

DECEMBER 19, 1983

business insurance

update

Latest aviation claim pushes '83 losses over \$320 million

LONDON—The fourth major aviation disaster in three weeks will push 1983 aviation hull and liability losses over the \$320 million mark, London aviation underwriters say.

Last week, a Boeing 707 owned by Transportes Aereos Mercantiles Pan Americana, a Colombian cargo carrier, crashed into a factory upon take-off from Medellin, Colombia, killing 50 people, mostly factory workers.

Continued on next page

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.25 a copy; \$45 a year

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Cabbage Patch coverage extends from ship to shore

By STACY SHAPIRO

LONDON—Lots of kids come with adoption papers, but how many do you know who have ocean and inland marine policies, a manufacturers output/difference-in-conditions policy, a foreign property policy and a business interruption policy attached to them? Well, the Cabbage Patch Kids do.

In case you have not talked to a youngster in the last six months and have not seen a television news show, heard a radio newscast or read a newspaper or magazine in the last two months, the Cabbage Patch Kids are the hottest Christmas gift item around—and are virtually impossible to find in any store.

The soft-sculptured dolls, which really can't be described as pretty, are the brainchildren of Xavier Roberts, a 28-year-old millionaire in Cleveland, Ga.

The Kids are one-of-a-kind "little people" that come with adoption papers. Mr. Roberts used to produce the dolls by hand and charged a \$125 "adoption fee."

But last year, Mr. Roberts sold franchise rights for a less-expensive version to Coleco Industries Inc. of Hartford, Conn., which is now mass-producing the Kids through three subcontractors in Hong Kong and selling them for \$20 to \$30 each.

Although earlier this month Coleco did charter special flights to the Orient to import more of the Kids to the states quickly when offers to "adopt" them greatly surpassed the supply available, the Cabbage Patch Kids normally make their journey to the United States by ship and then are trucked to retail outlets.

A master ocean cargo insurance policy written by Great American Insurance Co. of Cincinnati protects the Kids as they sail the high seas.

And, when the Kids see the United States by truck en route to retailers, they are protected under an inland transit cargo insurance policy written by Royal Insurance Group for all of Coleco's products, explains Don Brodasky, who has been Coleco's corporate risk manager since last fall.

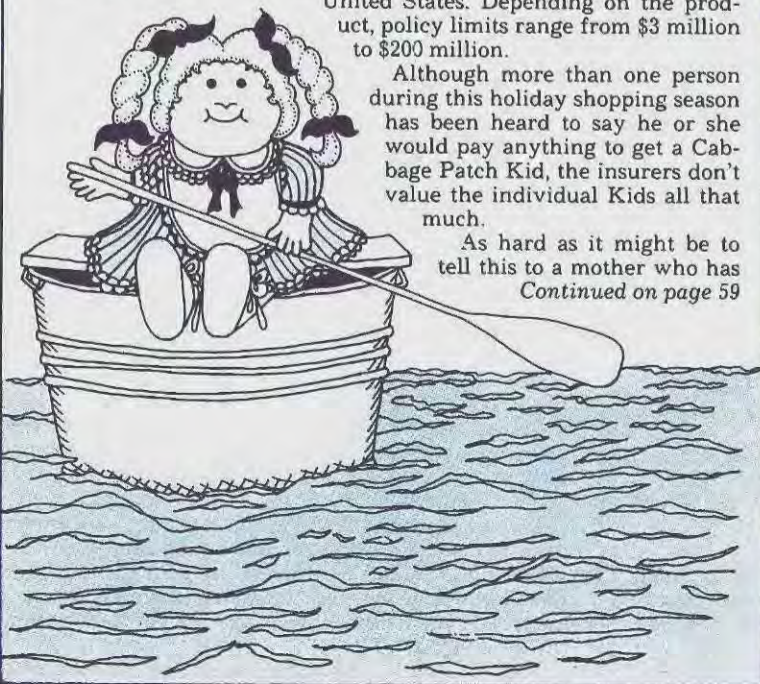
Throughout their U.S. journey, the Kids also are insured under Coleco's manufacturers output/difference-in-conditions policy written by Industrial Risk Insurers.

This policy covers all of Coleco's finished stock for all risks in the United States. Depending on the product, policy limits range from \$3 million to \$200 million.

Although more than one person during this holiday shopping season has been heard to say he or she would pay anything to get a Cabbage Patch Kid, the insurers don't value the individual Kids all that much.

As hard as it might be to tell this to a mother who has

Continued on page 59



FM insurers abolishing premium deposit plan

By LEN STRAZEWSKI

BOSTON—The Factory Mutual System is dumping the last vestige of its ancient and controversial premium deposit plan, the mutual property insurers announced last week.

In place of the 140-year-old plan that required buyers to pay up to five times their annual premium cost in advance for a three-year policy, the four Factory Mutual insurers, which specialize in highly protected risks, now will allow policyholders to pay annual premiums based on standard rates and receive a 15% annual dividend.

"In effect, policyholders will finally be paying a premium to us much the same way they pay a premium to a stock insurance company," explains James V. Fetchero, senior vp of finance for Arkwright-Boston Manufacturers Mutual Insurance Co., the first of the group to publicly announce the change.

"The change will reduce the amount of money policyholders must pay in advance to receive coverage from us, shorten the payment term from three years in advance to one-year prorated installments and commit us to returning a 15% dividend at the end of the three-

year policy period."

The new "Term Premium Payment Plan," as it is called at Arkwright-Boston, is similar to premium payment plans in use at other mutual insurance companies.

Allendale Mutual Insurance Co. of Johnston, R.I., another FM insurer, calls its new program the "85-15" plan.

Mutual insurance companies, which by definition are owned by their policyholders, generally charge an annual premium based on an underwriter's judgment of loss costs and overhead and then return a cash dividend based on underwriting profits and investment income.

In response to a long and damaging sentiment from buyers opposed to the large premium deposit, Arkwright-Boston and Allendale, plus Protection Mutual Insurance Co. of Park Ridge, Ill., and Philadelphia Manufacturers Mutual Insurance Co. of Philadelphia, developed the new payment plan and quietly began introducing it to renewing policyholders last month.

"What we have done is remove a major impediment in the marketplace," Mr. Fetchero says. "We have

Continued on page 61

Coalitions:

Employers' groups nationwide use different tactics to persuade providers to contain health care costs

By RHONDA L. RUNDLE

Arizona employers are mad as hell about high hospital costs and they aren't going to take it anymore.

Instead, they are pitching their program to contain soaring hospital costs directly to the voting public.

If its 1,300 employer members can gather enough qualified signatures before the July 5 deadline, the Arizona Coalition for Cost Effective Quality Health Care will succeed in putting two of its proposals on next November's ballot.

One of these initiatives would amend the state constitution to regulate health care institutions. The other would establish the Arizona Health Care Authority to implement review of future hospital expansion and prospective pricing tied to treatment groups.

At the other end of the country, employers in the Miami area are taking strong action of a different sort to cope with the hospital cost issue.

They have pinpointed 17 "cost-effective" hospitals in a three-county area through statistical analysis of employee medical bills and will begin rewarding those facilities with more patients.

The two-year data collection project of the South Florida Health Action Coalition gives employers comparative cost information about hospitals and physicians favored by their employees. This information arms them with a powerful decision-making tool to evaluate the relative efficiency of local providers.

And major coalition members, including Ryder System Inc., Florida Power & Light Co. and Southeast Banking Corp., are expected to use this tool soon by extending financial incentives to their employees to seek medical care through a panel of hand-picked providers.

On Jan. 1, the Dade County Public Schools and the School Board of Broward County will pave the way by offering their employees medical care through a preferred provider organization. The PPO includes hospitals and physicians that have entered into contracts negotiated with the coalition and signed by the school boards.

The activities of the Arizona and South Florida business coalitions are among the most dramatic examples of how these grass-roots organizations are beginning to affect the health care delivery systems of local and statewide communities

Continued on page 55

update

Crash increases aviation losses

Continued from previous page

The hull is insured for less than \$5 million and the carrier has more than \$100 million in liability coverage, says a spokesman for Thos. R. Miller & Son (Reinsurance Brokers) Ltd., TAMPA's London broker. The coverage is written by Compania Agricola de Seguros, a Colombian insurer, and primarily reinsured in the London market through Royal Insurance P.L.C.

GM to appeal \$5 million award

DETROIT—General Motors Corp. will appeal a North Dakota jury ruling that orders the automobile manufacturer to pay \$5.025 million to an injured woman and her husband. The jury ruled that GM knew that the 1980 Chevrolet Citation, the car in which the woman was injured, was sold with defective brakes.

GM has 30 days to appeal the judgment, which was signed Dec. 9. If the appellate court upholds the ruling of the U.S. District Court of North Dakota, GM may be able to tap its product liability insurance to pay the award.

GM refused to disclose the details of its product liability coverage, but a spokesman said, "We do have product liability insurance. Let's just say we're presumably covered."

In the 1980 accident, Vivian Sprynczynatyk suffered injuries to her spine that left her a quadriplegic after the car overturned because the brakes allegedly locked. The jury awarded \$4.5 million to Ms. Sprynczynatyk and \$525,000 to her husband, Paul, for loss of consortium. The couple had sought \$5.5 million in damages.

Some 240,000 other GM X-body cars manufactured before August 1980 are currently on the roads. Although the company would not say how many other lawsuits are pending that involve X-body cars, one attorney in the Sprynczynatyk case said he knew of approximately 60 others.

Lloyd's gets Howden report

LONDON—The Investigations Committee of the Council of Lloyd's of London is now reviewing a report by outside investigators on alleged improprieties at Alexander Howden Group P.L.C. and Posgate & Denby (Agencies) Ltd., two companies at which Ian R. Posgate served as an underwriter.

The report is the product of the first part of an investigation commissioned by Lloyd's into the alleged misappropriation of underwriting funds by Mr. Posgate and four other ex-Howden officials (BI, Dec. 13, 1982). The probe is being conducted by trial lawyer Peter Millett and Nigel Holland, a partner at the accounting firm of Ernst & Whinney.

In addition, a Lloyd's Council subcommittee last week suspended Mr. Posgate from underwriting for another six months after his current suspension expires Dec. 26. He has not been allowed to underwrite for more than a year.

Nutter to head Alliance

SCHAUMBURG, Ill.—Franklin W. Nutter, 37, president of the Reinsurance Assn. of America, will become president of the Alliance of American Insurers at its May annual meeting.

Mr. Nutter, who has been RAA president since 1981, will serve in the interim as senior executive vp of the Alliance. Before joining the RAA in 1978 as general counsel, Mr. Nutter was general counsel with the National Flood Insurers Assn. in Washington, D.C.

Mr. Nutter will succeed Paul Wise, 63, who will serve as chairman of the board, a new position, until his retirement in August 1985.

Baldwin claims changes asked

PHOENIX, Ariz.—The Arizona Insurance Department is seeking modifications in the claims procedure contained in Arkansas and Indiana regulators' plan to rehabilitate Baldwin-United Corp.'s single-premium deferred annuity insurers.

Two B-U insurers, National Investors Life Insurance Co. and University Life Insurance Co., are now being rehabilitated by Indiana and Arkansas insurance regulators, who are monitoring claims collection and payment procedures. In a letter to those state offices, Arizona Director of Insurance J. Michael Low asked for a series of changes in claims application procedures.

The modifications, he explained, are designed to benefit the insurers' 11,900 policyholders in his state.

The modifications include:

- Permission to process claims from policyholders prior to July 13. Arizona regulators note that many policyholders, including some state employees who had purchased retirement annuities from the insurers, lost the right to transfer their annuities to another insurer prior to the date of the insurers' rehabilitation order.

- Immediate annuitization of retired and disabled policyholders in need of immediate funds, including about 325 state retirees.

- Additional financial information and explanatory exhibits to help explain delay in payment to policyholders.

index

Classifieds	58	lished weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1983 by Crain Communications Inc.
Insurance services guide	60	
Legal briefs	37	
Letters	8	
Opinions	8	
Perspectives	35	
Spotlight report	3	
Ticker	61	

Vol. 17, No. 51—Business Insurance (ISSN 0007-6864) is pub-

Liability insurers happy to see Santa

By BILL DENSMORE

NORTH POLE—Yes, Virginia, even Santa Claus must buy insurance.

It should be comforting to know, however, that old St. Nick seems to be a pretty good risk. Some of the folks who cover his annual Christmas Eve jaunts say they've never received a claim.

"Thank God, nobody's sued Santa Claus yet," says Joseph Macchia, president of Gainsco Inc., a specialty-lines marketer based in Fort Worth, Texas, that actually keeps liability rates on Santa-related risks in its underwriting manuals.

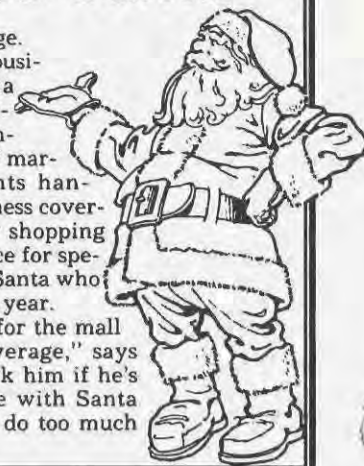
General Agents Insurance Co. of America Inc. of Oklahoma City, a specialty lines insurer that is owned by Gainsco, writes the liability policy that covers "any liability that Santa incurs as a result of being Santa Claus." The policy costs about \$150 for

\$500,000 worth of coverage.

Gainsco got into the business of writing Santa Claus coverage by accident, explains Jack Johnson, the company's vp of marketing. Insurance agents handling other types of business coverages for retail stores or shopping malls sought the insurance for special non-employees like Santa who only come around once a year.

"Usually a contractor for the mall wants a \$500,000 in coverage," says Mr. Johnson. "So you ask him if he's had any bad experience with Santa before. You can't really do too much

Continued on page 60



Loss of trial judge, law firm may delay MGM litigation

By BILL DENSMORE

LAS VEGAS, Nev.—A strange turn of events in the MGM Grand Hotel property coverage litigation earlier this month leaves Insurance Co. of North America without counsel and the litigation itself without a judge.

First, U.S. District Judge Harry E. Claiborne disqualified lawyers for INA, a CIGNA Corp. affiliate, ruling that an INA lawyer had improper contact with a former MGM construction expert.

The order was signed by Judge Claiborne Dec. 8—just hours before he became one of the few sitting federal judges in the nation's history to be indicted.

Judge Claiborne, 66, pleaded innocent last week to a seven-count indictment on charges of bribery, obstruction of justice, fraud and making false statements on a tax return and a judicial ethics statement. The indictment alleges he solicited and received a \$30,000 bribe in a case unrelated to the MGM litigation.

Immediately after his indictment, Judge Claiborne, who is presiding judge of the federal court in Las Vegas, took a voluntary leave of absence.

INA said last week that it would appeal Judge Claiborne's order dismissing its counsel, and attorneys connected with the case said the disqualification and Judge Claiborne's withdrawal would almost surely result in another postponement of the trial, now set for Jan 31. The trial was originally scheduled to begin Dec. 6.

INA officials could not be reached for further comment. It's not known if the insurer has hired a new law firm.

The disqualified law firm—Cozen, Begier & O'Connor of Philadelphia—had spent more than 10,000 hours preparing INA's argument that the loss from the November 1981 fire at the MGM Grand Hotel in Las Vegas does not reach as high as the excess property layer INA wrote for MGM, which begins at \$175 million. MGM has pegged the loss at \$211 million (BI, Nov. 21, Nov. 7, Aug. 1).

In his disqualification order, Judge Claiborne calls MGM employee George L. Morris a "hired gun" who was trying to sell his testimony to the highest bidder when his attorney contacted Stephen A. Cozen, INA's lawyer, with an offer to join INA's defense effort.

However, the judge says Mr. Cozen erred by not con-

sulting with the court before discussing Mr. Morris' alleged request to arrange a consulting agreement with INA for \$1 million.

Mr. Morris, formerly vp of construction for the hotel company, supervised both the original construction of the MGM Grand Hotel and its reconstruction after the fire, which killed 84 people and injured about 600. Mr. Morris resigned his post in 1982 and reached a consulting agreement with MGM. He terminated that contract at the end of August, after his attorney contacted the INA lawyer.

MGM says Mr. Morris was helping it prepare for the

Continued on page 60

RIMS reception to aid scholarship program

NEW YORK—The 22nd annual Risk & Insurance Management Society conference will open in New York City Sunday evening, April 1, with its traditional reception, but this year the event will be a benefit for the Robert S. Spencer Memorial Foundation scholarship fund.

RIMS is pledging \$75,000 to sponsor the reception and is inviting additional contributions from RIMS chapters, insurance companies, brokers and other interested companies. Individuals also may contribute.

All proceeds beyond the cost of the reception will go to the Spencer scholarship fund, which provides funds for college students majoring in risk management and insurance studies.

And, at the very least, 50 cents of every dollar contributed will go to the scholarship program, says Ron Judd, executive director of RIMS.

"If we get a lot of money in, it will be 90 cents on the dollar," he adds.

RIMS did not sponsor a Sunday evening gathering at its annual conference last year in an effort to control costs, but registrants missed the gathering.

Continued on page 60

Suits may aid Shell's pollution claim

By RHONDA L. RUNDLE

SAN FRANCISCO—Two lawsuits filed by the U.S. Justice Department and the state of Colorado against Shell Oil Co. may help the company to obtain a speedier court ruling on whether its insurers are liable for toxic waste cleanup costs.

The federal government is suing Shell for nearly \$1.9 million in damage to the environment at the Rocky Mountain Arsenal, an army installation outside Denver where Shell leased and operated a pesticide factory

from 1947 through 1982.

The state of Colorado is suing Shell for soil and groundwater contamination at the same site and is asking for damages up to the current statutory maximum of \$50 million per release of hazardous substances, subject to expected revisions in that statute.

Both the federal and state government actions were filed Dec. 9 in U.S. District Court in Denver under the Comprehensive Environmental Response and Liability Act of 1980, better known as CERCLA or the Superfund Act, which requires the removal of hazardous wastes that were generated, transported or stored by private industry.

Ironically, the two suits may help Shell to persuade a U.S. District Court in San Francisco that it should hear the oil company's declaratory relief suit, which asks the court to decide whether its liability insurers must pay part of the tab for cleanup in Colorado and at the McColl dump site in Fullerton, Calif.

The declaratory relief petition was filed in October, prior to the filing of the lawsuits by the Justice Department and Colorado. Several of the insurers named in Shell's coverage suit responded that the oil company's action was premature since it had not yet filed a claim (BI, Nov. 28, Nov. 7).

These insurers filed a motion on Nov. 10 to dismiss

Continued on page 58

errors & omissions

- The productivity-inspiring payroll stuffers, offered in the "Info for Buyers" column (BI, Nov. 28) are available only to members of the Profit Sharing Council of America.

- A chart appearing in the Dec. 5 issue listing property/casualty insurers' nine-month results stated an incorrect underwriting loss for The Home Group Inc.

The figure should have been \$243,847,000.

HMOs: A decade of growth

Prepaid plan enrollment now tops 12.5 million

By CAROL CAIN

Health maintenance organizations are not a fad anymore. These prepaid health care systems are a viable alternative to the traditional fee-for-service system, and they are growing stronger everyday.

The number of HMOs in the United States has grown in the past 10 years to an estimated 280 from 72 in 1973, the year Congress passed the HMO Act to boost their growth.

And, real growth is seen in the number of people that receive health care through HMOs. More than 12.5 million people—5.5% of the American population—use HMOs today, compared with 4.4 million in 1973.

And the number will keep rising, according to InterStudy, a health policy research firm in Minneapolis, Minn. InterStudy President Dr. Paul M. Ellwood Jr. says membership in HMOs could hit 50 million by 1993.

"HMOs, as one form of a price-competitive health delivery system, will continue to grow and will be the dominant form. They certainly are now," Dr. Ellwood said.

The surge in HMO activity in the last decade was fueled by the HMO Act of 1973.

That legislation provided loans and grants for HMO development, mandated that in certain instances employers must offer their employees an HMO option and pre-empted state laws that restricted HMOs from forming (see story, page 22).

The growth of HMOs is expected to continue even though the government ended its loan and grants programs in 1981 and 1982, but many say the pace will be slower and the HMOs that develop will be different in some ways.

For example, rather than a continued proliferation of new HMOs, trends indicate that established ones will expand into other states or will affiliate with one another to form networks that will simplify employers'

Continued on next page

Employers find it difficult to quantify HMO savings

By CAROL CAIN

Employers are sticking by their commitment to health maintenance organizations, although few can prove that HMOs are an effective health care cost-containment tool.

Ford Motor Co. says the 33 HMOs it offers employees will save it \$7 million over the cost of traditional health indemnity plans, but Ford is a rare exception.

Most companies surveyed by *Business Insurance* admit they have virtually no idea of how well HMOs work to cap health care costs because there is not enough utilization data available. But, a majority believes the use of HMOs does contain health care costs, especially by fostering competition within the traditional fee-for-service health care reimbursement system.

On the other hand, some companies maintain that HMOs do not cut costs, though they continue to offer many HMO options to their workers.

"HMOs are not the answer to cost containment in and of themselves," sums up Wallace Gaarsoe, director of group benefits services in the Milwaukee office of consultant Meidinger Inc.

"I don't think benefit managers have the staff, capacity or the expertise to measure (whether HMOs contain costs), simply because the data base to measure has not been available up to now on a routine basis," he said.

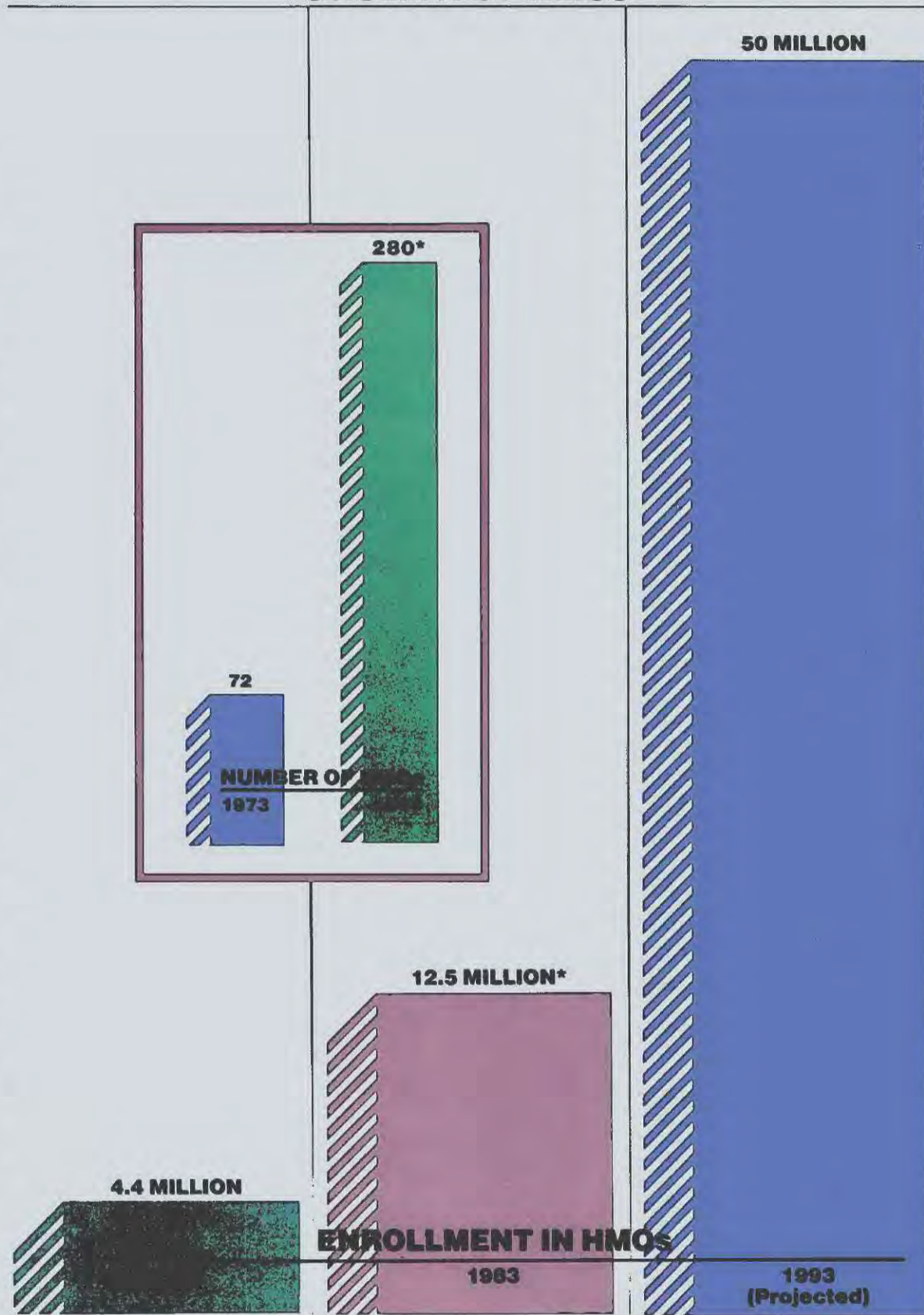
But, Ford Motor Co. in Dearborn, Mich., has been able to track savings generated by HMOs, notes Jack K. Shelton, manager of Ford's employee insurance department.

