.71	9	31.20	1.50
USLIFE Corp.	NYS	30.75	-1.60	-32.04	45.25	23.25	52	1.48	4.81	7	54.34	0.57
Unitrin	OTC	33.00	-0.75	NA	34.75	24.50	659	0.80	2.42	16	54.34	0.61
Washington National	NYS	11.13	-4.30	-60.62	28.75	11.13	45	1.08	9.71	46	32.90	0.34
USLICO Corp.	NYS	17.63	12.80	-25.79	24.50	14.75	97	1.00	5.67	7	27.73	0.64
Zenith National Ins.	NYS	12.50	7.53	-33.33	18.75	9.88	188	1.00	8.00	8	13.81	0.91
INSURERS/REINSURERS	AVERAGE		0.1	-22.2					4.2	6.7		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	14.00	1.82	-34.12	22.50	9.75	289	0.00	0.00	12	3.54	3.95
HMO America Inc.	OTC	5.88	0.00	-24.19	8.13	4.25	7	0.00	0.00	8	1.12	5.25
Pacificare Health Sys.	OTC	17.75	-2.74	-31.73	27.50	12.00	81	0.00	0.00	12	6.35	2.80
Safeguard Health Enter.	OTC	4.75	0.00	-44.12	8.88	4.00	1	0.00	0.00	11	2.99	1.59
Sierra Health Services	ASE	12.38	13.79	39.44	12.50	5.50	121	0.00	0.00	155	0.62	19.96
United Healthcare Corp.	OTC	21.88	-1.69	78.57	23.00	7.88	797	0.12	0.55	22	0.34	64.34
United Medical Corp.	ASE	7.25	1.75	20.83	11.38	6.00	1	0.20	2.76	10	5.70	1.27
U.S. Healthcare	OTC	26.88	1.42	88.60	28.25	9.63	0	0.36	1.34	24	3.07	8.75
HMOs	AVERAGE		1.8	11.7					0.6	32		
ALL COMPANIES	AVERAGE		0.4	-17.4					3.5	10		

System design: Nordby International Inc.

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