Last year, the automaker saved \$5 million in premium costs by offering HMOs in addition to traditional health insurance plans and expects HMOs will save it another \$7 million this year, Mr. Shelton said.

"We think HMOs are a very important part of any corporate cost-con-

Continued on page 12

GROWTH OF HMOs



*Estimated.

Source: InterStudy

Graph: Amy Palmer

401(k) salary reduction plans

Most employees at companies that have already established 401(k) plans are setting aside portions of their salaries to fund retirement accounts, a new survey reports. And, the lack of final regulations from the Internal Revenue Service governing the plans isn't worrying employers with salary reduction plans. See stories, page 24 and 28.

Pension plan terminations

Employers are finding new sources of cash by terminating overfunded defined benefit pension plans and recapturing the excess assets. However, critics say that these assets belong to plan participants—not the plan sponsors—and the terminations-for-profit should be banned. See story, page 30.

Consultants expand expertise

Benefit consultants are expanding into new areas—like tax consulting and general management consulting—though the old staples of health care and pension actuarial consulting are still growing, too. For information on the 10 largest consultants, plus BI's annual directory of benefit consulting firms, see story, page 38.

Multistate HMO companies

Name, Home office	Total enrollment	'73 enrollment	No. of plans	Ownership
Kaiser-Permanente Medical Care Program (Oakland, Calif.)	4,389,000	2,651,389	9	Independent: non-profit
Blue Cross & Blue Shield Assn. (Chicago, Ill.) ¹	1,306,000	256,000	58	Local BC/BS plans
Health Insurance Plan of Greater New York (New York, N.Y.)	875,000	757,628	2	Independent: non-profit
CIGNA Healthplan Inc. (Dallas, Texas)	650,000	Founded 1978 ²	8	CIGNA Corp.
HealthAmerica Corp. (Nashville, Tenn.)	394,842	Founded 1981	20	Stock company (OTC)
PruCare Inc. (Roseland, N.J.)	343,000	Founded 1975	10	Prudential Insurance Co.
Maxicare Health Plans Inc. (Los Angeles, Calif.)	285,000	1,835	5	Stock company (OTC)
United States Health Care Systems Inc. (Philadelphia, Pa.)	211,000	Founded 1976	3	Stock company (OTC)
United HealthCare Corp. (Minneapolis, Minn.)	194,300	Founded 1977	8	Will offer stock
MedCenters Health Care Inc. (Minneapolis, Minn.) ⁴	163,134	1,000	4	Independent: non-profit
FHP Inc. (Fountain Valley, Calif.)	149,000 ³	40,000	3	Independent: non-profit
SHARE Development Corp. (Bloomington, Minn.)	80,000	Founded 1974	3 ³	Privately held
Hancock-Dikewood Inc. (Albuquerque, N.M.)	70,000	Founded 1980	4	John Hancock
Peak Health Care Inc. (Colorado Springs, Colo.)	37,000	Founded 1979	3	Stock company (OTC)
Total	9,147,276		140	

¹ Total of separate state plans. ² Some plans predate 1978. ³ Only two plans enrolling members at this time. ⁴ Formerly Niccollet-Eitel Health Plan. ⁵ Excludes dental-plan-only members. Source: Business Insurance

National HMOs a major force

Continued from previous page
administrative work when more than one HMO is offered to employees.

Also, hospitals and insurance companies are expected to own and manage more HMOs and more HMOs will become for-profit companies rather than not-for-profit organizations. Along with this change, more HMO companies are expected to make public stock offerings.

Today, there are 14 national HMO companies that own or manage 140, or half, of the nation's HMOs. These 14 companies serve about 9.2 million people, more than 73% of all the people enrolled in HMOs (see chart).

In 1973, eight of these national firms did not even exist. Today the five largest are Kaiser-Permanente Medical Care Program in Oakland, Calif., with \$4.4 million enrollees; Blue Cross & Blue Shield Assn. of Chicago with 1.3 million enrollees; Health Insurance Plan of Greater New York, 875,000; CIGNA Healthplan Inc. of Dallas, 650,000; and HealthAmerica Corp., 394,842.

The 14 national companies own or manage eight of the 10 largest individual HMOs based on enrollment (see chart, page 10). The two largest are Kaiser Health Plan-Northern California, with 1.8 million enrollees, and Kaiser Health Plan-Southern California, with 1.7 million enrollees.

Of the 10 largest individual HMOs, only Group Health Cooperative of Puget Sound in Seattle, and Group Health Plan in Minneapolis, are not affiliated with a national HMO firm.

Even though interest in HMOs has exploded in the last decade, HMOs have been around since 1929. The first was the Ross-Loos plan in Los Angeles, started that year by two doctors who offered their prepaid services initially to employees of the Los Angeles Department of Water and Power. Later it was offered to employees of other large corporations in the area.

The HMO was bought by INA Corp. in 1981 and was renamed the INA and Ross Loos Healthplans. It is now owned by CIGNA Corp., following the merger of INA and Connecticut General Life Insurance Co.

INA and Ross Loos Healthplans is the fourth-largest individual HMO in the nation with more than 347,000 people enrolled. It is affiliated with CIGNA Healthplan Inc., the fourth-largest national HMO firm.

But the granddaddy of all HMOs is the Kaiser-Permanente Medical Care Program. It owns nine HMOs that boast almost 4.4 million members—35% of the nation's entire HMO population—with some 3.5 million members in California alone.

The Kaiser plan really took off during World War II when the Kaiser family asked a young surgeon, Dr. Sidney Garfield, to run an industrial health program for its shipyards and steel companies on the West Coast.

Dr. Garfield previously had set up shop in 1933 in the Mojave Desert, offering a prepaid health care program to workers who were building an aqueduct to carry water to Los Angeles.

The premium for workers that year was 5 cents a day—that would be \$17.60 annually.

Today, Kaiser has HMOs in California, Hawaii, Texas, Ohio, Colorado, Oregon, Connecticut and the District of Columbia.

And, it plans to expand. "There's a program afoot, they're looking at prospective areas to start

Continued on page 6

THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.



It's too late after one of your trucks or part of your motor fleet has been involved in an accident.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several companies—not just one. So you get expert, professional advice on how to select the best business insurance coverage at the best price.

And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent nearest you listed in the Yellow Pages under the Big "I" symbol.



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NWNL's Split Risk plan gives you the choices to make the plan meet your needs. You can choose monthly liability from 100% to 125% of projected claims. You can have pooling limits of individual claims in amounts from \$10,000 to \$50,000 (up to \$100,000 for larger groups). You can pick the varying limits on the amount of your liability at termination of the plan. And our flexible banking arrangements are just one more way to increase your cash flow.

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Split Risk, Box 20, Minneapolis, MN 55402

Please tell me more about your self-funding alternatives.

Name _____

Title _____

Company _____

Address _____

City _____

State/Zip _____

NWNL GROUP

A division of Northwestern National Life Insurance Company.
Home Office: Minneapolis, Minnesota

HMOs grow

Continued from page 4
some new ones or acquire some," a spokesman said.

The second-largest multistate HMO firm, the Blue Cross & Blue Shield Assn., includes 58 plans.

However, some HMO observers don't consider the Blues a national firm because each of the 58 BC/BS HMOs operates as a separate plan. But these same observers note that BC/BS is a major force in the marketplace.

"We have been bringing on line eight to 10 new programs a year for the past four to five years, with the earlier programs going back to 1970," said Roger Graham, director of health systems for the Blues in Chicago.

"At this time we have about 30 in the pipe," he added, noting it would take one to three years to have them all operational.

In addition to owning 58 HMOs, BC/BS also provides contract services for another 20 or so, Mr. Graham said.

Some national HMOs, like Kaiser, own all their affiliated HMOs, others, like United HealthCare Corp. in Minneapolis, Minn., just manage HMOs, and others, like HealthAmerica Corp. in Nashville, Tenn., do both.

To better serve multistate employers, some HMOs are forming networks.

Blue Cross/Blue Shield recently formed HMO-USA, a network of 38 HMOs in 21 states.

Four other HMOs—three of which are national firms—also are planning to form a separate service corporation to provide an HMO network.

The owners will be the Health Insurance Plan of Greater New York, Group Health Cooperative of Puget Sound in Seattle; Group Health Plan in Minneapolis; and

Harvard Community Health Plan in Boston. Combined, these four not-for-profit HMOs have almost 1.5 million enrollees.

This joint activity will allow national accounts, like General Motors Corp., to receive one billing from the four HMOs, said Robert Biblo, president of the Health Insurance Plan of Greater New York.

"The industry has to begin to respond to the expressed needs of employers that deal with a multitude of HMOs," Mr. Biblo said.

The network also will provide services—like stop-loss insurance and reinsurance, emergency services and financial planning—to member HMOs and independent HMOs, Mr. Biblo said.

And it will help the small HMOs remain independent. "There has to be a place for smaller HMOs to affiliate, to remain independent and not be absorbed by the larger ones," Mr. Biblo said.

Other HMOs are converting their tax status to "for-profit."

Most of the HMOs are still not-for-profit, but the Department of Health and Human Services estimates that 56 are owned by for-profit companies, an increase of 33% since 1981.

Changing to a for-profit company is being considered by HMOs that want to remain privately owned, while giving the owners, usually physicians, some of the profit, said Anthony Masso, director of the private-sector division of the Office of Health Maintenance Organizations, which is part of the Department of Health and Human Services.

And, then some of the for-profit HMOs make public stock offerings, Mr. Masso said.

In February, United States Health Care Systems Inc. of Philadelphia became the first HMO to go public. Initially its stock sold for \$20 a share, but the response on Wall

Street was overwhelming and a few weeks later the stock shot up to \$35 a share.

U.S. Health Care ranks eighth among national HMO companies, with 211,000 enrollees, but it expects to have 334,000 by the end of next year when the two newest of its four HMOs begin accepting members.

HealthAmerica Corp. in Nashville, Tenn., the fifth-largest national HMO firm with 394,842 enrolled, went public in July. It filed with the Securities and Exchange Commission to offer 1.5 million shares of common stock at \$16 a share.

Another national HMO firm, United HealthCare Corp. in Minneapolis, just announced its intention of going public this month. According to its interim prospectus, 1.8 million shares of stock will be offered at a median price of \$8.50 a share.

"I think employers may act more favorably to someone who's in the business to make a profit," said Harry Sutton, a vp with the Minneapolis office of Towers, Perrin, Forster & Crosby, a benefit consulting firm. "They (for-profit HMOs) also may give the impression of more financial stability."

Frank Seubold, director of the OHMO, predicts more hospitals will own and manage HMOs.

"I think we'll see hospitals go into HMOs at an accelerated rate as they recognize what's being laid on

Continued on page 10



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Information available

Information and statistics about health maintenance organizations are available from several sources.

One of the most often-quoted HMO studies is the annual census compiled by InterStudy, the Minnesota-based health policy research firm. The latest edition, "The 1983 National HMO Census," includes data through June 1983 and will be available early next year for \$20. Prepaid orders may be sent to InterStudy, 5715 Christmas Lake Road, P.O. Box S, Excelsior, Minn. 55331.

Another recent report is "A History of Achievement, A Future With Promise," a 10-year report of the HMO industry produced by the National Industry Council for HMO Development. Copies are available from the council at 5600 Fishers Lane, Room 17A55, Rockville, Md. 20857.

Two other recent publications—"The 1983 Investor's Guide to Health Maintenance Organizations" and "Employer Attitudes Toward Health Maintenance Organizations"—are available from the Division of Private Sector Initiatives, Office of Health Maintenance Organizations, Department of Health and Human Services, Rockville, Md. 20857.

The National Assn. of Employers on Health Care Alternatives also publishes several HMO booklets. Information is available from NAEHCA at 1134 Chamber of Commerce Building, 15 S. 5th St., Minneapolis, Minn. 55402.

And the Group Health Assn. of America, the HMO trade association, publishes scores of booklets in addition to a monthly newsletter and a quarterly magazine. It also has a library of HMO articles and other publications. The GHAA is located at 624 Ninth St. N.W., Suite 700, Washington D.C. 20001.

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opinions

Is it a raid or a right?

WHOSE MONEY IS it when a corporate defined benefit plan is suddenly awash with more assets than are needed to pay promised benefits to employees thanks to high yields and a booming stock market?

We think the excess assets belong to the corporation sponsoring the plan.

We anchor our opinion on this highly controversial issue first and foremost on the fact that if—instead of high yields and a booming stock market—the pension plan is subject to falling yields and a slumping stock market, it is the corporate sponsor's responsibility to beef up the funds.

It is only logical that the corporate sponsor should enjoy the fruits of good times since the plan sponsor is responsible for putting in more money in bad times.

We, therefore, believe that companies are not necessarily acting in bad faith when they try to recapture excess funding in a defined benefit plan, as some companies are doing now and more are planning to do (see story, page 30).

We do believe it is absolutely necessary for a company seeking to recapture the excess funding to take several steps to maintain its good faith with its employees.

A company can take the spin-off/termination tack. It splits its defined benefit plan into two plans—one for retired employees and one for active employees. Enough assets are placed in the plan for active employees to cover the plan's liabilities, and usually more for a margin for safety. Active employees therefore are unaffected by the spin-off—as long as there are adequate assets left in the active plan to cover promised benefits. The possibility that not enough assets will be retained, by the way, is one of the stronger arguments against this practice voiced by critics.

Meanwhile, the excess assets are placed in the retirees' plan, and the company terminates the retirees' plan. The company then purchases annuities to pay promised benefits to the retirees and recaptures the excess funding.

This is where we think a company can take an extra step to maintain good faith with its retired employees.

Retired employees expect, or at least hope for, ad hoc increases in their pension benefits if inflation ravages the value of their pensions. Companies have been willing and able to make ad hoc benefit increases thanks to the high yields their plan assets have enjoyed. But the traditional annuity product purchased for these retirees won't provide for these ad hoc increases.

A company could, however, give retirees a piece of

the surplus in the form of a lump sum of cash or stock. By doing so, the retirees get in hand some or all of what they might have received in ad hoc pension increases had the plan been continued. The plan sponsor should view this lump-sum sharing with retirees as the cost of future ad hoc benefit increases.

If, however, a company terminates its defined benefit plan outright for all active and retired employees, we think the company not only should share some of the excess funding with retirees in a lump-sum payment, but also should look at its active employees' pension expectations and provide alternative retirement benefits to compensate for the loss of the defined benefit pension plan.

Consider, for example, a 55-year-old worker who has judiciously planned his or her retirement income based on the current pension plan formula that provides a pension based on the worker's salary for the past five years. And suppose the worker reasonably expects continued increases in salary for the next five years for retirement at age 60. But, the pension plan is terminated and the worker's pension benefit is based on salary from age 50 to 55 instead of age 55 to 60. That worker will receive a smaller pension than was reasonably expected.

The pension plan sponsor can compensate for this difference. A profit-sharing plan with fast vesting and/or a salary reduction plan with matching employer contributions could compensate for the reduced pension under the terminated defined benefit plan.

The corporate plan sponsor should carefully study the demographics of its plan beneficiaries in order to design new compensating retirement plans.

But what about companies that will terminate their pension plans without compensating for a difference in benefits? What about those companies that may terminate plans solely because corporate operating losses make it a good year to recapture excess assets? Are these actions such egregious breaches of good faith with employees to necessitate a change in the pension law to outlaw defined benefit pension plan terminations to recapture excess funding or a change in tax law to penalize companies that recapture this excess funding?

We think not. Those remedies are worse than the problem. No additional restrictions should be put on defined benefit plans, which already are subject to strict federal rules. Additional restrictions would only serve to make more employers less likely to start a defined benefit pension plan at all—thus restricting the number of defined benefit pension plans and the valuable benefits they provide employees.

letters

Compliments for balanced EIL insurance articles

To the editor: My compliments to *Business Insurance* for the balanced treatment of the controversies surrounding the purchase of environmental impairment liability insurance in the Nov. 28 issue. It is a rare pleasure to find this important subject addressed by someone not selling the coverage. Douglas McLeod in particular merits recognition for his description of what is provided by EIL policies, what is not provided and what issues risk managers must face in considering whether to insure such exposures.

If the history of environmental impairment liability insurance were to be written today, it would be a story about failure. The initial reaction by the insurance industry was to attempt to exclude coverage except for "sudden and accidental" occurrences. But the distinction between "sudden" and "non-sudden" accidents did not withstand judicial scrutiny. Courts in Alabama, California, Indiana, Louisiana, Maine, New Jersey, New York and Oregon have held that the pollution and contamination exclusion in the general liability policy does not eliminate coverage for

damages that result from an accident.

Given this legal environment, it is not clear to what extent EIL coverage enhances the risk management program. On the contrary, the argument has been asserted that since specific protection is available, insureds should not be permitted to look to their general liability policy for environmental impairment liability coverage.

In comparing the policies, we should not lose sight of the fact that EIL coverage has a long way to go before it satisfies the requirements of insureds for protection. As noted in Mr. McLeod's article, coverage for on-site cleanup costs is excluded or severely limited. These restrictions ignore the major exposure: The primary remedy for environmental impairment is containment and cleanup of the contaminants within the property boundaries of the facility. In fact, this is often the most expensive part of the undertaking.

Furthermore, most policies do not apply to pre-existing conditions either by virtue of a blanket exclusion, proposal warranties or hazards discerned from a

survey. A policy that covers only non-sudden impairment arising out of conditions after the policy inception, provided claim is made during the policy period, is, in most situations, largely useless.

These are but a sample of the issues risk managers must wrestle with before signing on with any program. It is hoped that as buyers become more knowledgeable in this area, the insurance industry will respond with more comprehensive insurance coverage against environmental impairment.

Kenneth S. Wollner
Consultant
Risk Management Services
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Published by Crain Communications Inc., Chicago

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Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.25 a copy, \$45 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$41 for air delivery. First-class mail to U. S. and Canada only, add \$50. Bermuda only, \$90 per year expedited delivery. WILLIAM STRONG, vp-circulation. DOUGLAS A. RIEMER, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

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Name (Location)	Enrollment		Federally qualified?	Tax status	Ownership
	1983	1973			
Kaiser Health Plan—Northern California (Oakland, Calif.)	1,800,000	1,168,364	Yes	Not-for-profit	Independent
Kaiser Health Plan—Southern California (Los Angeles, Calif.)	1,700,000	1,067,076	Yes	Not-for-profit	Independent
Health Insurance Plan of Greater New York (New York, N.Y.)	872,735	757,628	No	Not-for-profit	Independent
INA and Ross Loos Healthplans (Glendale, Calif.)	347,000	120,000	Yes	For profit	CIGNA Corp.
Group Health Cooperative of Puget Sound (Seattle, Wash.)	312,000	187,581	No	Not-for-profit	Independent
Kaiser Health Plan—Oregon (Portland, Ore.)	262,000	186,318	Yes	Not-for-profit	Independent
Health Net (Van Nuys, Calif.)	213,000	Founded in 1979	Yes	Not-for-profit	BC of California
Group Health Plan (Minneapolis, Minn.)	200,000	59,172	No	Not-for-profit	Independent
HMO of Pennsylvania (Willow Grove, Pa.)	190,000	Founded in 1976	Yes	For profit	U.S. Health Care Systems
CIGNA Healthplan of Arizona (Phoenix, Ariz.)	176,000	2,000	Yes	For profit	CIGNA Corp.
Total	6,072,735	3,548,139			

Sources: *Business Insurance*; The 1983 Investors Guide to Health Maintenance Organizations, June 1983. United States Department of Health & Human Services, Office of Health Maintenance Organizations.

HMOs see future growth

Continued from page 6
 them by the DRG system," he said, referring to the new prospective payment system for Medicare and Medicaid patients.

Health Plan of America, the largest hospital-sponsored operational HMO in the country, has only 11,000 members, but expects its enrollment to double in the first quarter of next year.

Health Plan, based in Emeryville, Calif., near San Francisco, has 20 sponsoring hospitals in four major metropolitan areas in California.

"But we plan to expand in the next two years to 50 hospitals throughout the country," said Sandra Smith, president and chief executive officer.

Most of Health Plan's hospitals are Catholic hospitals, and Catholic hospitals all over the country are watching its progress, said Mr. Seibold.

Voluntary Hospitals of America, with 180 hospitals, is studying the networking process for HMOs and PPOs, said Dale Thomas, president of VHA Health Ventures, a subsidiary of Voluntary Hospitals of America, based in Irving, Texas. VHA is the largest multihospital system in the United States.

But hospitals aren't the only ones making strides in the HMO market. Insurance companies also have joined the ranks. Besides CIGNA, Prudential Insurance Co. of America, John Hancock Mutual Life Insurance Co., Aetna Life Insurance Co. and Wausau Insurance Cos. have interests in HMOs.

CIGNA Healthplan Inc., in Dallas, is the largest investor-owned company operating an HMO with 650,000 enrolled.

"I think we're going to grow at a progressively greater pace," said Dr. Joseph L. Marcarelli, the plan's president and chief executive officer.

CIGNA, which operates facilities in Arizona, California, Florida and Texas, has more units in the works in Florida. "And we plan to establish four others in 1984 in new states," Dr. Marcarelli said.

"HMOs are the only viable alternative system to what's been in the marketplace," he said. "As an insurance company, if you look at the realities of the marketplace, it's better to have a foot in both pots...to offset potential loss of indemnity coverage."

And PruCare Inc. in Roseland, N.J., wholly owned by Prudential, has been in the HMO market since 1975, but really started to pick up speed in 1979. It now ranks sixth among national HMO firms with 340,000 enrolled.

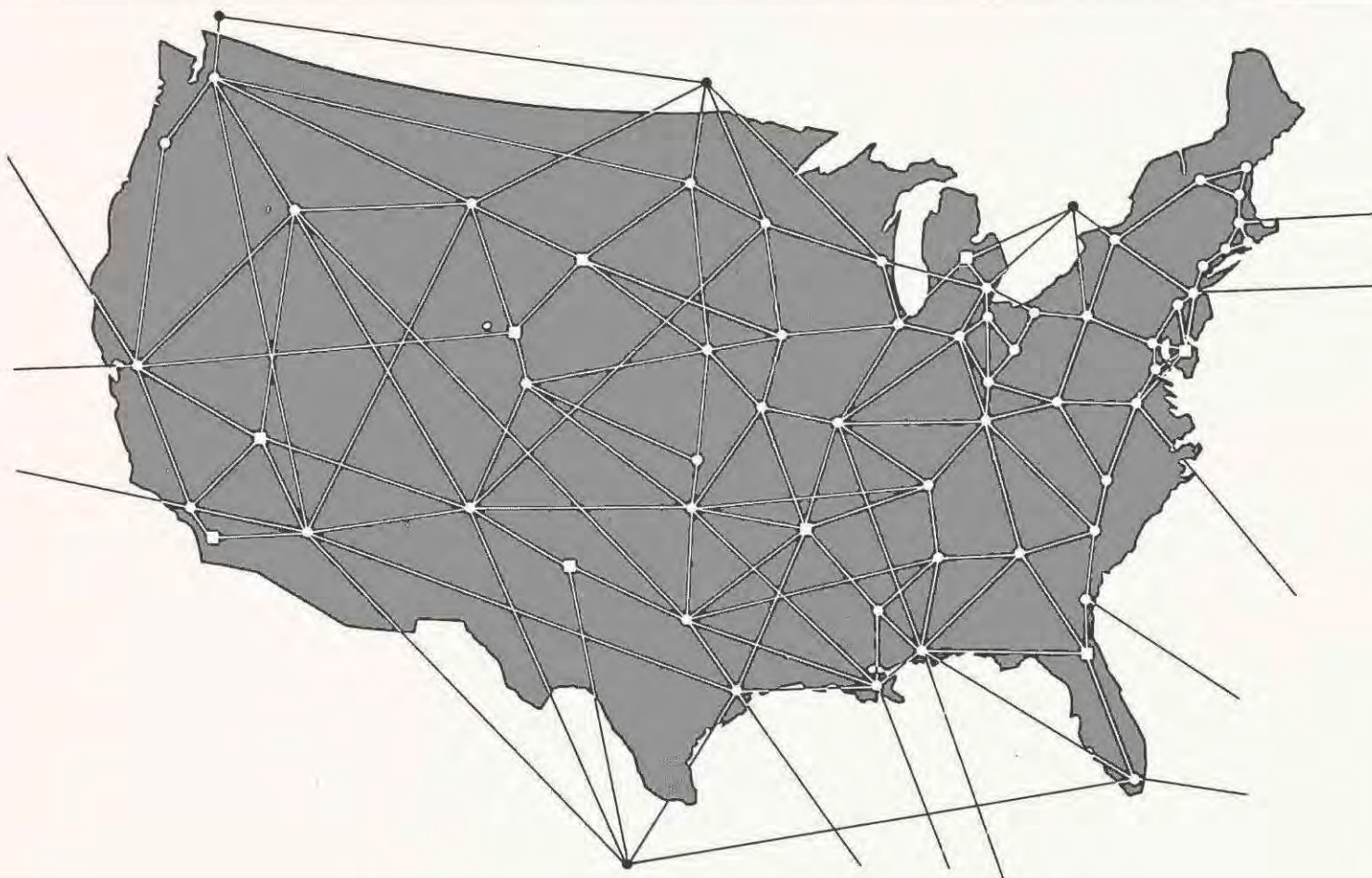
"We would like to open two new programs a year, but a lot of it will have to do with the opportunities available," said Samuel H. Havens, PruCare's president.

However, other insurers like Travelers Corp. and Equitable Life Assurance Society of the United States have looked at HMOs and decided not to get into the market yet. They and others believe HMOs are only one of many effective health care cost-containment measures.

But InterStudy's Dr. Ellwood has a stronger feeling for them.

"I feel that as far as HMOs and PPOs are concerned, the U.S. health system has never been closer to having a competitive system," InterStudy's Dr. Ellwood said.

"HMOs and PPOs are coming faster than ever in history. There could be 100 million people in these things in the next 10 years...75% to 80% of the population in these plans...probably in six years," he said.



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Automaker cites HMO savings

Continued from page 3

tainment effort because they stimulate competition in the market," Mr. Shelton said. "HMOs are the cornerstone of cost containment at Ford."

The premiums charged by the HMOs Ford uses are about 16% lower than the premiums charged by Ford's traditional health plans, underwritten by Blue Cross & Blue Shield and John Hancock Mutual Life Insurance Co.

"We believe HMOs offer to our employees more comprehensive coverage with less out-of-pocket expense," he added.

About 19,000 Ford employees, or about 9% of those eligible, are enrolled in the 33 HMOs Ford offers. HMO enrollment at the No. 2 automaker has increased more than 60% in the past five years, Mr. Shelton said.

Ford expects to add five or six HMOs to its offerings annually. Currently, it is looking at HMOs in Florida, where many Ford retirees live, Mr. Shelton said.

Another of the Big Three automakers, Chrysler Corp., also notes that it's saving money.

"Oh, most definitely... on the surface by (reducing) premium costs," said Walter Maher, director of employee benefits and health services, though he couldn't put a number on the savings that HMOs have generated for the Highland Park, Mich.-based company.

Mr. Maher noted that HMOs produce a hidden savings by increasing competition and promoting efficiency among health insurers.

"It's in our best interest and our employees' best interest if we can get that (fee-for-service) system

turned around," he said, explaining that traditional health insurers should establish prospective payment systems like the HMOs.

Chrysler currently offers about 12 HMOs around the country to its employees, five of which are in Michigan.

In fact, Chrysler is so supportive of HMOs and their cost-saving potential that earlier this year it gave \$50,000 in U.S. savings bonds to employee-members of the Health Alliance Plan of Michigan, a Detroit-area HMO, who signed up fellow workers.

Employees earned a \$50 bond for each new individual member signed up, \$100 for a couple and \$250 for a family. Chrysler membership in HAP increased by about 25% as a result of the program, Mr. Maher said.

"We're considering doing it again next year, but we haven't made any definite plans. We'll probably do it or some comparable program,"

he said.

Why is Chrysler going this extra step to entice employees to join HMOs?

"Because the traditional plans are openly subsidized and open-ended. We've got two to three generations of employees and retirees who have grown up with a no-holds-barred background. That's why you see us with a single-digit penetrations of HMOs after some 20 years," Mr. Maher said.

Only about 5% of Chrysler employees belong to HMOs, he explained.

The largest of the automakers, General Motors Corp. in Detroit, also says it's saving money with its HMOs, "but we're reluctant to quote numbers," said Delores McFarland, benefits administrator. However, Ms. McFarland said that GM's cost savings amount to millions of dollars annually.

"There's a couple of studies going on now to get a true picture on our

savings," she said.

GM started offering an HMO option to its employees in 1953 and today offers 102 HMOs.

"We just finished our annual enrollment; it looks like we've gained participants in the HMOs... about 12% to 15% of all employees belong," Ms. McFarland said.

While the automakers boast that HMOs are an effective cost-containment tool, other companies aren't sure if they do the job they're touted to do.

"We don't have any definite evidence (HMOs) save money. We're just not sure," said Tom Field, manager of insurance plans administration for American Telephone & Telegraph in Basking Ridge, N.J.

AT&T began offering HMO options to its employees in 1971 and today offers 175. More than 7% of its 80,000 employees belong to HMOs.

"What's been lacking is the data," adds David McIntire, director of employee benefits at General Mills Inc. in Minneapolis. "We don't know what the true costs are. Eventually, we'll be able to see that from the HMOs here in the Twin Cities. Some HMOs are beginning now to set up software to capture that data," he said.

Some employers aren't going to wait for the HMOs to gather data—they have started their own studies.

"We are looking at the theory of HMOs saving money because of their prevention aspect," said a spokesman from International Business Machines Corp. in Armonk, N.Y.

"We're studying that right now, trying to gather data from HMOs that we have a major involvement with... whether we're paying out more in HMO premiums than health care premiums," he said.

"We just don't know at this time whether it's cheaper for the company and the employees to go the HMO route," he said, adding that IBM's study is expected to be completed by the first quarter of 1984.

IBM has offered it employees an HMO option since 1975 and now uses 158 HMOs. About 8% of its eligible employees are HMO users.

Another employer that is looking at its HMOs more closely is Atlantic Richfield Co. in Los Angeles.

"Atlantic Richfield is committed to cost containment and, with that in mind, uses alternative health care systems to keep costs contained. But in reality, (HMO) costs are the same as (traditional) insurance," said Nicholas Tullio, senior benefits adviser with ARCO.

But ARCO isn't about to give up on HMOs, he says.

"We're now going into areas where we are not offering HMOs... where employees are asking," Mr. Tullio noted.

ARCO has offered an HMO option to its employees for at least the past six years and now offers about 30 nationwide, he said.

One reason some employers may find that HMOs do not cut costs is that—in some areas—HMO premiums are higher than traditional health plan premiums.

"In many cases, the HMO benefit plans are more extensive than the indemnity plan, so the HMO premium is higher," said Harry Sutton, a vp with the Minneapolis office of consultant Towers, Perrin, Forster & Crosby.

In those instances, an employer doesn't save money because it is mandated to pay as much toward an HMO premium as it does for its indemnity plan.

Chicago and Pittsburgh were two cities where HMO rates are higher than traditional health plan rates, Mr. Sutton said.

But on the West Coast, especially in San Francisco and Los Angeles, employers are saving money because HMOs are competitively

Continued on page 14

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HMO savings hard to document

Continued from page 12

priced, said Dr. Paul M. Ellwood Jr., president of InterStudy, a health policy research firm in Minneapolis.

Another reason why some employers say that HMOs are not saving as much as they could is the problem of adverse selection. For instance, some employers say that younger, healthier employees are much more likely to join HMOs, while workers more likely to need care stay with traditional health insurance plans, which worsens those plans' loss experience.

"(HMOs) don't save the company very much because our healthy employees have moved to the HMOs," said a spokeswoman with Honeywell Inc. in Minneapolis.

"We are aware that some employers believe HMOs have

skimmed the cream off of their good risk pool... and then those left in the indemnity plan are not as good a risk. But we don't feel we've had that problem," General Mills' Mr. McIntire said.

Other employers now say that employees that are not as healthy are joining HMOs, though, which will hurt the community-rated plans' experience.

"The selection toward HMOs will be adversely selected... those who have had illnesses or those that anticipate hospitalization will join," said Patricia Nazemetz, benefits operations manager for Xerox Corp. in Stamford, Conn.

"Up to now I think it's been the opposite—healthier people joined because of the preventive programs," she said.

TPF&C suggests that employers that offer HMO options negotiate

with their HMO to base rates partially on the ages of the participants—instead of merely on the loss experience of all HMO members—as a way of combating adverse selection.

If it costs less to treat a younger person, then the premium should be less, noted David Glueck, vp and practice leader for national group benefits in TPF&C's New York office.

In one instance, he explained, an employer presented figures to its HMO showing that its premiums could be lowered by \$400,000 if age rating were taken into consideration. The HMO finally agreed to lower the premium by \$200,000.

However, Mr. Glueck notes that age-rating could be found illegal when an HMO plan is offered to comply with government mandates, though he said such a rating formula could be proper if the HMO offering was not mandated.

In any case, he expects a court will someday settle the issue.

One HMO official says that HMO rates are becoming more competitive with traditional health plans.

"I think we're seeing a crossover in premium costs," said Philip N. Bredesen, chairman and president of HealthAmerica Corp. in Nashville, Tenn., the largest independent investor-owned operator of HMOs in the country.

"Three years ago most HMO premiums were priced above the indemnity rates. The proportion of those declined in the past three years and the trend is in that direction. That's where employers will see some cost savings," he said.

Results from a survey of 1980-1982 figures conducted by the Department of Health & Human Services show that the average monthly premiums for traditional health insurance rose 46.6% for individual coverage and 42.6% for family coverage. At the same time,

HMO premiums increased only 29.2% for individuals and 34.4% for families.

Most of the employers surveyed by *Business Insurance*—some of which have long offered HMOs and some that have just recently contracted with HMOs—say they have no figures on how much they're saving, but their gut feeling is that HMOs do help contain health costs.

"It's too early in the game to tell... but we kind of suspect we're saving money," said Ed Kolodziej, administrator of employee benefits at McClough Steel Products in Detroit with 2,500 workers.

McClough just began offering HMOs to its hourly employees last year "because the union wanted it." Salaried employees were given HMO options this summer.

Deere & Co. in Moline, Ill., is another employer that believes HMOs give the fee-for-service system some competition.

"We concluded that an HMO was a vehicle to address the management of health care cost," said Richard Van Bell, director of health care for Deere. "We have not cut costs, but we have slowed down the rate of increase... we are experiencing that," he said.

"We can't put a dollar sign on it... it's difficult to begin factoring a hard dollar. Our objective was to bend that escalation curve," Mr. Van Bell said. And HMOs, coupled with other cost-containment measures like hospital utilization review, have done just that, he reported.

The farm equipment manufacturer has offered HMO options to its employees since 1980 and has even helped establish a few plans. It now offers about 20 HMOs.

At Xerox, "Up to now, we've never really kept track and don't think that (HMOs) have saved us money until now," Ms. Nazemetz said. Xerox, whose HMO options have risen to 76 since 1977, will make a major change in its traditional insurance plan on Jan. 1, and Ms. Nazemetz expects that to increase HMO enrollment.

Xerox, which self-insures its traditional health care program, will change from a plan that offers first-dollar coverage for hospital costs and a \$100 deductible for major medical with an 80/20 coinsurance provision to a comprehensive plan in which employees pay deductibles based on their salary.

Under the new plan, an employee will pay a deductible of 1% of gross salary, excluding overtime, for all types of health care expenses, including hospitalization. Then, the company will pay 80% of all costs until an employee's costs reach 4% of gross salary, after which the company will pay 100% of costs.

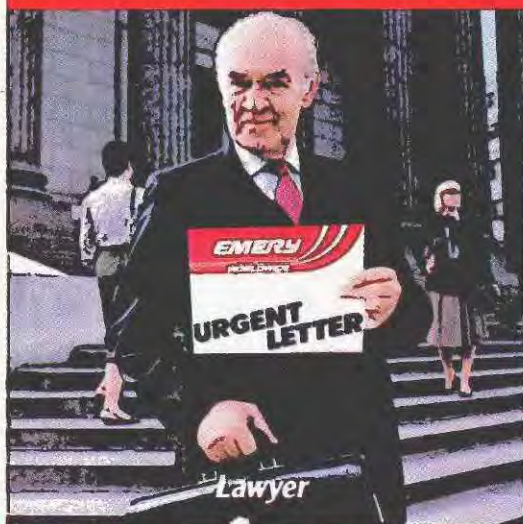
A \$400 flexible benefit account also will become part of the new program. Employees can use the \$400 to offset out-of-pocket expenses, pay for items not covered in the plan or pay their share of HMO premiums. If the account is not spent, they will receive it in cash at the end of the year.

An open enrollment period at Xerox in November resulted in an increase of 300% to 400% in HMO enrollment in some areas of the country, Ms. Nazemetz said. After the new plan goes into effect next year, Xerox will hold another open enrollment period and corporate officials believe that HMO membership will jump again.

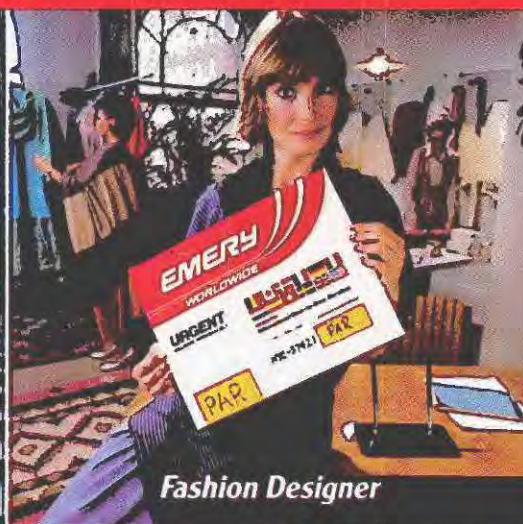
Currently about 8% of Xerox's population belongs to HMOs, which is about 11% of the eligible employees.

"I think HMOs are here to stay and are an element that can foster competition," Ms. Nazemetz said. But employers' health care costs really will begin to drop when they change their traditional health insurance plans by charging higher deductibles and requiring higher coinsurance levels, she added.

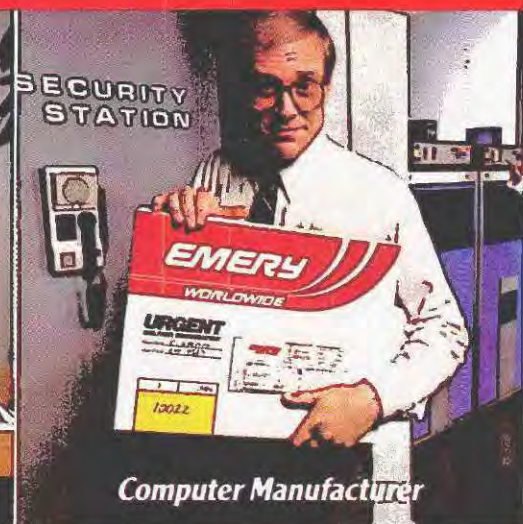
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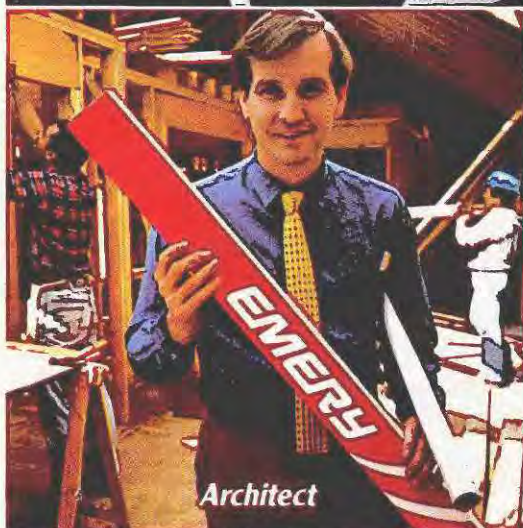
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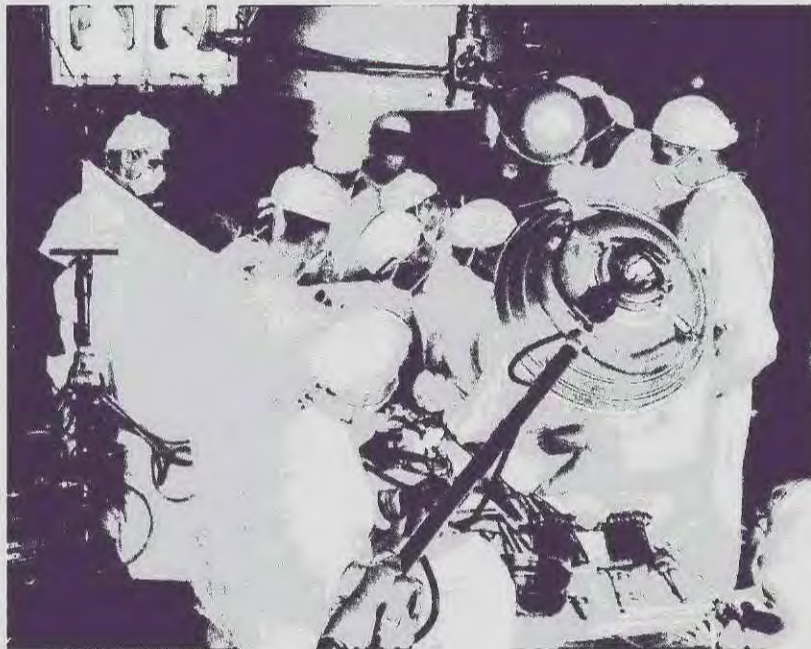
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Employers voice few gripes about HMOs' performance

Employee benefit managers have few complaints against health maintenance organizations and, in fact, many find it hard to list even one gripe.

Some, however, did cite one or two problems, which usually fall into one of four common areas:

- Additional administrative costs.
- Additional administrative procedures and the HMO's unwillingness to bend on these.
- Lack of utilization data and not knowing whether the HMO delivery system is saving the employer money.
- The operating differences among HMOs, which are especially felt by employers that offer several HMOs in different areas of the country.

"I don't know as I could give you one (complaint) at this point in time," said Richard Van Bell, director of health care for Deere & Co. in Moline, Ill.

The farm-equipment manufacturer has been offering HMOs to its employees for about three years and now offers 20 plans around the country.

The HMO experience also has been good for Atlantic Richfield Co.

"So far, we don't have any (complaints). They're a pleasure to deal with; very cooperative and they usually go out of their way," reported Nicholas Tullio, senior benefits adviser with ARCO in Los Angeles, which offers 30 HMOs to its employees.

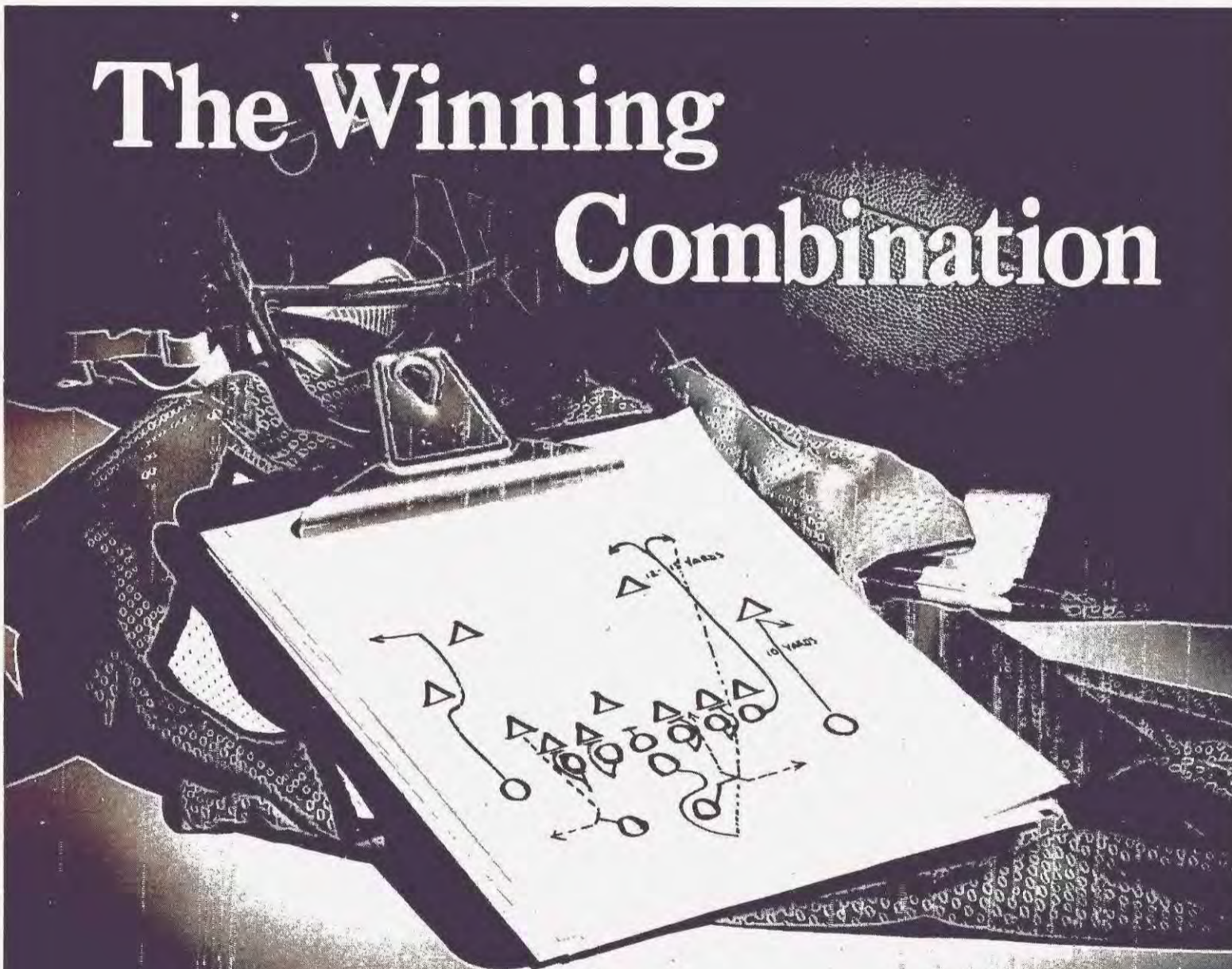
Others, however, do have some concerns.

"It takes a lot of the company's administrative resources to offer this kind of benefit and we don't know if we're saving money," said Tom Field, manager of insurance plans administration for American Telephone & Telegraph Co. in Basking Ridge, N.J.

AT&T staff members enroll employees in 175 different HMOs, communicate with the HMOs and calculate payroll deductions.

Continued on page 18

The Winning Combination



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What's in a name?

So you think you know what an HMO is?

You know it stands for health maintenance organization, but that doesn't tell the whole story, according to experts in the field. HMOs involve much more than health maintenance.

The term HMO actually encompasses a wide variety of prepaid health care delivery systems with a comprehensive set of health services, most of which feature preventive medicine and health maintenance. HMOs collect a fixed, prepaid fee from individual members or employers, usually on a monthly basis, instead of charging a fee for each service, as in the traditional health care system.

There are several different types of HMOs, but most people associated with HMOs will agree there are two basic types: the group/staff model and the IPA model.

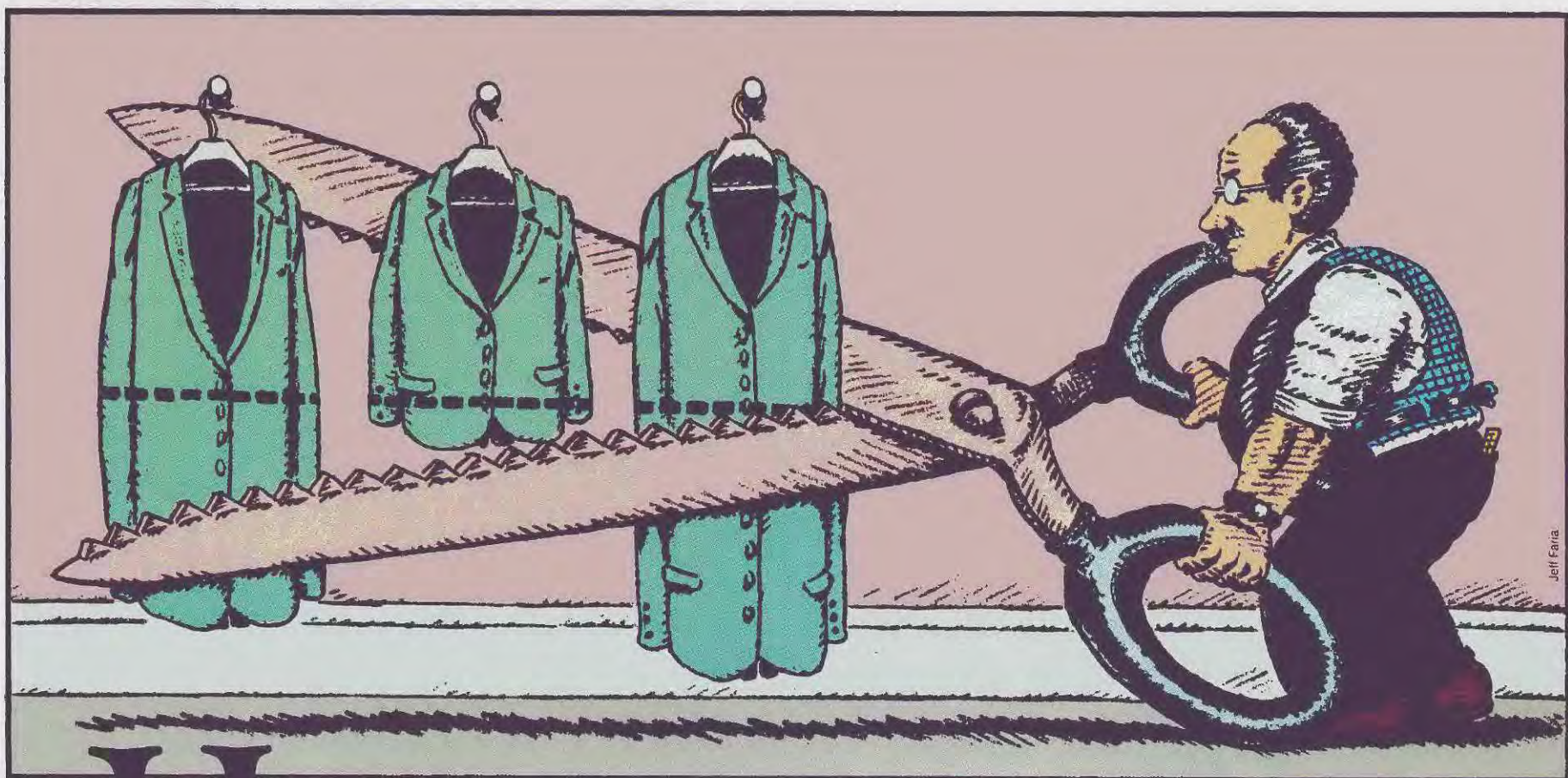
A group/staff model, also called a closed-panel HMO, is composed of a specified group of physicians who provide services to HMO members from a centralized facility or facilities.

If the physicians are part of a medical group, like a clinic, that has contracted with an HMO to provide medical services, it's called a group model. However, if the physicians are employed and paid directly by the HMO, it's called a staff model.

The other type of HMO—an IPA, or independent physicians' association—is made up of physicians in individual practices who agree to provide services to an HMO's members while continuing their private fee-for-service practices.

The term HMO was coined in 1970 by Dr. Paul M. Ellwood Jr., president of InterStudy, a health policy research firm in Minnesota.

He also came up with the acronym PPO—preferred provider organization (see story, page 20).



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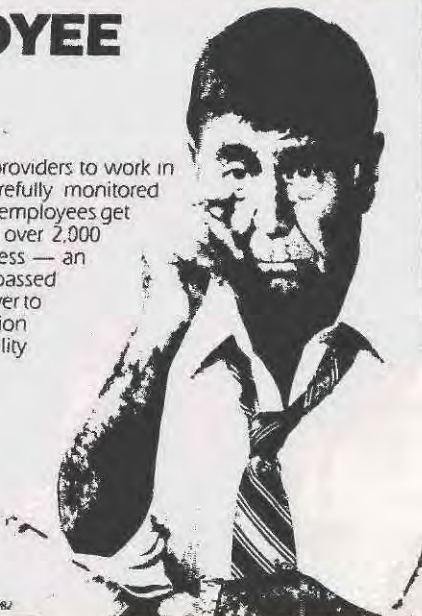
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Firms voice few HMO gripes

Continued from page 16

"Sometimes they're a little inflexible," added Patricia Nazemetz, benefits operations manager for Xerox Corp. in Stamford, Conn. "They like things done their way and, administratively, it's difficult to deal with 76 HMOs.

"It's not a major problem, but anything we can do to keep things uniform helps us," she noted.

"Each and every one is different. That's my basic complaint," said Virginia Payne, administrator of special benefits for The BFGoodrich Co. in Akron, Ohio.

The forms and procedures are different for each of the 13 HMOs that Goodrich offers nationwide. "It causes us administrative problems," she said.

Benefit administrators at the various General Motors Corp. units around the country say HMO re-

coding procedures are "cumbersome and time-consuming," noted Delores McFarland, GM's benefit administrator in Detroit.

While employers may complain about the administrative hassles they experience with HMOs, the extra work does not seem to cost the company more, according to one study.

A majority of employers surveyed recently by Philadelphia-based consultant Hay Associates for the Office of Health Maintenance Organizations in Washington noted that administrative costs for HMO plans are usually the same or less than the administrative costs for traditional health plans.

According to the survey, 39% of the 235 employers questioned said administrative costs were the same, while 35% said costs for the HMO were less. Only 14% said costs were more, while some 12% didn't know.

"The administrative practices of HMOs have presented few problems to the majority of employers," the survey notes.

Only 30% of the employers said that HMOs were unable to produce utilization data or other feedback reports. Some 55% said they did not have a problem in this area and another 15% said it varied depending on the HMO.

Only 18% said they had problems with the inflexible procedures of HMOs, while 63% said they did not. Another 19% said they had problems in this area, but only with some HMOs.

The National Assn. of Employers on Health Care Alternatives also surveyed employers on their use of HMOs and found that more companies experienced higher administrative costs with HMOs (BI, March 28).

In its study, NAEHCA found that 55% of its members and 35% of the non-members surveyed saw an increase in administrative costs after offering HMOs.

The survey polled 308 of the nation's largest employers.

But, at Ford Motor Co. in Detroit, HMO administration has not been a problem at all.

"It's (assumed) that the more carriers you add to your portfolio the more administration you add. But it's not true for us," said Jack K. Shelton, manager of the employee insurance department at Ford. The automaker offers its employees 33 HMOs at its various facilities around the nation.

"There is administration, but it's not a big problem for us," added David McIntire, director of employee benefits for General Mills Inc. in Minneapolis.

"We would like to get more individual data on utilization of HMOs by General Mills employees," he explained. "The name of the game today, if you're going to be doing something (in cost containment), then you have to know what you're dealing with."

"I don't think we have any gripes, except we never really know if we're saving money," said a spokesman for International Business Machines Corp. in Armonk, N.Y.

Employees, though, have some complaints about HMOs, too.

"The complaints from employees are the common ones, like the HMO is too far away or the hours are bad," GM's Ms. McFarland said.

Employees also hesitate to break their longstanding relationship with the family doctor, she added.

And when employees are unhappy, it causes problems from an employee relations point of view, said Xerox's Ms. Nazemetz. She explained that some of the HMOs severely restrict the number of outpatient psychiatric visits covered, which becomes a problem for some employees.

By Carol Cain



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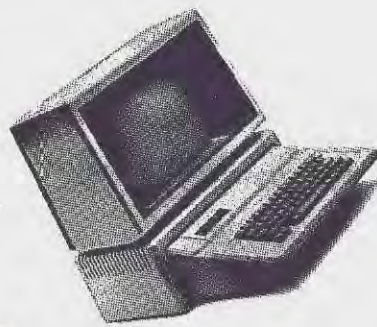


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Will the advent of PPOs hurt or help HMOs?

By CAROL CAIN

It was HMOs in the 1970s; now it appears to be PPOs in the 1980s.

The big question is: Will the two work together or against each other?

HMOs—health maintenance organizations—are prepaid medical delivery systems. Employees sign up, usually for a year at a crack, pay a monthly fee and have almost unlimited access to health care.

PPOs—preferred provider organizations—are groups of health care providers, like physicians, hospitals or dentists, that contract with employers, insurers or other third-party payers to deliver health care services at reduced fees. They're prevalent in California, but are now appearing in almost

every state.

Most observers believe PPOs may give HMOs a small amount of competition initially, but in the long run, both will be used by the employer community as alternatives to the traditional fee-for-service health care delivery system.

"I'm not sure how PPOs will develop. There's a lot of talk, but not a lot of action," said Jack K. Shelton, manager of the employee insurance department at Ford Motor Co. in Detroit.

Perhaps PPOs will cause HMOs to be a little sharper, he said.

"I think PPOs will have an impact on HMOs initially in slowing the growth, by competition," predicted Wallace Gaarsoe, director of group benefits services in the Mil-

waukee office of benefit consultant Meidinger Inc. "But I don't see any long-term viability (for PPOs). They will lose their comparative cost efficiency in a couple of years."

"We haven't fully assessed the PPO issue. HMOs may be a little apprehensive, but there isn't any competition from PPOs now," said James F. Doherty, executive director of Group Health Assn. of America, a Washington-based HMO trade association.

"PPOs will cut into your standard indemnity insurance base much more than the HMO base," noted Frank Seubold, director of the Office of Health Maintenance Organizations in Washington.

"PPOs are basically a creation of the provider community to pre-

serve the fee-for-service system," said Elliot Segal, a principal in the Washington office of benefit consultant William M. Mercer Inc.

"PPOs can be called sons of HMOs. They are most likely to mature into organizations that resemble HMOs," said Dr. Paul M. Ellwood Jr., president of InterStudy, a health policy research firm in Minneapolis that promotes a competitive approach to health care financing and delivery. Dr. Ellwood often is credited with coining the terms HMOs and PPOs.

"These forms (HMOs and PPOs) are singularly merging with each other and in the long run I doubt if we'll make a distinction," he said.

"PPOs are sort of a half-way step between indemnity plans and HMOs," Mercer's Mr. Segal said.

In fact, several HMOs act as PPOs in some instances. San Francisco-based Health Plan of America, for example, is licensed under California law as an alternative delivery system.

"But when the (California) PPO legislation was passed, they said we are an HMO, but that we have the ability to develop a PPO product line," said Sandra Smith, president and chief executive officer.

HPA, which became operational in 1980, is a hospital-sponsored HMO that is operating in California but has plans to expand throughout the country.

"We also are acting in our PPO capacity more as a broker. We are in the final stages of contracting with two insurance companies to be their PPO in California," Ms. Smith said.

Aetna Life Insurance Co.'s CHOICE program also falls into both categories. The CHOICE program allows employees to use their family physician for primary care, but then functions as an HMO for referral and specialty care.

But, CHOICE also has been billed as a PPO.

"It's licensed in Illinois as an HMO, but it does have the characteristics of both," said Roger Smith a vp with Aetna Life Insurance Co., an affiliate of Aetna Life & Casualty Co. of Hartford, Conn.

"We feel CHOICE is our answer to the HMOs. We feel that the market research that we did showed there were some problems with HMOs. For instance, a lot of people don't like HMOs because they're bonded to their personal physician," Mr. Smith said.

CHOICE is different from PPOs because usually an employer creates an incentive to entice employees to use PPOs, but the employee can decide each time he needs health care if he will use the preferred provider or go elsewhere.

But in CHOICE, employees must decide upfront whether to use the program, much like the decision to join an HMO. There is no employer-created incentive.

"Both are going to be viable options, but I think there will be a lot of confusion in the marketplace," said Meidinger's Mr. Gaarsoe.

InterStudy's Dr. Ellwood also thinks the various plans will lead to confusion, fueled by an oversupply of physicians and the proliferation of diagnosis-related groups (DRGs).

"There's going to be so much confusion that some are going to the legislature to have the health care system regulated and turned into a utility," Dr. Ellwood said.

"And people in business are playing a role," he added. He said the business communities in Pennsylvania, Arizona, Massachusetts and Ohio, usually through health cost coalitions, are part of a push to heavily regulate the health care system.

But neither HMOs nor PPOs will be the long-term solution to health care cost containment, said Ruth H. Stack, executive director of the National Assn. of Employer Health Care Alternatives in Minneapolis.

"In the present climate, employers are looking at all methods—HMOs, PPOs, peer review, everything that will do the job," Ms. Stack said.

And InterStudy's Dr. Ellwood said that though the health care delivery system is changing, benefit administrators are not.

"It all will work only if business will cut back on what they spend in the conventional plan," he said. "Otherwise, what business is doing is subsidizing the most expensive, and (subsidizing) overutilization." ■

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Government nurtured growth of HMOs

The health maintenance organization concept of prepaid health care was just hobbling along in the early 1970s when the federal government stepped in to give it a boost.

The HMO Act of 1973 did three things to escalate HMO growth in the past decade, said George B. Strumpf, associate director of Group Health Assn. of America, an HMO trade group in Washington. The act:

- Provided for loans and grants for HMO development.
- Mandated that companies with more than 25 employees offer their workers an opportunity to join an HMO if a federally qualified one was operating in their area and approached the employer.
- Pre-empted state laws, which

restricted HMOs from forming.

The government's active role in HMO development started in 1971, with a health message from President Nixon that proposed HMO involvement, said Lois Eberhard, a spokeswoman for the Office of Health Maintenance Organizations in Washington, a part of the Department of Health and Human Services that oversees HMOs.

A decade later, in 1981, the government started to pull back on its aggressive support by discontinuing its grant program that provided capital to developing HMOs. A year later, it discontinued its loan program, Ms. Eberhard said.

Between 1975 and 1982, the federal government earmarked about \$366 million for the start-up and expansion of HMOs.

'The strength of HMOs in the future lies with the private sector,' Ford's Mr. Shelton says.

Congress played a key role in discontinuing the government's financial support of HMOs, Ms. Eberhard said. "The argument was that the federal program was supposed to stimulate a pilot program... now that job was completed," she explained.

"The government has given the idea as much of a nudge as it can," said Dr. Paul M. Ellwood Jr., presi-

dent of InterStudy, a health policy research firm in Minneapolis.

One of the roles of government in the future should be to be a prudent health care buyer itself, he said. "And to promote (biomedical) research and to make sure it provides for quality research."

The federal government's initial role in HMO development was "terribly important," says Samuel H. Havens, president of PruCare Inc., a multistate HMO affiliate of Prudential Insurance Co. of America in Roseland, N.J.

"It created a level of publicity and it opened up markets that would have taken longer," he said.

But now, the government pullout also is being cheered.

"I think probably one of the best things that happened to HMOs was

the government pulling out," said Jack K. Shelton, manager of the employee insurance department at Ford Motor Co. in Detroit. "The strength of HMOs in the future lies with the private sector. That's what causes the marketplace to work."

It's hard to predict what the role of the government will be in the future, notes Mr. Havens, but several say the government should continue putting its stamp of approval on HMOs that meet certain requirements.

"They have taken on the role of the Good Housekeeping Seal of Approval and they should continue in that role," said Philip N. Bredesen, chairman and president of Health-America Corp., an HMO headquartered in Nashville, Tenn.

"Clearly, the government has to be in the role of protecting people that might be hurt by plans that don't have enough capital or quality of care," said Elliot Segal, a principal with consultant William M. Mercer Inc. in Washington.

But some say the government doesn't do that good of a job in its role as watchdog. They point to federally qualified HMOs that have failed with an estimated loss of \$40 million in federal loans.

Twenty-seven of the 215 HMOs that have been federally qualified since 1975 have failed, noted OHMO Director Frank Seubold. "That's not a bad rate."

"We evaluate them at a point in time... We can't predict everything," said Beth Roy, manager of the qualification review process at the OHMO.

Just as HMOs are getting better at management, so is the government in its approval process, Mr. Seubold said. It takes about 76 days for an HMO to be scrutinized and approved by the OHMO, he said.

To be federally qualified, an HMO must:

- Offer a comprehensive range of benefits, including inpatient and outpatient services and physician services. Some vision testing also is required.
- Compute member costs based on community rating, rather than experience rating.
- Use a prospective payment system.
- Have capable managers who receive the proper information in order to make plans.
- Have adequate delivery capabilities to care for the population it plans to serve and a management system to meet its goals.
- Have a viable financial plan.
- Have provisions, like a financial reserve or a guarantee from a parent company, in the event it becomes insolvent.

"Obviously we look at their financing to see if it's adequate to reach a break-even point," Ms. Roy said.

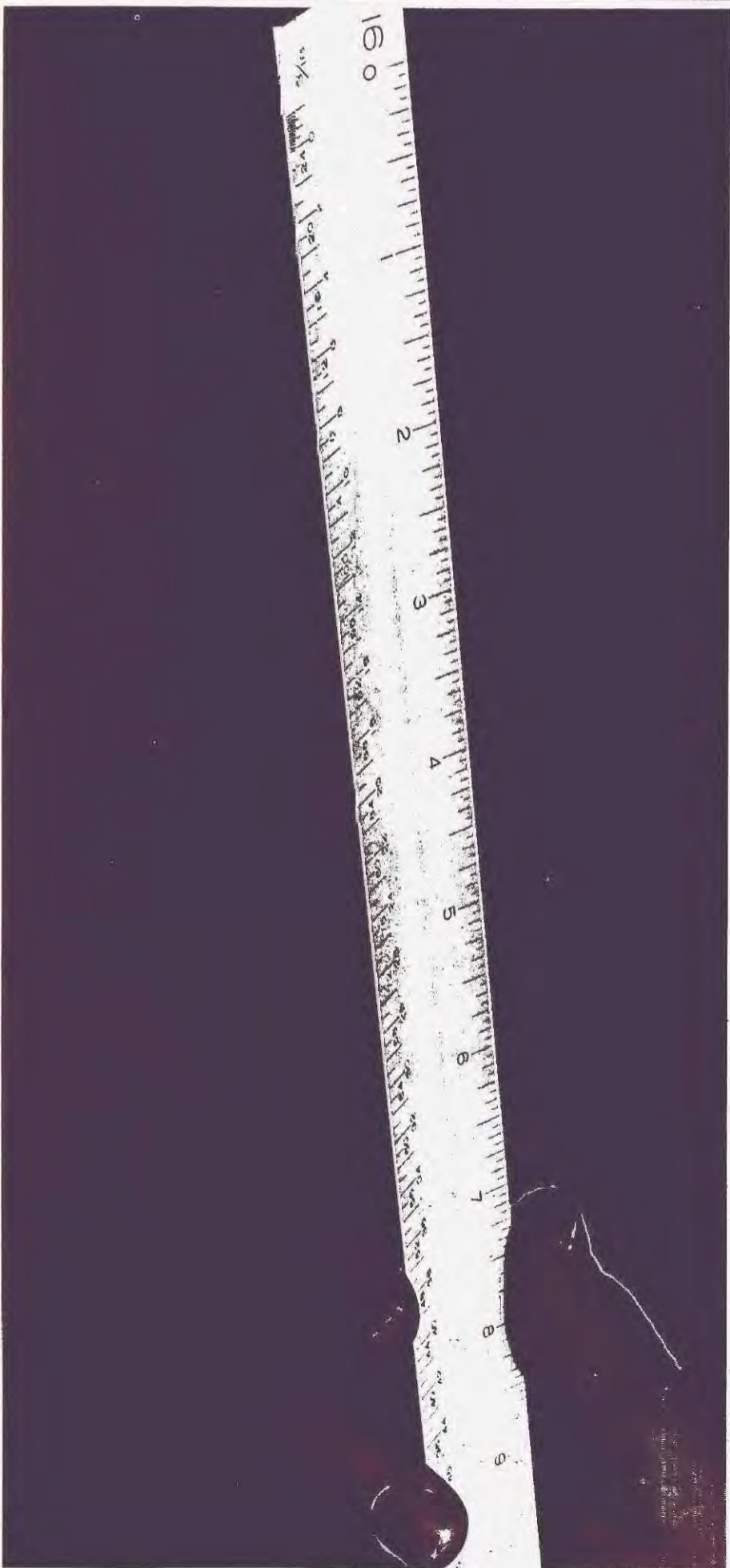
"We also look at subscriber contracts to determine if they accurately represent the HMO, and we look at marketing literature for the same reason," she said.

An HMO's board of directors is also evaluated by the OHMO.

The HMO Act will be before Congress for renewal next year. Since its inception, the act has been amended three times, in 1976, 1978 and 1981. The last amendment forces HMOs to protect their users in case of an insolvency.

When the act comes up for renewal next year, the provision mandating employers to offer HMOs is expected to come under fire again. Although many employers would like to see the mandate dropped, observers say it probably won't be. In fact, a few note that it may be expanded to require employers to offer more than one HMO option.

—By Carol Cain



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Participation high in 401(k) programs

By JAMES M. BURCKE

NEW YORK—Most employees will reduce their salaries to fund their nest eggs if they can decrease their income tax liabilities at the same time, a new survey shows.

Almost 70% of the companies offering 401(k) salary reduction plans report that at least half of eligible employees are deferring a portion of their salaries toward retirement savings, according to the study conducted by benefit consultants Towers, Perrin, Forster & Crosby.

Under a 401(k) plan, named for the section of the Internal Revenue Code that authorizes them, employees can choose to defer a portion of their pay toward retirement sav-

ings. The amount deferred is subtracted from the employees' pretax income, thus generating substantial personal income tax benefits.

The deferrals are not taxed until they are actually paid to the employees or their beneficiaries (BI, Dec. 13, 1982).

Seventy-nine large and medium-sized companies that have already established 401(k) plans participated in the TPF&C survey, a response rate of 63%. However, not all the companies supplied responses to all questions.

Not surprisingly, higher-paid employees are more likely to contribute to a 401(k) plan than lower-paid workers, but still more than half of the eligible lower-paid employees participate in salary reduction programs, the survey shows.

The median participation rate among the surveyed companies' highest-paid one-third of employees is 72%, while the median participation rate among the lower-paid two-thirds is 58%.

More than 77% of the surveyed employers reported that more than half of the higher-paid sector chose to take salary reductions, while 56.6% said more than half of their lower-paid employees participated in their 401(k) program.

TPF&C surveyed the participation and contribution habits of the higher-paid one-third and lower-paid two-thirds of employees because of the two so-called "safe harbor" tests the Internal Revenue Service imposes on 401(k) plans to prevent discrimination against lower-paid employees.

First, the average percentage of income contributed by the higher-paid one-third of employees is limited to 1.5 times the average percentage deferred by the lower-paid two-thirds.

For instance, if the lower-paid employees defer an average of 6% of their salaries, the higher-paid sector can defer only an average of 9%.

The second test limits the average deferral among the higher-paid employees to 2.5 times the average deferral among the lower-paid; however, under this test the difference between the average deferral among the two groups cannot exceed 3% of pay.

Under this test, if the lower-paid employees contributed an average of 1% of pay, the higher paid worker could contribute an average of 2.5%. But, if the lower-paid worker contributed an average of 3% of pay, the higher-paid workers could contribute only 6%—not 7.5%.

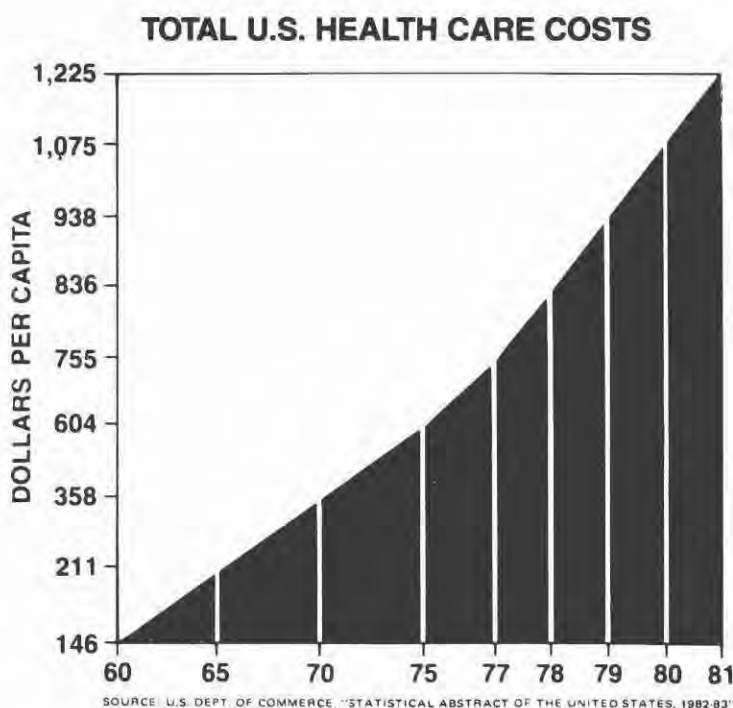
Although the IRS is not expected to issue final rules governing 401(k) plans until next year, benefit experts do not expect these discrimination tests to be changed (see story, page 30).

According to the survey, the average deferral percentage—known as ADP—among the companies with 401(k) plans seems to meet the IRS discrimination tests. Among the 63 companies responding to this portion of the survey, the median ADP among the higher-paid one-third is 4.89%, while the median ADP among the lower-paid one-third is 3.43%.

When analyzed more
Continued on facing page

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Continued from facing page closely, the survey reveals that—despite the median figures—higher-paid employees are much more likely to defer larger percentages of income than the lower-paid workers.

For instance, 47.6% of the higher-paid employees participating in 401(k) plans this year deferred at least 5% of their pay toward retirement savings, while only 14.3% of the lower-paid workers deferred at least 5% of salary.

Conversely, the survey reports, 39.7% of the participating lower-paid employees deferred less than 3% of their pay, while only 12.7% of the participating higher-paid workers contributed less than 3% of salary.

For more than half the employers surveyed—51.9%—the salary breakpoint between the higher-paid one-third and the lower-paid two-thirds ranged between \$25,000 and \$35,000. Just more than 16% of the companies said this breakpoint exceeded \$35,000, while a similar number reported a breakpoint of less than \$20,000.

Although 401(k) plans are a relatively new benefit for most of the surveyed employers—56.9% established their plan this year and another 41.8% set theirs up in 1982—only 21.5% of the employers created an entirely new plan to offer their employees the salary reduction feature.

The other 78.5% amended an existing employee savings plan to accept the tax-deferred contributions.

And, only 7.6% of the 401(k) plans surveyed are stand-alone plans; the rest are either corporate thrift or profit-sharing plans, most of which immediately provide matching corporate contributions for employee salary deferrals.

All told, 63 companies—83.5% of those surveyed—provide some sort of matching contributions. Of these, 30.2% match all deferrals made by employees—but not dollar to dollar—while the rest match employee deferrals up to a certain percentage of salary.

No company reported that it matches all salary deferred by employees on a dollar-to-dollar basis.

The amount of salary that employees are allowed to defer ranges from 4% to 20%. About 22% of the employers surveyed said employees could contribute up to 10% of pay, which was also the median maximum employee contribution allowed. Just more than 15% of the companies set 6% as the maximum contribution rate, the next most popular limit, while 10.1% of those surveyed allowed workers to defer up to 16% of their salaries.

Almost 80% of the companies also allow employees to make aftertax contributions to their plans—contributions that are not deferred from employees' salary and, thus, are not accompanied by tax advantages. Slightly more than 50% of these companies match employee aftertax contributions to 401(k) plans with corporate contributions.

Some 16.5% of the companies allow employees to change at any time the amount of salary they defer to the 401(k) plan. About 6% allow workers to alter their rate of contribution every month, 22.8% allow changes every three months, 17.7% allow changes every six months and 31.6% allow employees to increase or decrease tax-deferred contributions once a

year. The remainder allow employee changes on other timetables.

Employees at most of the surveyed companies have a choice of investment vehicles in which to deposit their salary deferrals—only 10.1% of the employers provide only one investment fund. Employees at 29.1% of the companies have their choice of two funds, while 38% of the employers offer three funds, 10.1% offer four and 12.7% offer more than four funds.

Participating employees at 78.5% of the companies may deposit their salary deferrals in a diversified equity fund, while those at 70.9% of the surveyed employers may invest in guaranteed investment contracts. More than 46% of the companies allow 401(k) participants to invest salary deferrals in the company's common stock, 19% offer money market funds, 16.5% offer bond funds and 10.1% offer fixed-income securities funds.

Exempt salaried employees are

allowed to participate in every plan surveyed, while salaried non-exempt workers are included in 97.5%. Fifty-seven percent allow non-union hourly workers to participate, but union employees are eligible in only 16.5% of the 401(k) plans surveyed.

Other findings reported in the TPF&C survey include:

- 72.3% of the plans do not allow employees to borrow from their salary deferred contributions. About 11% allow such loans, while the remainder are considering permitting loans or did not respond to the question.

- 35.4% of the employers administer their plans with a computer system developed in-house. About 28% use a third-party administrator, while trustees assume administrative responsibilities for 16.5%.

- 46.8% of the companies have also adopted a Payroll-Based Employee Stock Ownership Plan,

Average percent of salary deferred to 401(k) plans*

	Higher-paid one-third of employees	Lower-paid two-thirds of employees
Less than 3%	12.7%	39.7%
3%-3.9%	14.3	27.0
4%-4.9%	25.4	19.0
5%-5.9%	20.6	4.8
6%-8.9%	25.4	7.9
9%-14.9%	1.6	1.6

* 1983 plan year.

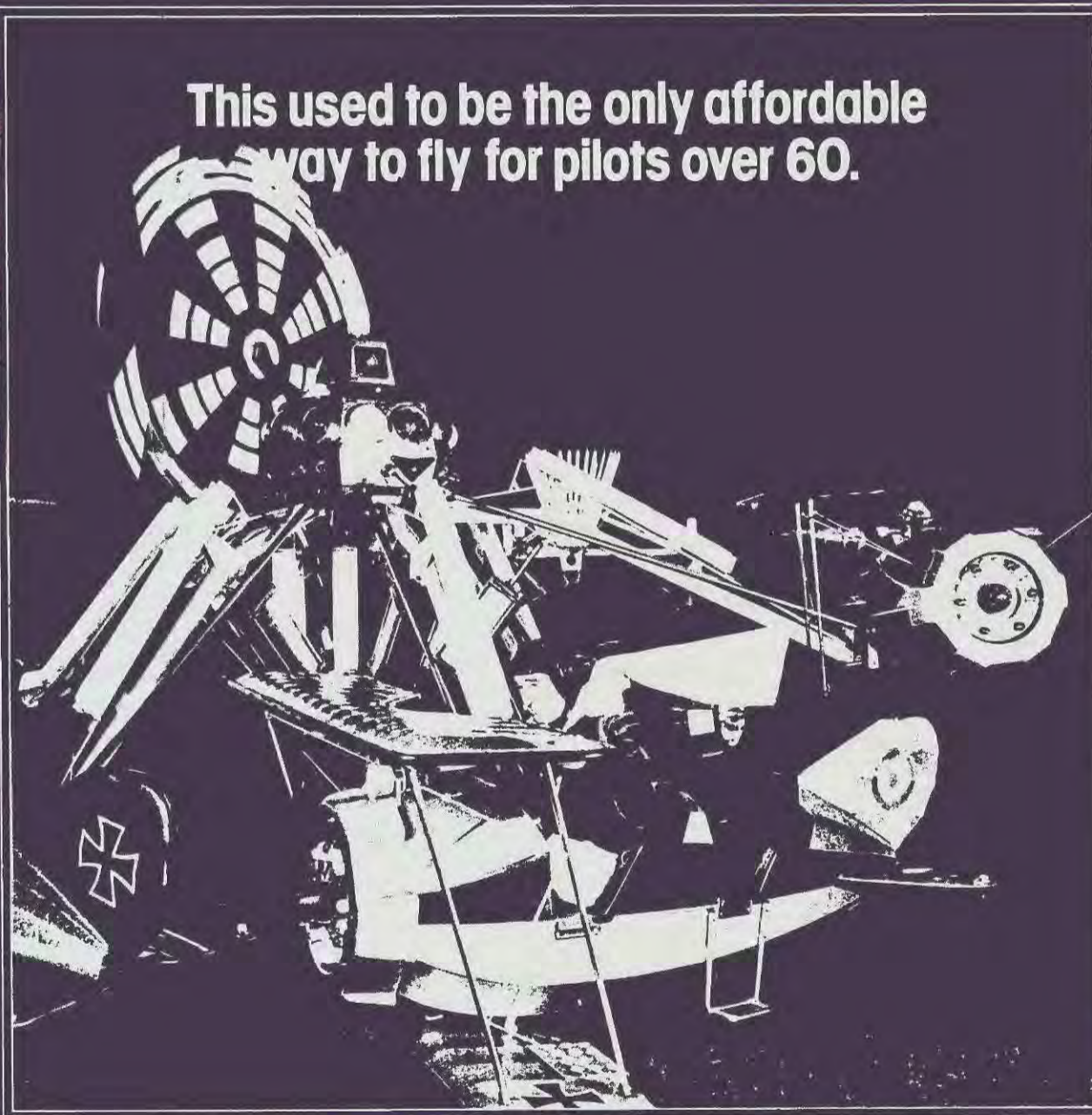
Source: Towers, Perrin, Forster & Crosby

while another 7.6% say they may establish a PAYSOP.

- 74.7% did not conduct a survey to gauge employee interest before establishing the 401(k) plan.

For a free copy of the TPF&C sur-

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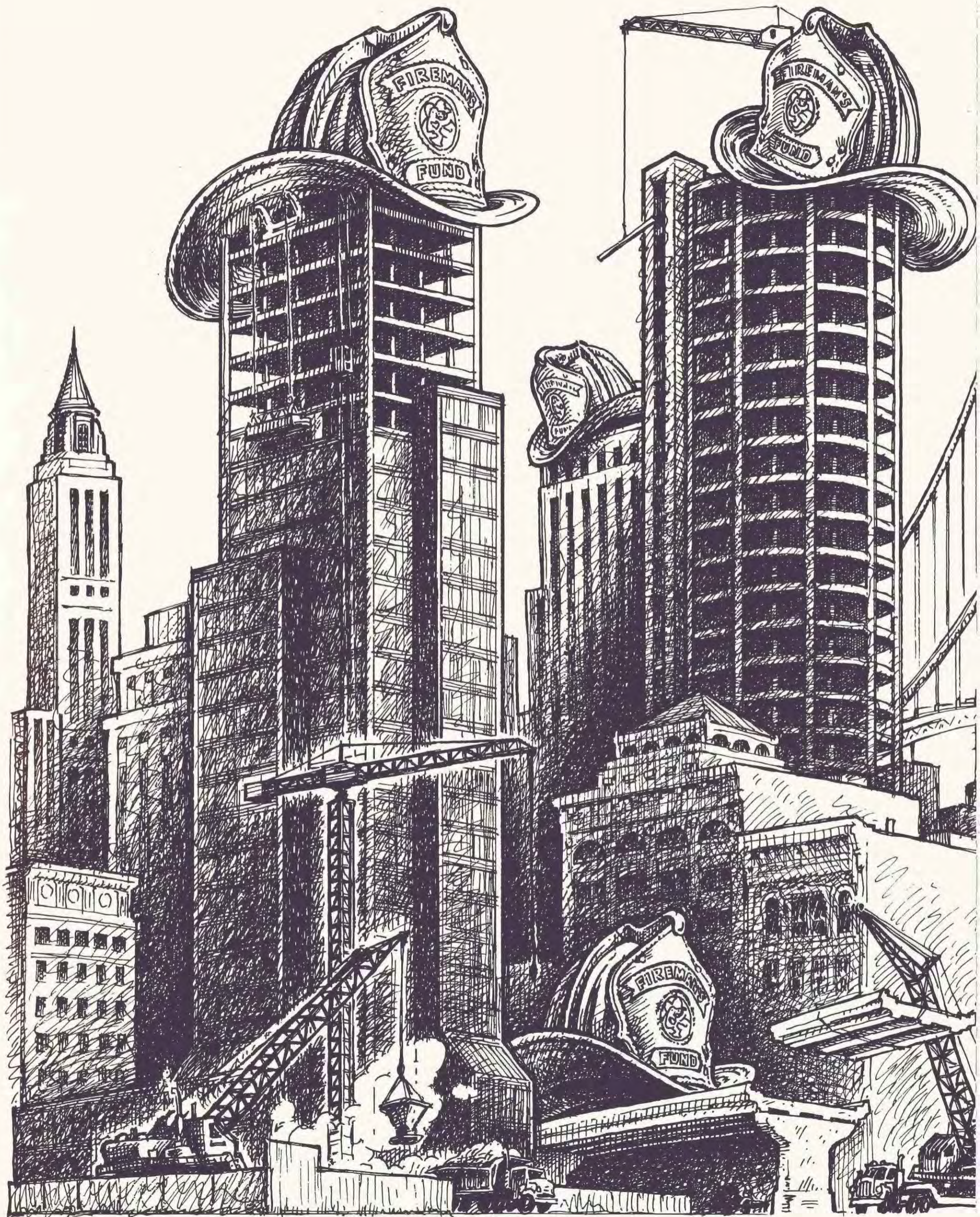
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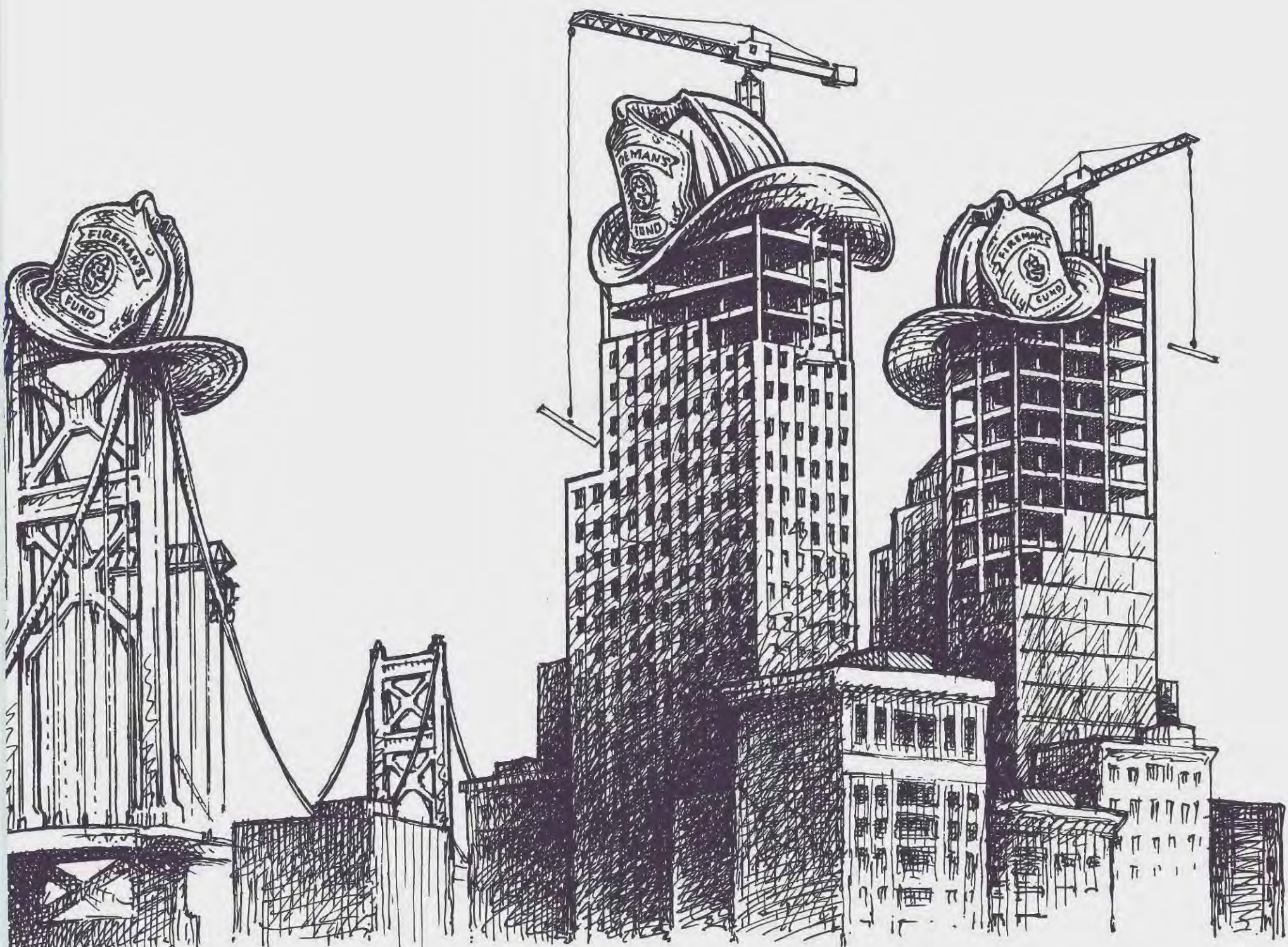
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Experts see few surprises in 401(k) rules

By DOUGLAS McLEOD

NEW YORK—The Internal Revenue Service may publish final regulations governing 401(k) salary reduction plans next year, but they're likely to be anticlimactic for most employers.

Although many companies last year cited the lack of final rules as one factor keeping them from implementing 401(k) plans, most are no longer worried about the regulatory silence, consultants report.

One important question—the effect of 401(k) deferrals on pension calculations—was resolved last June when the IRS ruled that companies may use employees' salaries before 401(k) deferrals as a basis for calculating pension benefits (BI, July 4).

Benefit managers and consultants involved in establishing salary reduction plans say they're fairly certain of how regulations in other areas will read, and general confidence has been bolstered by the smooth operation of the many 401(k) plans created during 1983.

"The absence of final regulations is no longer a burning issue," says Philip M. Alden Jr., vp with consultant Towers, Perrin, Forster & Crosby in New York, which has studied 401(k) plan design in depth (see story, page 24).

A 401(k) plan allows employees to defer a percentage of their pretax income into a company profit-sharing or savings plan, where it accumulates interest tax-free until it's withdrawn, normally not before the employee reaches age 59½.

Initially expected last summer, then last fall, the rules may not be ready until sometime during the first quarter of 1984, says Charles Watkins, an IRS attorney.

No further changes are expected in the draft regulations, which now simply require the approval and signatures of several IRS and Treasury Department officials, he said.

Rather than wait, many companies have gone ahead and established their 401(k) plans.

Central Soya Co. Inc., a Fort Wayne, Ind.,-based agribusiness firm with about \$2 billion in annual sales, added a 401(k) option to its thrift plan for about 2,200 salaried and clerical employees, effective Nov. 1.

Under the plan, employees may defer up to 6% of their pretax sa-

laries and receive a 50% company match for a total pretax deferral of up to 9%, according to Norman Cox, Central Soya's director of benefit planning and safety. Employees can then contribute an additional 7% on an unmatched, aftertax basis for a total maximum contribution of 16% of salary.

"We made a decision to go ahead without final regulations on the assumption that whatever did happen, there were ways of getting around it," Mr. Cox said, adding that the company started the ball rolling even before the June IRS ruling concerning pension calculations.

If IRS had ruled that pension contributions had to be based on salaries after deferrals, for example, the company had planned to com-

ply with the rule simply by adjusting the formula used for calculating contributions to compensate for the 401(k) reductions, he said.

One question to be dealt with in the final rules is "recharacterization" of excess contributions. IRS rules forbid 401(k) plans from discriminating in favor of more highly paid employees. To prevent discrimination, the plans must meet certain "safe harbor" tests.

One such test limits the average percentage of income deferred by the higher-paid one-third of employees to 2.5 times that deferred by the lower-paid two thirds, as long as the difference doesn't exceed 3% of pay. For example, if the lower-paid employees deferred an average 3% of income, the higher-paid would be limited to an average contribution of 6%, since 2.5 times 3% exceeds the maximum allowable difference of 3%.

Many employers worried that if IRS didn't allow excess contributions by higher-paid employees to be recharacterized as taxable contributions, the whole 401(k) plan could be disqualified as discriminatory, in which case all contributions would become taxable.

Most consultants and benefit managers expect the final regulations to allow recharacterization, though, and most are monitoring contribution levels closely enough to head off any problem before the end of a plan year.

Central Soya has been "very conservative" in its approach to the discrimination problem, and the latest monitoring results found the difference in contributions between lower-paid and higher-paid employees to average 2.5%, well below the 3% average allowed by the IRS, Mr. Cox notes.

The final rules are also expected to allow employees to withdraw voluntary contributions before age 59½ in cases of hardship, the definition of which will probably include the purchase of a "primary residence" and the payment of educational expenses and extraordinary medical expenses.

The question of hardship withdrawals, which bothered many employers a year ago, was "not much of a problem" for Central Soya, Mr. Cox says. The company currently has no hardship withdrawal provisions in its plan, but will add them to conform to the final IRS regulations when they're issued.

In the meantime, the company allows withdrawal of aftertax employee contributions twice a year, along with any interest earned on those contributions.

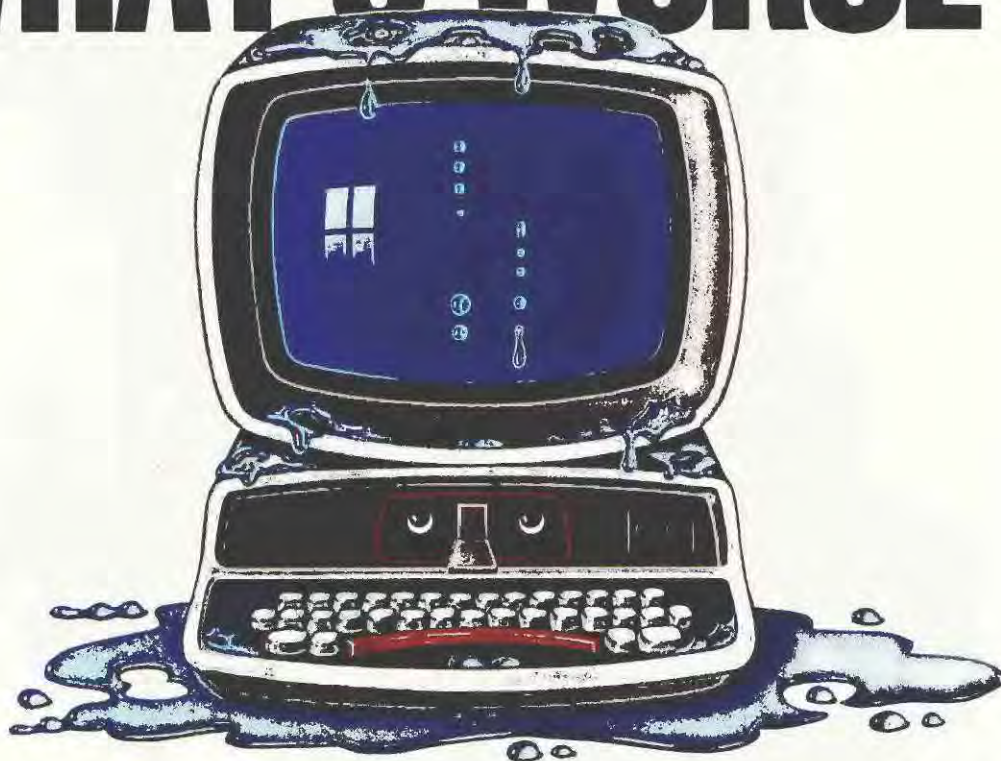
If a withdrawal involves either voluntary contributions that are subject to a company match or interest earned, however, the company suspends further matching for six months.

In addition, Central Soya allows the withdrawal of company-contributed matching funds and resulting interest, subject to an eight-month suspension of further matching and only after an employee has participated in the plan for five years.

Among companies that aren't considering 401(k) plans, a frequently cited reason other than the lack of regulations is the lack of administrative and payroll systems necessary to make the plans work, said Henry von Wodtke, a consultant with Buck Consultants Inc. in New York.

Other, relatively small problems face employers. As of Jan. 1, 401(k) deferrals will be subject to Social Security taxes, a development that eliminates one of the "nice aspects" of the plans, but which hardly threatens their viability, notes Kevin T. O'Brien, an attorney for the Employers' Council on Flexible Compensation in Washington. ■

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Employers profit from pension plan terminations

By JERRY GEISEL

WASHINGTON—AM International Inc. admits that its defined benefit pension plan was the key to its survival.

The Chicago-based manufacturer of business equipment, which had filed under Chapter 11 of the Federal Bankruptcy Act in April 1982, looked at every possible alternative to help reorganize its corporate debt of about \$275 million.

In May, the company decided upon a virtually unheard-of corporate strategy: It filed to terminate its defined benefit plan to recover \$65 million in excess assets.

"To survive, it was necessary to terminate the plan," says Robert Wasser, AM International's corporate director of compensation and

benefits, who notes that not all legal issues involved in the termination have been resolved.

AM International's ploy is no longer extraordinary. Since 1980, employers either have terminated or have applied to the government for permission to terminate 138 pension plans in attempts to recapture some \$517 million in excess assets, according to statistics compiled by the Pension Benefit Guaranty Corp. and supplied to Sen. Howard Metzenbaum, D-Ohio.

Employers that have either terminated their plans or applied for permission to do so include some of the largest companies in corporate America, like Celanese Corp., Great Atlantic & Pacific Tea Co., Occidental Petroleum Corp. and Reynolds Metals Co.

Celanese, for example, has asked the federal government for permission to split its defined benefit plan into two plans to recover about \$300 million in excess assets.

The company wants to split its pension plan into one for employees and one for retirees, with the excess assets going into the retirees' plan.

Celanese, a diversified producer of chemicals, fibers and plastics, then will terminate the retirees' plan to recover assets. Annuities will be purchased from an insurer to pay the retirees' benefits. Through this so-called "spinoff" termination, Celanese expects to gain \$160 million after taxes.

In addition, Celanese will beef up its defined benefit plan for employees. For example, effective Jan. 1,

there will be no limitation on the amount of service that is credited toward a pension. Under the current plan, the maximum amount of credited service is 35 years.

In addition, an employee will be able to retire with a full benefit at age 60 with at least 15 years of service or if the employee's current age (minimum 55), plus years of service equals 85. Currently, an employee must be age 62 and have put in 20 years of service to receive an un-reduced early retirement benefit.

On the other hand, Reynolds Metals Co. of Richmond, Va., is seeking government approval to terminate its defined benefit plan and replace it with another. Reynolds expects to gain \$130 million through the termination. The company says it will use the money for

general corporate purposes. During the first nine months of 1983, Reynolds lost more than \$100 million.

Terminations of defined benefit plans are not likely to stop anytime soon. Currently, the PBGC is considering applications that would free up well over \$1 billion in excess assets.

"A majority of our large clients are interested in what is going on and what options may be available to them," says Douglas Borton, chief actuary for Buck Consultants Inc. of New York.

Corporate raids on overfunded plans have not gone unnoticed by members of Congress and regulatory agency officials, either.

For example, both Sen. Metzenbaum and Rep. Edward Roybal, D-Calif., chairman of the House Select Committee on Aging, are drafting legislation that would make it more difficult and expensive for companies to terminate overfunded plans.

In the closing days of this year's session, Sen. Metzenbaum proposed a moratorium that would have barred companies from terminating most overfunded plans for the next nine months. However, the proposal was blocked on the Senate floor and died (BI, Nov. 28).

Unless Congress does something, "defined benefit plans will be bled dry" by employers terminating the plans to recapture excess assets, explains a staff member on Rep. Roybal's committee.

Meanwhile, the Internal Revenue Service and the Treasury Department are considering restrictions involving so-called spinoff terminations.

In a spinoff, an employer splits its defined benefit pension plan into two new defined benefit plans—one for retirees and one for employees. The excess assets are placed in the retirees' plan, which the company then terminates. In most cases, the company purchases annuities to pay promised benefits to retirees and can recapture whatever is leftover.

The other plan—the one covering current employees—is retained.

However, spinoffs are relatively rare. In the vast majority of overfunded plan terminations, the defined benefit plan is terminated and replaced by a defined contribution plan, experts say.

These terminations are perfectly legal, though ethically troublesome, the experts note, but they add that congressional restrictions on such terminations would damage the nation's retirement income system.

Companies would be reluctant to set up new defined benefit plans if they were barred from recovering extra assets when they terminated plans, they say. Employers with existing plans would only fund them at minimum levels.

"If a firm felt that it would have to hand over everything it put in the plan, it would put in as little as possible," said Dean Gaver, a New Jersey attorney who represented GAF Corp. when the New York-based firm terminated its overfunded defined benefit plan.

Such skimpily funded plans could pose a drain on the nation's pension insurance system, some say. For example, if a plan were funded at only minimum levels and then suffered serious investment losses, the plan might lack sufficient assets to pay guaranteed benefits to its participants.

As a result, if the company went out of business and terminated the plan, the PBGC—the government agency that guarantees pension benefits through an insurance premium it charges employers—would have to take over the plan and pay

Continued on facing page

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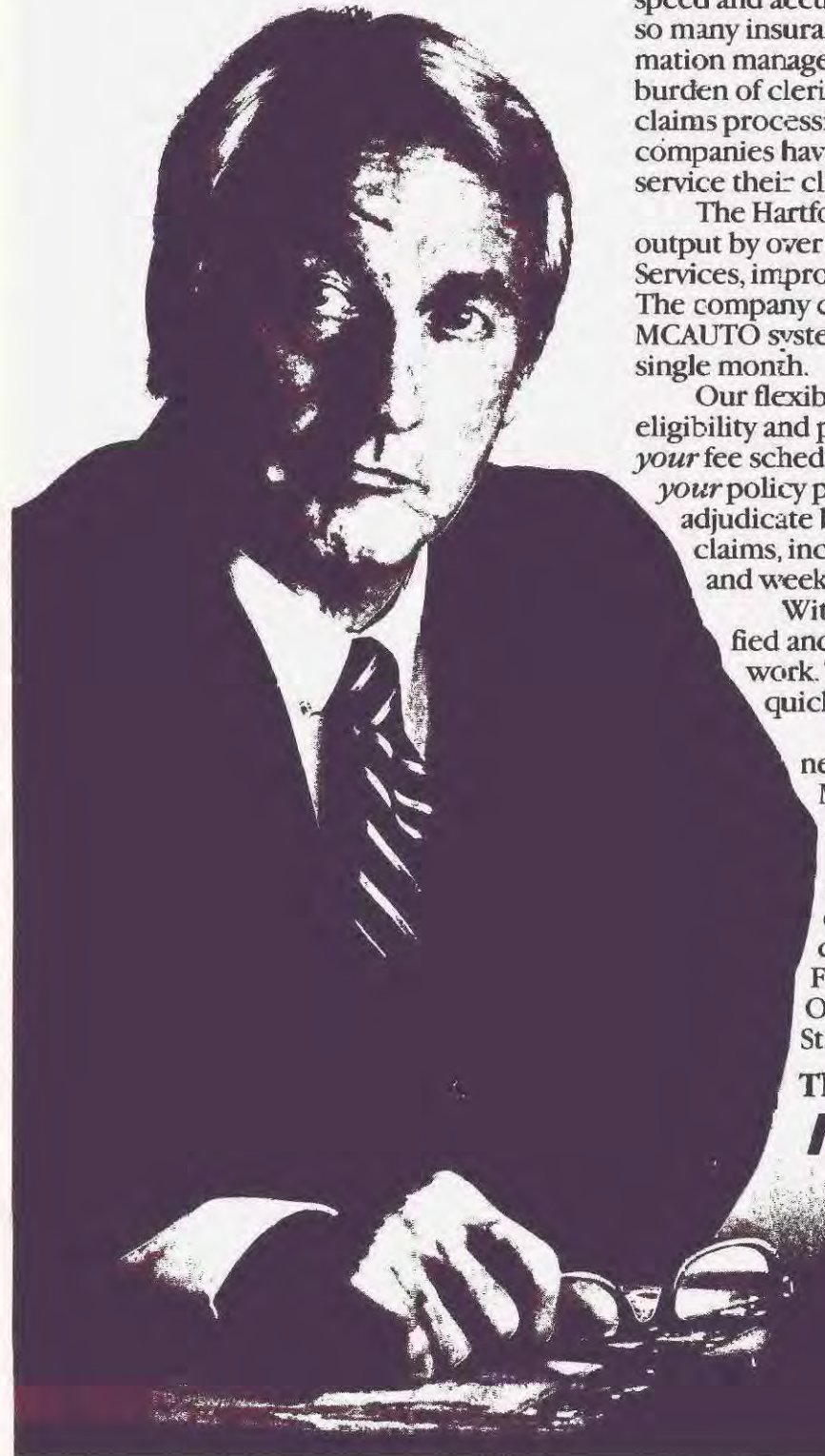
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Continued from facing page benefits.

"The solutions (stopping or restricting terminations of overfunded plans) are worse than the problem," argues Robin Holloway, a vp with Towers, Perrin, Forster and Crosby, a New York-based benefit and management consulting firm. "In the long run, the losers will be employees."

The huge plan surpluses can be traced to the big stock market boom that began last year and the recent recession.

Companies, which conservatively figured that the assets in their pension plans would increase between 6% and 7% a year, found that plan assets were increasing 15% to 20% or more as the value of the stocks held by the plans soared.

At the same time, the recession forced companies to lay off employees. As a result, workers were leaving the company before vesting in the benefits.

In addition, a troubled economy meant that companies could offset profits they gained when they terminated an overfunded plan with operating losses. Gains from a termination of an overfunded plan are taxed as ordinary income.

High interest rates also swelled corporate interest in terminating overfunded pension plans.

"The cost of money became exorbitant," said GAF attorney Mr. Gaver. "Companies looked at 20% interest rates and then looked at non-performing assets (like pension plans) as a source to tap."

High interest rates also mean that it is cheaper for companies to buy annuities from insurers to replace the benefits that would be

paid by the terminated plan.

But do employees and retirees lose when plans are terminated?

Some employees, particularly young workers, actually may benefit when their employer folds a plan and sets up a new retirement program.

Under the Employee Retirement Income Security Act, the 1974 law that sets rules for pension programs, a participant becomes 100% vested in benefits that he or she has accrued by the time the plan is ter-

minated, so long as there are assets to pay for those benefits.

In addition, young workers also benefit when their companies set up new plans, usually defined contribution plans like profit-sharing plans, because employers will make many years of contributions on behalf of those younger employees.

But older workers often do not fare as well when companies terminate overfunded pension plans and replace them with new defined contribution plans.

Since the workers may be near retirement, their employers will make contributions on their behalf for only a few years.

In addition, many defined benefit plans are designed so that employees accumulate the greatest benefits during their last few years of employment.

Older workers may not be the only victims. Retirees often receive ad-hoc benefit increases from their employers to help them keep up with inflation. However, when a

plan is terminated, the retiree receives a fixed monthly annuity that does not increase with inflation.

Critics of such terminations acknowledge that older worker and retirees *legally* receive all promised benefits. But, they "receive less than what they had an expectation of receiving," said Karen Ferguson of the Pension Rights Center.

"What is troublesome here is that employers are changing rules in midstream," Ms. Ferguson says. ■

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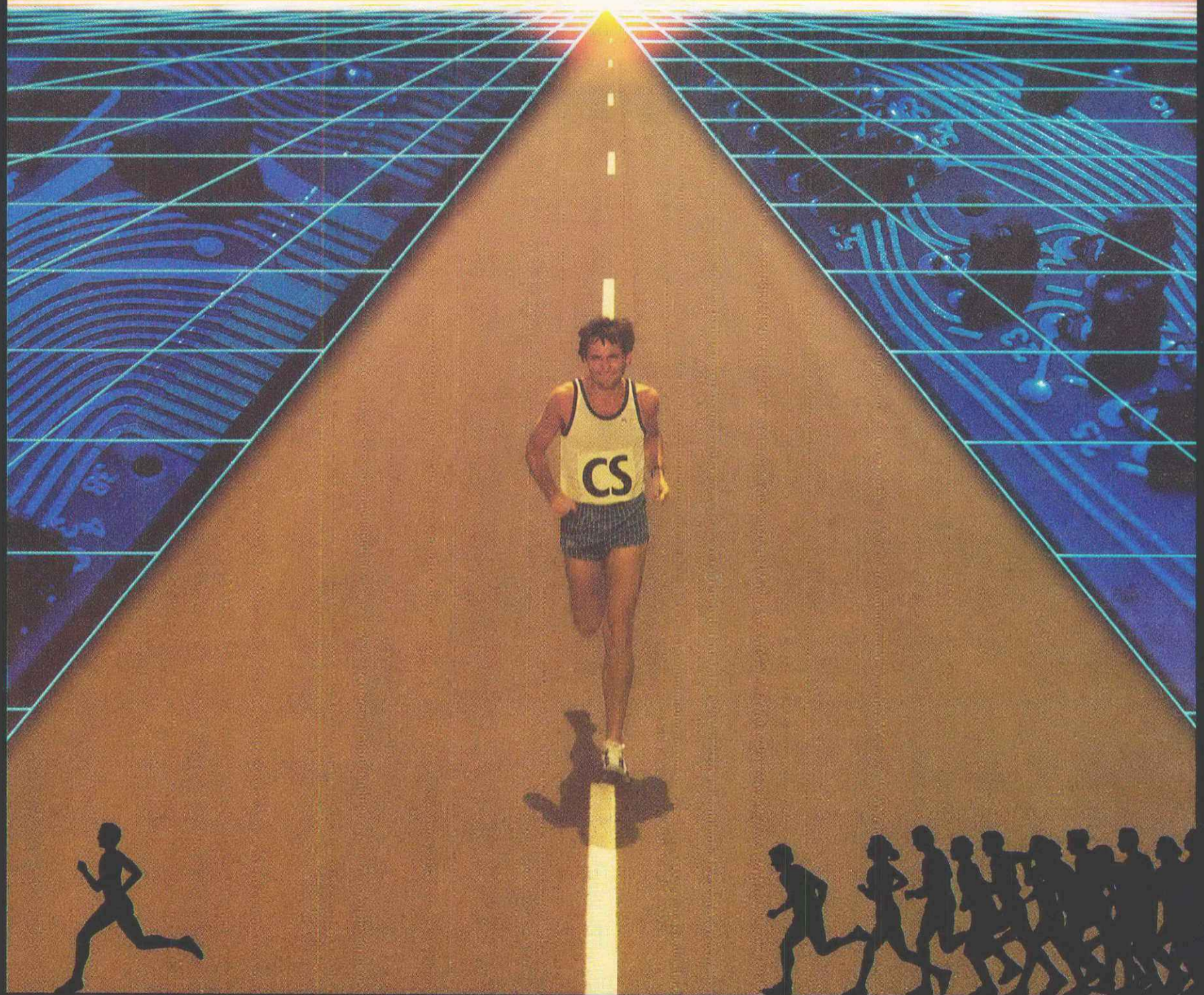
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FIGHTING CAPITOL HILL

How to begin battling those benefit taxation plans

By Dallas L. Salisbury

THE ECONOMIC AND political environment surrounding employee benefits is changing so rapidly that the employee benefit community will either have to seize the initiative or suffer some potentially grim consequences. The engine driving this change in atmosphere is the growing cost of employee benefits to employers, employees and the federal government.

For the employer, employee benefits absorb an ever-increasing share of total compensation. Data recently published by the Employee Benefit Research Institute indicates that between 1960 and 1982, employer contributions to legally required and discretionary tax-favored employee benefits increased to \$277 billion from \$21 billion, or to an average of nearly 15% from an average of 7.2% of total compensation.

Spending by Fortune 500 companies for discretionary tax-favored employee benefits alone—excluding contributions for legally required benefits such as Social Security, Medicare, unemployment insurance and workers compensation—currently ranges from 12.5% to 29% of total compensation.

Employee insistence on more tax-favored employee benefits indicates continuing concern over the U.S. tax burden among employees at all income levels.

As Social Security tax rates continue to increase in the years ahead, the pressures for more tax-favored employee benefits can be expected to intensify, even among low-income workers.

Yet employers are having to place greater emphasis on cost containment. As American companies face stiffer competition from foreign companies, the trend toward cost containment may accelerate. The challenge will be to reconcile the need for cost containment with the expected increase in employee demands for tax-favored benefits. But how?

Many of the new initiatives taken by employers to control future growth of employee benefit costs—salary reduction, 401(k) salary reduction plans, and (Section 125 d) spending accounts—share the cost of benefits with employees.

As a result of the Revenue Act of 1978 (P.L. 95-600), these employee payments appear, pending U.S. Treasury Department regulations, to be allowable with pretax dollars rather than aftertax dollars, thereby creating a mutually advantageous approach for the employer and the employee.

Therefore, while total expenditures for tax-favored employee benefits may continue to grow, both in nominal and real terms, employers will not have to absorb directly the full increase, if they have adopted cost sharing.

In its role as tax collector, the federal government has begun to focus on employee benefit growth.

The Social Security Administration projected in 1981 that employee benefit

expenditures—those legally required and discretionary—could be 37.8% of total compensation in 2055, or 2.5 times their current levels. And this 37.8% projection did not contemplate extraordinary expenditure increases that some analysts now fear may result from new programs such as salary reduction and flexible benefits.

When the Revenue Act of 1978 was passed by Congress, it was estimated that Section 125 of the Tax Code "will have no effect on budget receipts." The Joint Committee on Taxation reached a similar conclusion about deferred compensation 401(k) plans.

A different view of the revenue loss issue was presented to Congress earlier this year. In March, during consideration of the Social Security Amendments of 1983, the House-passed bill, H.R. 1900, had a provision, which was subsequently modified, that would have treated employer payments to 401(k), 403(b) or employee benefit cafeteria plans as covered earnings under Social Security.

In a memorandum estimating the short-range effects of the bill, SSA's Office of the Actuary gave the following explanation of the revenue loss effects:

"Our estimates of future Social Security tax income under present law do not explicitly reflect the loss in tax income that would result from a rapid expansion in the number of these plans. Thus it would be misleading to indicate that the tax income projected under present law could be significantly increased if plan payments were made subject to payroll taxes. The estimates shown in this memorandum, accordingly, do not include such effects.

"It is important to note, however, that a rapid expansion of these plans now appears to be fairly likely. In the absence of the provision in H.R. 1900, the potential reduction in annual OASDHI (Old Age, Survivors, Disability and Health Insurance trust fund) tax income attributable to such an expansion could easily amount to roughly \$1 billion to \$2 billion within a few years."

Another SSA memorandum estimated the long-range savings to the Social Security OASDI (Old Age, Survivors and Disability Insurance trust fund) program from the same House-passed provision to be 0.02% of payroll.

To repeat, these SSA revenue estimates apply only to the loss of Social Security payroll taxes—and do not include potential loss of general tax revenues.

Despite the technical difficulties in estimating the tax revenue effects, a particular area of concern has been underscored by some benefits experts regarding the use of salary reduction in connection with a flexible benefits plan. The government is now beginning to assess the potential general revenue losses that might occur if these plans are widely adopted.

Ironically, the new benefit design approaches being used by employers to control employee benefits costs—and better accommodate employee needs—are attracting federal attention aimed at limiting the growth of tax revenue losses.

Proposals debated by Congress just prior to its adjournment Nov. 18, and

Continued on page 37

Whom benefit managers can turn to in Washington

Name	Address	Members	Contact	Remarks
American Society of Pension Actuaries	1413 K St. N.W. Fifth Floor Washington, D.C. 20005 202-737-4360	2,000; actuaries, consultants, plan administrators	Chester Salkind, executive director	Mainly concerned with issues that affect small retirement plans. Very aggressive group.
Assn. of Private Pension & Welfare Plans	1201 Pennsylvania Ave. N.W. Suite 340 Washington, D.C. 20004 202-737-6666	550; employee benefit managers, consultants, actuaries, accountants, attorneys, plan sponsors	Ed Davey, executive director and general counsel	Very diverse membership. Has become more active in the lobbying arena. Represents employers on a wide range of benefit issues.
Employee Benefit Research Institute	2121 K St. N.W. Suite 860 Washington, D.C. 20037 202-659-0670	85; employee benefit consulting firms, insurers, public pension plans, accounting and actuarial firms	Dallas Salisbury, president	Benefits research organization. Publishes books and numerous studies on employee benefit issues.
Employers Council on Flexible Compensation	1700 Pennsylvania Ave. N.W. Suite 600 Washington, D.C. 20006 202-393-1728	110; employers that are interested in flexible benefit plans; service providers and consultants can join as associate members	Ivins, Phillips & Barker (legal counsel)	Group founded in November 1981 and has grown rapidly. Informational clearinghouse on flexible compensation plans. High-quality technical expertise.
ERISA Industry Committee	888 17th St. N.W. Washington, D.C. 20006 202-785-4443 (tax issues)	118; large employers	Mayer, Brown & Platt (tax issues)	Group established in 1974 to represent large employers on ERISA issues. Played a significant role in the passage of the Multiemployer Pension Plan Amendments Act of 1980. Seeking changes in the pension termination insurance program for single employers.
	1919 Pennsylvania Ave. N.W. Washington, D.C. 20006 202-828-5000 (other benefit issues)		Vedder, Price, Kaufman, Kammholz & Day (other benefit issues)	
National Assn. of Manufacturers	1776 F St. N.W. Washington, D.C. 20006 202-626-3700	12,000; broad range of manufacturers	Sharon Canner, employee benefits analyst	Business advocacy group. Represents employers on a wide range of benefit issues.
U.S. Chamber of Commerce	1615 H St. N.W. Washington, D.C. 20062 202-659-6000	237,000; 90% have fewer than 100 employees	Michael Romig, director of employee benefits	Business advocacy group. Particular expertise in Social Security and pension legislation.
Washington Business Group on Health	922 Pennsylvania Ave. S.E. Washington, D.C. 20003 202-547-6644	200; large employers	Willis Goldbeck, president	Helps set up business health care coalitions around the country. Top-notch staff knows the ins and outs of pending health issues in Washington that affect large employers.

Source: Business Insurance research

Top 10 benefit consultants

Name	1983 gross revenues ¹	Employees	Offices
Towers, Perrin, Forster & Crosby	\$170 million	2,000	19 U.S./33 total
William M. Mercer Inc. (Marsh & McLennan Cos, Inc.)	\$130 million	1,913	36 U.S./69 total
The Wyatt Co.	\$100 million ²	1,200	25 U.S./27 total
Johnson & Higgins Inc.	\$80 million ³	790	37 U.S./45 total
Hewitt Associates	\$60 million	850	17 U.S./18 total
Human Resource Management Group (Alexander & Alexander Services Inc.)	\$60 million	742	46 total ²
Buck Consultants Inc.	\$60 million	720	8 U.S./9 total
A.S. Hansen Inc.	\$46 million	600	18 U.S./19 total
James Benefits (Fred S. James & Co. Inc.)	\$41 million	850	44 U.S./54 total
Meidinger Inc.	\$40 million	650	23 U.S./total
Total	\$787 million	10,315	

¹Company estimate. ²U.S. operations only. ³BI estimate; benefit consulting only.

Source: BI survey.

Benefit consultants move into other areas

By **LEN STRAZEWSKI**

A steady diet of health care and pension actuarial consulting continues to stimulate steady growth among the nation's 10 largest employee benefit consultants, according to a *Business Insurance* survey.

But as the competition increases in these areas, consultants are beginning to forage in other fields, including tax, compensation management and general management consulting.

This shifting of focus is not new, employee benefit consultants say, just another example of the cyclical nature of their business.

Employee benefit consulting boomed after the passage of the

Employee Retirement Income Security Act in 1974 as employers modified retirement plans to comply with new vesting, funding and communications requirements. By the time the major retirement plan work began to thin, employers wanted help to contain rapidly increasing health care costs.

Though group health benefits and related health care cost containment consulting is far from exhausted as a source of business for consultants, new fields are already developing thanks to modifications in tax laws and new views toward employee compensation.

Towers, Perrin Forster & Crosby, the nation's largest employee benefit consulting firm, according to survey information provided to *Business Insurance* by the consultants, is a perfect example of the ongoing changes in the employee benefit consulting business.

Known for years as primarily a pension actuarial firm, TPF&C has grown into a broad-based consultant offering consulting services in four general areas, according to President James E. Kielley.

Employee benefit consulting is still the largest source of business for the company, providing more than two-thirds of the \$170 million in gross revenues the company expects to generate this year, he notes. But other areas also contributed significantly to overall income, which grew 21.4% from 1982.

Human resource management and compensation consulting generates about 17% of TPF&C's revenues, Mr. Kielley says, while general management consulting and actuarial and management consulting for insurance companies combine to provide about 12.5%.

"General management consulting has been an expanding part of our business since the mid-1970s," Mr. Kielley explains.

"But since our merger this year with Cresap, McCormick & Paget, a general management consulting company in Chicago, we expect this field to become a much larger portion of our business. For this reason, we have now established a general management consulting group practice distinct from employee benefit consulting."

About 160 of the 200 employees added to the TPF&C staff this year were a result of the merger.

Even within the company's mainstay business—employee benefit consulting—the business mix is changing. Retirement plan consulting continues to shrink as a portion of revenues, dropping to 49% of revenues from 54% last year. Also, employee benefit communications consulting dropped to 8% of revenues from 10% and international consulting dropped to only 6% in 1983 from 13% in 1982.

Welfare plan consulting, including health care cost containment and compensation management, were up slightly.

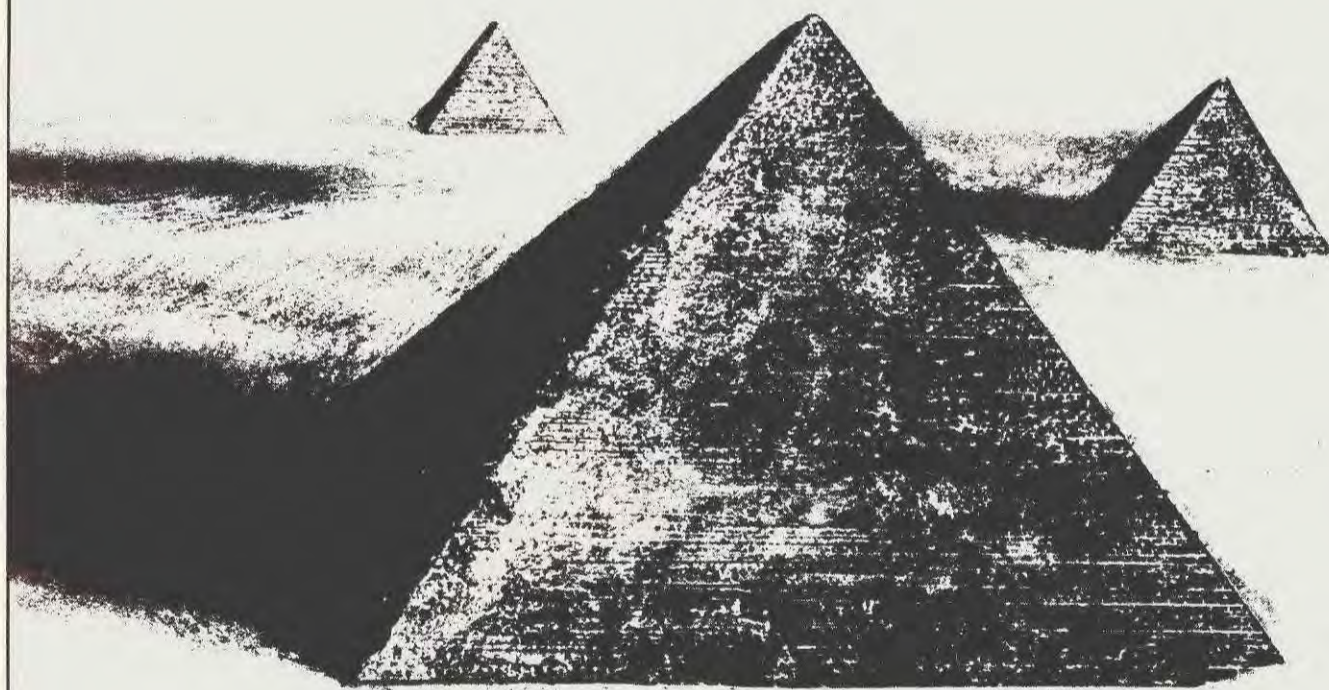
Mr. Kielley expects welfare plan consulting to expand further next year as the company expands its computer-based employee benefit management tools.

William M. Mercer Inc., the employee benefit consulting division of Marsh & McLennan Cos. Inc. and the nation's second largest employee benefit consulting firm, is also growing and changing, according to Chairman John Ireland.

Though Mercer does not track revenues by specific consulting areas, Mr. Ireland notes that pension actuarial consulting business has shrunk, being supplanted by an increase in consulting related to health care.

Changes in tax laws, which pro-
Continued on facing page

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Continued from facing page
vide new opportunities to form
thrift, profit-sharing or salary
reduction benefits, are also expanding,
Mr. Ireland says, and fitting
into the company's growing role in
compensation consulting.

Compensation consulting, according to Mr. Ireland, now accounts for about 3% of the company's estimated 1983 revenues of about \$130 million and could grow to as much as 15%.

Overall, Mercer's revenues grew more than 8% from \$120 million in 1982.

"Originally, I wanted to keep our compensation business limited to executive compensation only, but it turned into something much more general, including compensation management for all levels (of employees) and incentive compensation planning," said Mr. Ireland.

M&M's consulting and financial services group includes Mercer, Marsh & McLennan Group Associates (an employee benefit mass-marketing company), Putnam and Eberstadt investment management companies and National Economic Research Associates, a microeconomics consulting firm.

Mercer plans to expand its employee benefit consulting through internal growth and acquisition. Mercer has already announced plans to merge with Meidinger Inc., the nation's 10th-largest employee benefit consulting company (BI, Dec. 5), and will need to spend at least a year after completion of the merger integrating staffs, according to Mr. Ireland.

Meidinger would add about \$40 million in revenues and 650 employees to Mercer's more than 1,900 workers. Pension and other retirement plan consulting dominates Meidinger's consulting practice.

Third-ranked Wyatt Co., whose approximately \$100 million in U.S. revenues (up only about 2% from 1982) comes from compensation and risk management consulting as well as traditional employee benefit areas, employs 1,200. Though about 75% of Wyatt's revenues (up from 68% in 1982) are generated by retirement plan consulting, the company has expanded compensation consulting to 8% of revenues from 6% in 1982.

Wyatt's welfare plan consulting and international benefit consulting, however, are significantly down from 1982.

Fourth-ranked Johnson & Higgins, is the largest of the insurance brokerage and consulting operations. Unlike Mercer, which is owned by the same holding company as an insurance brokerage, J&H's consulting business is part of the brokerage operations and the company actively sells group insurance as well as consulting services.

In 1982, J&H announced that 24.1% of its revenues were derived from employee benefits and in 1983 at least 25% of revenues were generated from benefits business.

Based on this information and other industry sources, BI estimates J&H's employee benefit operations at about \$80 million in gross revenues for 1983.

John McEown, J&H executive vp in charge of the company's employee benefit consulting practice, also notes some changes in his firm's business.

Employers are more interested in designing flexible benefit plans that give their employees more choice and in containing health care costs, he says.

Pursuing those areas of business, J&H made two employee benefit consulting acquisitions in 1983, Sibson & Co. in Princeton, N.J., a compensation management and sales incentive consulting firm, and Winklevoss & Associates, a stochastic forecasting company which specializes in developing pension fund cost modeling programs for employers.

Winklevoss also markets a pen-

sion funding computer program, which allows employers to predict pension costs according to various economic and investment assumption within 3% accuracy over a 25-year span.

The acquisitions contributed to an increase of more than 100 employees at J&H.

Two consulting firms that want to limit the expansion of their business to employee benefits and compensation consulting are fifth-ranked Hewitt Associates and seventh-ranked Buck Consultants Inc. At Hewitt, gross revenues grew 17.6% to an estimated \$60 million in 1983 and flexible benefits became almost a corporate slogan. Staff size, however, stayed the same at 850.

"Our singular objective is to be the nation's premier consulting firm in total compensation," explains Partner Richard W. Hutson, and for more than 150 of Hewitt's nearly 2,700 clients, total

compensation involves a flexible employee benefits program.

Buck Consultants reports a similar trend, according to Chairman Hugh Gillespie, as more and more of its clients move toward expanding employee benefit options with (401)k or Section 125 salary reduction plans, thrift plans or flexible spending accounts.

Though the company's traditional pension actuarial business was up 35% over last year, revenues generated from flexible benefits and defined contribution plan consulting were 41% higher than in 1982.

"These areas are the fastest growing part of our business, running 20% of our total \$60 million in revenues," Mr. Gillespie.

Buck is positioning itself to take greater advantage of plan design changes and its clients' expanded need for administrative help, Mr. Gillespie says. The firm expanded its data processing resources with a

new IBM3083 computer and 30 new employees including data systems experts.

Other employee benefit consultants ranked in the top 10 include two other insurance brokerage subsidiaries and one independent consultant.

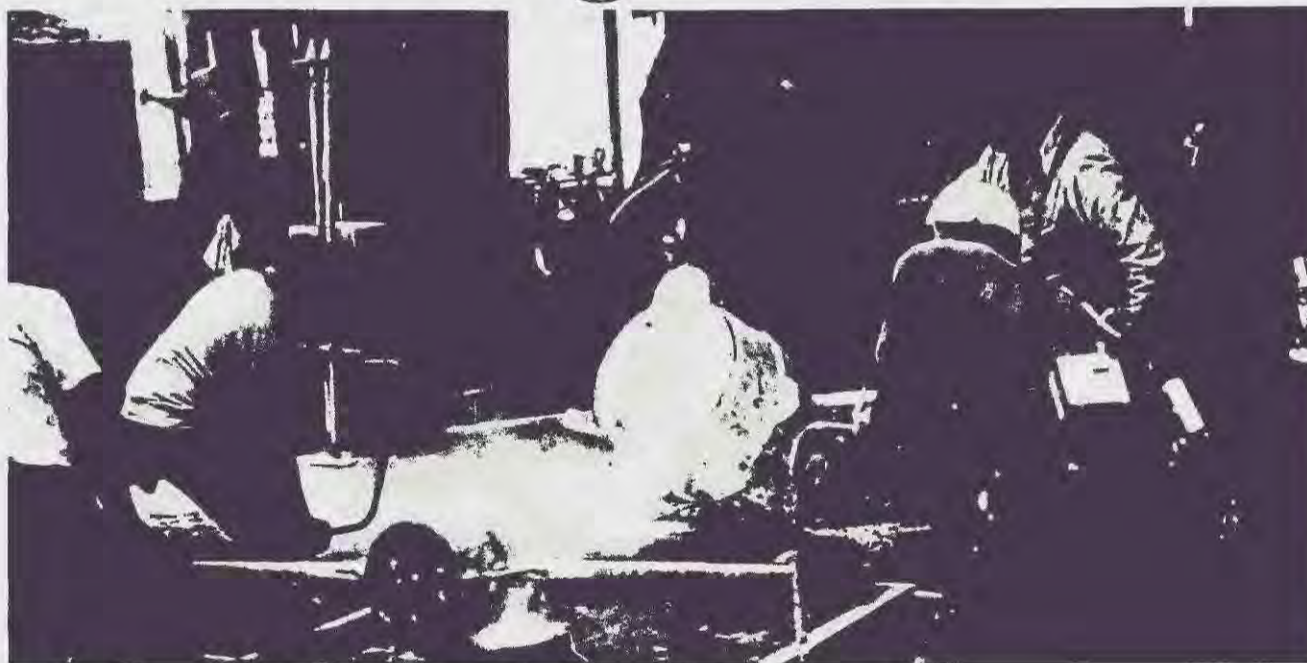
Fifth-ranked Human Resource Management Group is a subsidiary of Alexander & Alexander Services Inc., the nation's second-largest insurance brokerage. HRM Group employs 742, down from about 850 in 1982, and estimates 1983 gross revenues at more than \$60 million, up more than 20% from last year.

As typical with brokerage-owned companies, welfare plan consulting—including cost containment and other health care related consulting—and employee benefit communications dominate the HRM Group consulting practice and contribute about 60% of gross revenues. Retirement plan consulting contributes 30%.

Eighth-ranked A. S. Hansen Inc. employs 600 and estimates \$46 million in gross revenues for 1983. Also known as a pension plan and actuarial consulting specialist, Hansen reports that about 75% of its revenues are generated by general retirement, actuarial and welfare plan consulting. About 10% of its revenues are derived from compensation consulting, up from 2% last year.

Ninth-ranked James Benefits, a division of insurance brokerage Fred S. James & Co. Inc., employs 850 and estimates gross revenues of \$41 million in 1983. A combination of employee benefit consultant and administrator Galbraith & Green and James' employee benefit sales operations (merged in 1982), James Benefits performs mostly welfare plan and cost containment consulting (81%) and administers self-funded employee benefit plans for Fred S. James and independent clients. ■

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Directory of employee benefit consultants

A

Aldrich & Cox Inc.

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

Year founded: 1951.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, ongoing plan supervision including loss review and control, dealing with agents/brokers, annual plan review.

Communication consulting: 5% of business. Includes general con-

sulting on communications programs, benefit statement preparation.

Compensation consulting: 5% of business. Executive incentives, other executive perks.

Staff: 13 total staff members; nine professionals, including one attorney, four CPCUs, two ARMs.

Clients: 30 total clients; 30% with more than 500 employees, 70% with fewer than 500; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, \$50-\$75, depending on assignment.

1983 gross revenues: Not reported.

Principal officers: Herbert Cox, president; Charles Cox, James Hood Jr., vps.

Allied Benefit Systems Inc.

401 N. Michigan Ave., Chicago, Ill.
60611; 312-321-5071

Year founded: 1980.

Services provided: 10% of gross revenues from benefit consulting, 90% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 15% of business. Includes plan design consulting, record keeping

work for defined contribution plans, plan administration consulting, asset accumulation/investment consulting.

Welfare plan consulting: 70% of business. Includes plan design consulting, selection of funding media consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by company.

Communication consulting: 7% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 8% of business. Executive incentives, other executive perks.

Staff: Eight total staff members; three professionals, including one attorney, one dentist.

Clients: 105 total clients; 10% with more than 500 employees, 90% with fewer than 500; 80% corporations, 20% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100; junior consultant, \$75; clerical, \$25.

1983 gross revenues: \$400,000.

Principal officers: Laurence Wilneff, president; Ben B. Schenker, secretary/treasurer.

Continued on facing page

How to use consultants' listings

The information contained in this directory of employee benefit consulting firms was provided by the consultants that filled out a questionnaire from *Business Insurance*. The directory is an editorial listing; there is no charge to appear in it. *BI* is not responsible for the accuracy of the information provided because there are no independent sources of information to consult for verification.

The listings of the **year founded** and **parent company** show when the consultant was founded and if it is owned by another company. If you are concerned about using consultants unaffiliated with brokers or insurance companies, you will want to check here.

Services provided shows what percentage of revenues a firm derives from benefit consulting and from other activities. Every company that does some amount of employee benefit consulting is listed, although the firm may do a majority of business in another field.

You can identify the areas of expertise of a consultant by looking at what percentage of its business is conducted in the areas of **retirement plan consulting**, **welfare plan consulting**, **communications consulting**, **international consulting** and **compensation consulting**. Also listed under these headings are specific projects the consultant performs in these categories, which also may include non-consulting services like claims administration.

If the consultant has offices other than its corporate headquarters, they are listed under **locations**.

If you need special expertise, check what professionals are identified under the **staff** heading, which shows the size of a consultant's staff. The full designations of the professionals on the staff, which are abbreviated in the directory, are identified below.

The current **clients** of a consultant are identified by size and type (corporate, multiemployer plans or individuals) to help you identify consultants that handle your type of business.

Under the **compensation** heading are details on how each consultant bills for its services. The **1983 gross revenues** reveal how much business a consultant has conducted this year.

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

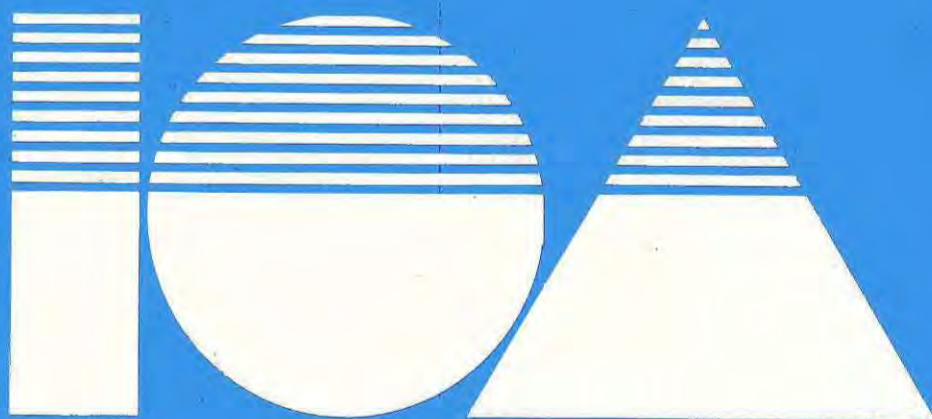
ACA is Associate of Conference of Actuaries in Public Practice; **ACAS** is Associate, Casualty/Actuarial Society; **AEP** is Accredited Executive Personnel; **AIC** is Associate in Claims; **ARM** is Associate in Risk Management; **ASA** is Associate, Society of Actuaries; **CAS** is Member of the Casualty/Actuarial Society; **CEBS** is Certified Employee Benefits Specialist; **ChFC** is Chartered Financial Consultant; **CIC** is Certified Insurance Counselor; **CLU** is Chartered Life Underwriter; **CMC** is Certified Management Consultant; **CPA** is Certified Public Accountant; **CPCU** is Chartered Property & Casualty Underwriter; **CSP** is Certified Safety Professional; **DMD** is Doctor of Dental Medicine; **EA** is Enrolled Actuary; **FCA** is Fellow, Conference of Actuaries; **FCAS** is Fellow of the Casualty/Actuarial Society; **FCIA** is Fellow, Conference of Actuaries; **FLMI** is Fellow, Life Management Institute; **FSA** is Fellow, Society of Actuaries; **FSPA** is Fellow, Society of Pension Actuaries; **MBA** is Master of Business Administration; **MAAA** is Member, American Academy of Actuaries; **MCA** is Member of Conference of Actuaries in Public Practice; **MLS** is Master in Library Science; **MSPA** is Member, Society of Pension Actuaries; **PE** is Professional Engineer; **Ph.D.** is Doctor of Philosophy; **RHU** is Registered Health Underwriter; **RN** is Registered Nurse.

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Continued from facing page

American Health Management & Consulting Corp.

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

Year founded: 1973.

Services provided: 60% of gross revenues from benefit consulting, 40% of gross revenues from activities other than benefit consulting.

Other consulting services: 70% of business. Includes health care cost-containment programs; modification of medical and dental benefit plans; selection of claims management system, third-party intermediaries and insurers; analysis of medical and dental claims data; development of multiemployer coalitions; implementation of specific cost-containment strategies; organization, management and monitoring of HMOs, PPOs and prepaid dental programs.

Preventive medical and wellness programs: 30% of business. Includes prescriptive exercise programs; health promotion programs; consulting in all phases of preventive medical and wellness program design, implementation and management; microcomputer-based software systems design for tracking individual and group progress in exercise programs; health hazard appraisals.

Staff: 68 total staff members; 15 professionals, including nine MBAs, one CLU, one attorney, one Ph.D., three DMDs.

Clients: Total clients not reported; 100% with more than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 500 employees.

Compensation: By the project; on retainer; by the hour, senior consultant, \$125; junior consultant, \$80; clerical, \$15.

1983 gross revenues: \$1.75 million.

Principal officers: John R. Amsterdam, president; Richard A. Robson, vp; Michael H. Honig, director-health care cost containment.

sign consulting, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 85% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by company.

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

Staff: 10 total staff members; 5 professionals, including one CLU.

Clients: 12 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 67% corporations, 33% multiemployer plans; no minimum size client.

Continued on next page

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B

Benefit Communicators Inc.

9939 Hibert St., Suite 101, San Diego, Calif. 92131; 619-566-8860

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

Communication consulting: 100% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee newsletter preparation, drafting of plan documents and summary plan booklets.

Locations: San Francisco; Los Angeles; Chicago; Denver; Minneapolis.

Staff: 19 total staff members.

Clients: 250 total clients; 67% with more than 500 employees, 33% with fewer than 500; 60% corporations, 40% multiemployer plans; minimum size client, 50 employees.

Compensation: By the project.

1983 gross revenues: \$1.6 million.

Principal officers: Douglas Lonergan, president; Linda McConnell, vp; William Spencer, vp-creative services; Paula Prinson, operations manager; David Gluck, manager-technical services.

Benefit Plan Administrators Inc.

Box 3208, Wichita, Kan. 67201; 316-262-3578

Year founded: 1970.

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

Retirement plan consulting: 10% of business. Includes plan de-



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Continued from previous page

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, \$80-\$100; junior consultant, \$30-\$50; clerical, \$19.
1983 gross revenues: \$400,000.

Principal officers: Jerry W. Cole, president; Dee Hylton, vp; Larry Armfield, secretary/treasurer.

Benefit Planning Services

10 Gould Center, Golf Road, Rolling Meadows, Ill. 60008; 312-640-8500

Year founded: 1973.

Parent company: Arthur J. Gallagher & Co.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 25% of business. Includes plan design consulting, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 60% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by company.

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

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

Locations: Miami; Sacramento, Calif.; Dallas; White Plains, N.Y.; St. Louis.

Staff: 49 total staff members; 15 professionals, including two FSAs, two ASAs, two MBAs, four CEBS, five CLUs.

Clients: 950 total clients; 15% with more than 500 employees, 85% with fewer than 500; 90% corpora-

tions, 10% multiemployer plans; minimum size client, three employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100-\$140; junior consultant, \$35-\$75; clerical, \$25.

1983 gross revenues: \$4.7 million.

Principal officers: A. William Greenfield Jr., corporate vp; Michael McDermott, president-PMA; James N. Price, vp-Benefit Planning Services.

Booke & Co.

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

Year founded: 1940.

Services provided: More than 50% of gross revenues from benefit consulting, less than 50% of gross revenues from activities other than benefit consulting.

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

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

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

Compensation consulting: Includes executive incentives, other executive perks.

Locations: Birmingham, Ala.; Charlotte and Winston-Salem, N.C.; Columbus, Ohio.

Staff: 240 total staff members; 88 professionals, including eight FSAs, three ASAs, 13 MBAs, eight CEBS, five CLUs, six attorneys, six CPAs, seven EAs.

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

Compensation: By the project; by the hour, senior consultant, \$85-\$130; junior consultant, \$50-\$75; clerical, \$25-\$45.

1983 gross revenues: \$12.1 million.

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

Buck Consultants Inc.

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

Year founded: 1916.

Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.

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

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

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

International benefits consulting: Consulting from the United States.

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

Locations: Atlanta; Boston; Chicago; Dallas; Fort Wayne, Ind.; Pittsburgh; San Francisco; Washington; Toronto.

Staff: 720 total staff members; 520 professionals, including 37 FSAs, 45 ASAs, seven CEBS, 94 enrolled actuaries.

Clients: 1,000 total clients; 80% with more than 500 employees, 20% with fewer than 500; 80% corporations, 20% non-profit organizations and governmental plans; no minimum size client.

Compensation: By the project; by the hour, senior consultant, \$92-\$200; junior consultant, \$52-\$104.

1983 gross revenues: \$60 million.

Principal officers: Hugh Gillespie, chairman; Douglas C. Borton, George T. Favetta, members-office of the president.

Bushnell, Ducham & Co.

34 Roosevelt Highway, Colchester, Vt. 05446; 802-655-3906

Year founded: 1977.

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

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

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

Communication consulting: 18% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 3% of business. Executive incentives, other executive perks.

Staff: 10 total staff members; four professionals, including one ASA, one CLU, one accountant, one programmer.

Clients: 175 total clients; 100% with fewer than 500; 95% corporations, 1% multiemployer plans, 4% individuals; minimum size client, 50 employees.

Compensation: By the hour, senior consultant, \$100; junior consultant, \$50; clerical, \$35.

1983 gross revenues: \$300,000.

Principal officers: James E. Bushnell, president; David A. Ducham, vp; Patricia Mahoney, treasurer; Brent O'Donnell, secretary.



CCI Administrators

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

Year founded: 1981.

Parent company: Compensation Consultants Inc.

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

Welfare plan consulting: 100% of business.

Staff: Nine total staff members, including one attorney.

Clients: 14 clients; 17% with more than 500 employees, 83% with fewer than 500 employees; minimum size client, 50 employees.

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

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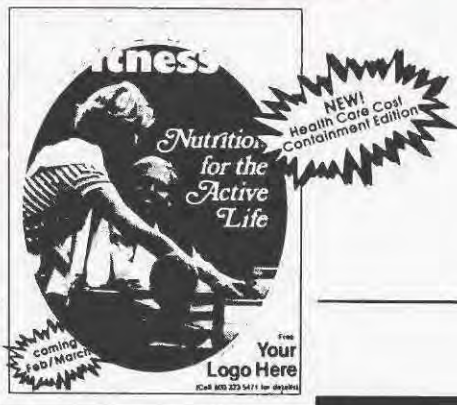
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Continued from facing page

1983 gross revenues: \$1.6 million (combined company revenue).

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

Cal/Group

527 E. Rowland Ave., Second Floor, Covina, Calif. 91722; 818-967-2878

Year founded: 1968.

Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, claims administration, reinsurance.

Other consulting services: 90% of business. Includes dental and vision programs for associations, multiple employers (small group) and large employer plan design.

Locations: South San Francisco, Calif.

Staff: 33 total staff members; 10 professionals, including one ASA, one MBA, one CLU, one attorney.

Clients: More than 600 total clients; 10% with more than 500 employees, 90% with fewer than 500; 50% corporations, 50% multiemployer plans; no minimum size client.

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

1983 gross revenues: More than \$1 million.

Principal officers: Jack G. Magnus, president; Renny Thomas, executive vp/managing underwriter; Betty McFarlane, administrative vp; Richard Krost, treasurer.

Clark/Bardes

Organization Inc.

100 S. Prospect, Park Ridge, Ill. 60068; 312-698-1090

Year founded: 1967.

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

Retirement plan consulting: 15% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 75% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.

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

Compensation consulting: 5% of business. Executive incentives, other executive perks, wage and salary administration.

Locations: Pittsburgh; New York; Greenwich, Conn.; Vero Beach, Fla.; Dallas; Minneapolis; Chicago; Detroit; Monroe, La.; Tulsa, Okla.

Staff: 100 total staff members; 25 professionals, including three FSAs, one ASA, five MBAs, 10 CLUs, two attorneys.

Clients: 180 total clients; 70% with more than 500 employees, 30% with fewer than 500; 90% corporations, 5% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$75-\$150; junior consultant, \$35-\$50; clerical, less than \$35.

1983 gross revenues: Not reported.

Principal officers: Robert Clark, chairman; David Bardes, president; W. Thomas Wamberg, Joseph Lemmer, senior vps; Henry J. Smith, executive vp.

Consulting Managers of California

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

Year founded: 1975.

Services provided: 80% of gross revenues from benefit consulting, 20% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, claims administration by Baine Associates Inc. and Health Program Managers Inc., prospective and renewal rating.

Locations: Sacramento and Orange County, Calif.

Staff: 41 total staff members; three professionals, including one attorney.

Clients: 10 total clients; 80% with more than 500 employees, 20% with fewer than 500; 20% corporations, 80% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour, senior consultant, \$90-\$110; clerical, \$15-\$20.

1983 gross revenues: \$850,000.

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

Corporate Resources Inc.

666 Fifth Ave., New York, N.Y. 10103; 212-582-0204

Year founded: 1972.

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

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Continued from previous page
Retirement plan consulting: 35% of business. Includes plan design consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 40% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

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

Compensation consulting: 15% of business. Executive incentives, other executive perks.

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

Clients: 20 total clients; 75% with more than 500 employees, 25% with fewer than 500; 100% corporations; minimum size client, 100 employees.

Compensation: By the project.

1983 gross revenues: More than \$700,000.

Principal Officers: David L. Stone, president; Frances Morton, Rosanne Esposito, vps.

Corroon & Black Benefits Inc.

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

Year founded: 1957.

Parent company: Corroon & Black Corp.

Retirement plan consulting: 6% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, executive benefits.

Welfare plan consulting: 84% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by company and subsidiary Cook Administrators.

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

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

Locations: St. Louis, Los Angeles, Seattle.

Staff: 492 total staff members; 68 professionals, including three FSAs, five ASAs, three MBAs, 21 CLUs, six attorneys, four FLMI, three RHU.

Clients: 23,486 total clients; 4% with more than 500 employees, 96% with fewer than 500; no minimum size client.

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

1983 gross revenues: \$29.3 million.

Principal officers: Don King, president; Dick Carpenter, executive vps; John Jackson, vp, chief financial officer.

D

Darby & Associates Inc.

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

Year founded: 1981.

Services provided: 12% of gross revenues from benefit consulting, 88% of gross revenues from activities other than benefit consulting.

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

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

Communication consulting: 15% of business. Includes benefit statement preparation, booklet preparation.

International benefits consulting: 10% of business. Includes consulting via overseas correspondents and from the United States.

Staff: 22 total staff members; six professionals, including one FLMI, one RHU, one AEP.

Clients: 275 total clients; 30% with more than 500 employees, 70% with fewer than 500; 40% corporations, 60% multiemployer plans; minimum size client, 25 employees.

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

1983 gross revenues: Not reported.

Principal officers: Roy O. Darby, president; Peter Cusack, executive vp; E.F. Thomas, senior vp; Sandra Casteel, assistant secretary-claims; Joseph B. Sanches, vp/director of underwriting; E.G. Thomas, senior vp.

Daskais & Walls Inc.

2 N. Riverside Plaza, Chicago, Ill. 60606; 312-648-7400

Year founded: 1966.

Parent company: Noble Lowndes International Holdings Ltd.

Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 79% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 1% of business. Includes plan design consulting.

Communication consulting: 8% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other consulting services: 12% of business. Includes analysis of elements of labor cost, personal injury and divorce work for attorneys, insurance company consulting, government agency consulting, investment analysis.

Locations: New York and locations worldwide.

Staff: 12 total staff members; seven professionals, including five FSAs, two ASAs.

Clients: 80 total clients; 27% with more than 500 employees, 83% with fewer than 500; 60% corporations, 13% multiemployer plans, 22% individuals, 5% government; no minimum size client.

Compensation: By the hour, senior consultant, \$123-\$165; junior consultant, \$101-\$112; clerical, \$15-\$19.

1983 gross revenues: \$1.05 million.

Principal officers: Richard Daskais, Charles Walls, Karen Krist, Dianne Weitzenkamp, Charles Chittenden.

Doerr, Burns & Associates Inc.

311 W. Superior St., Chicago, Ill. 60611; 312-280-5700

Year founded: 1979.

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

Retirement plan consulting: 7% of business. Includes plan design consulting, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 83% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: 4% of business. Includes general consulting on communications programs, booklet preparation.

International benefits consulting: 4% of business. Includes consulting from the United States.

Compensation consulting: 2% of business. Executive incentives, other executive perks.

Staff: Seven total staff members; five professionals, including one MBA, one CEBS, two CLUs.

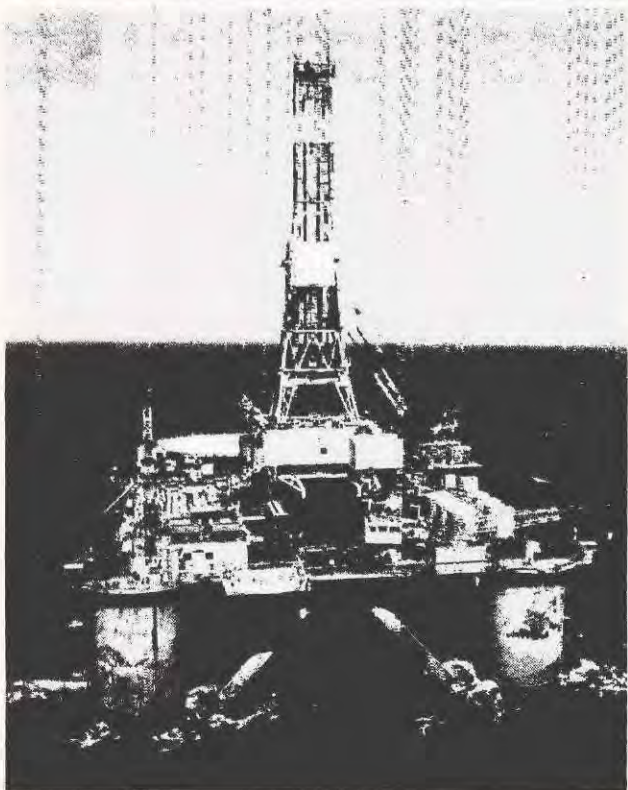
Clients: 45 total clients; 80% with more than 500 employees, 20% with fewer than 500; 90% corporations, 10% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, \$125; junior consultant, \$60.

1983 gross revenues: More than \$300,000.

Principal officers: John E. Doerr, president; Richard J. Burns, executive vp; James T. Lundberg, vp; David A. Taaffe, Tracey L. Schroeder, consultants.

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E**The Emcom Group Inc.**P.O. Box 545, Newtown, Pa. 18940;
215-493-8599**Year founded:** 1979.**Services provided:** 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than consulting.**Communication consulting:** 90% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.**Other consulting services:** 10% of business. Includes labor relations consulting.**Locations:** San Francisco.**Staff:** Seven total employees; including five professionals.**Clients:** Total clients not reported; 85% with more than 500 employees, 15% with fewer than 500; 80% corporations, 15% non-profit plans, 5% individuals; minimum size client, 50 employees.**Compensation:** By the project.**1983 gross revenues:** Not reported.**Principal officers:** John E. Kerney Jr., president.**Epler Co.**770 B St., Suite 417, San Diego,
Calif. 92101; 619-239-0831**Year founded:** 1971.**Services provided:** 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.**Retirement plan consulting:** 70% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, deferred compensation.**Welfare plan consulting:** 25% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.**Staff:** 12 total staff members; eight professionals, including one FSA, one CEBS.**Clients:** 75 total clients; 10% with more than 500 employees, 90% with fewer than 500; 75% corporations, 25% non-profit organizations.**Compensation:** By the hour, senior consultant, \$100; junior consultant, \$40-\$50; clerical, \$25.**1983 gross revenues:** \$625,000**Principal officers:** Jane Berry, president; Lee Hindenach, executive vp; Rick Roeder, vp/chief actuary; Bob Walters, vp.**Evans, Conger & Brown Inc.**4 Sentry Parkway, Blue Bell, Pa.
19422; 215-834-1410**Year founded:** 1866.**Services provided:** 27% of gross revenues from benefit consulting, 73% of gross revenues from activities other than benefit consulting.**Welfare plan consulting:** 25% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.**Communication consulting:** 2% of business. Includes general consulting on communications programs, booklet preparation.**Staff:** Five total staff members; three professionals, including one CLU.**Clients:** 110 total clients; 20% with more than 500 employees, 80% with fewer than 500; 95% corpora-

tions, 2% multiemployer plans, 3% individuals; minimum size client, 15 employees.

Compensation: Commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$80.**1983 gross revenues:** Not reported.**Principal officers:** Carl A. Plosse, chairman; John B. Walton, executive vp; Bruce Walter, vp; John Jackson, account executive.**Executive & Employee Benefit Plans Inc.**2025 Riverside Drive, Columbus,
Ohio 43221; 614-481-8391**Year founded:** 1959.**Services provided:** 25% of gross revenues from benefit consulting, 75% of gross revenues from activities other than benefit consulting.**Welfare plan consulting:** 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurer, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plan, claims management system consulting and claims management audits.**Communication consulting:** 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.**Locations:** Atlanta; Burlington, Mass.; Charlotte, N.C.; Cincinnati; Cleveland; Dallas; Houston; Orlando, Fla.**Staff:** 160 total employees; 20 professionals, including two CEBS, two CLUs, one attorney.**Clients:** 140 clients; 75% with more than 500 employees; 25% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 50 employees.**Compensation:** By administrative fee.**1983 gross revenues:** \$5 million.
Principal officers: Carmon E. Cobe, chairman; W.R. Perkins, president; E.A. Hightower, vp; C. Jeffrey Wintersteller, vp/secretary; Cathy Dawson, Marie Bricker, assistant vps.**F****Financial Guardian Inc.**3100 Broadway, Kansas City, Mo.
64111; 816-561-8630**Year founded:** 1970.**Parent company:** Financial Guardian Group Inc.**Services provided:** 91% of gross revenues from benefit consulting, 9% of gross revenues from activities other than benefit consulting.**Retirement plan consulting:** 3% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, actuarial services provided through joint venture Byerly-Roeder & Co.**Welfare plan consulting:** 84.5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, cost-containment programs, claims administration audits.**Communication consulting:** 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.**International benefits consulting:** 2.5% of business. Includes consulting from the United States.**Compensation consulting:** 5% of business. Includes executive incentive, other executive perks.**Locations:** Denver (Byerly & Co. Inc.); New York; Hinsdale, Ill.; Troy, Mich.; St. Louis; San Jose, Calif.; Wichita, Kan.; Phoenix, Ariz.; Des Moines, Iowa; Cheyenne, Wyo. (Byerly & Co. Inc. of Wyoming).**Staff:** 73 total employees; 39 professionals, including five FSAs, four MBAs, two CEBS, four CLUs, one attorney.**Clients:** 1,550 total clients; 10% with more than 500 employees, 90% with fewer than 500; 85% corporations, 15% multiemployer plans; no minimum size client.**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$80-\$180; junior consultant, \$40-\$80; clerical, \$20-\$40.**1983 gross revenues:** \$3.77 million.**Principal officers:** Lee Beets, chairman/chief executive officer; Donald R. Weber, president; Robert Byerly, executive vp/director-employee benefits division; Robert Morehead, executive vp of Byerly & Co. Inc.**First National Retirement Services Inc.**1200 N. State St., Suite 300,
Chicago, Ill. 60611; 312-751-2444**Year founded:** 1969.**Parent company:** American Heritage Investment Co.**Services provided:** 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than benefit consulting.**Retirement plan consulting:** 90% of business. Includes plan design consulting, record-keeping work for defined contribution plans, record-keeping and administrative systems consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.**Compensation consulting:** 10% of business. Includes executive incentive, other executive perks, wage and salary administration.**Staff:** 40 total staff members; seven professionals, including three MBAs, two CLUs and one actuary.**Clients:** 120 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 75% corporations, 20% multiemployer plans, 5% individuals; minimum size client, five employees.**Compensation:** By the project; commissions for insurance placed with underwriters.**1983 gross revenues:** \$6 million.**Principal officers:** William H. Righter, president; Greg Honcharevich, Frank McGrath, vps; Neal J. Andersen, vp-sales.**Fitness Monitoring Inc.**Highway 50E, Lake Geneva, Wis.
53147; 414-248-8099**Year founded:** 1980.**Parent company:** Edusystems Inc.**Services provided:** 100% of gross revenues from executive physical exam programs.**Staff:** 15 total employees; six professionals, including two MBAs, one Ph.D., two physicians, two RNs.**Clients:** 200 clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 35% corporations, 25% multiemployer plans, 40% individuals; no minimum size client.**Compensation:** Per person; by the hour, senior consultant, \$50.**Locations:** Rolling Meadows, Ill.**1983 gross revenues:** \$500,000.
Principal officers: Bill Turner, president; Barbara Turner, vp; Buck Carper, general manager; Marlow Garvin, marketing director.**Fortune & Co./Risk Managers Inc.**7933-A State Line Road, Box 8643,
Kansas City, Mo. 64114;
816-444-6855**Year founded:** 1978.**Services provided:** 15% of gross revenues from benefit consulting, 85% of gross revenues from activities other than benefit consulting.**Welfare plan consulting:** 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.**Communication consulting:** 10% of business. Includes general consulting on communications programs.**Staff:** Three total staff members; two professionals, including two CPCUs, one CLU, one ARM.**Clients:** 25 clients; 4% with more than 500 employees, 96% with fewer than 500 employees; no minimum size client.**Compensation:** By the project; on retainer; by the hour.**1983 gross revenues:** \$125,000.**Principal officers:** David E. Fortune, president; Burton Selfridge Jr., vp.**Robert E. French Insurance Services Inc.**15236 Transistor Lane, Huntington
Beach, Calif. 92649; 714-895-4442**Year founded:** 1981.**Services provided:** 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than consulting.**Welfare plan consulting:** 100% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.**Staff:** Four total staff members; four professionals, including one CLU, one CPCU.**Clients:** 200 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 80% corporations, 10% multiemployer plans, 10% individuals; no minimum size client.**Compensation:** Commissions for insurance placed with underwriters; fees.**1983 gross revenues:** Not reported.**Principal officers:** Robert E. French, president; Timothy Beck, vp.**Fringe Benefit Review Inc.**Box 221169, Charlotte, N.C. 28211;
704-366-7453**Year founded:** 1979.**Services provided:** 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than benefit consulting.**Retirement plan consulting:** 3% of business. Includes selection of funding media consulting.**Welfare plan consulting:** 90% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, claims administration.**Communication consulting:** 2% of business. Includes general consulting on communications programs, booklet preparation.**Compensation consulting:** 5% of business. Includes executive incentive, employee incentives.**Staff:** 20 total staff members; three professionals, including two CLUs, one RN.**Clients:** 150 total clients; 10% with more than 500 employees, 90% with fewer than 500; 100% corporations; minimum size client, 25 employees.**Compensation:** By the project.**1983 gross revenues:** \$700,000.
Principal officers: F. Richard Atkinson, W. James Michelsen, senior partners.**G****Glenn, Nyhan & Associates**55 New Montgomery St., San
Francisco, Calif. 94105;
415-777-2341**Year founded:** 1980.**Parent company:** BEA Associates.**Services provided:** 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.**Retirement plan consulting:** 10% of business. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.**Welfare plan consulting:** 80% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims management system consulting and claims management audits.**Communication consulting:** 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.**Compensation consulting:** 5% of business. Includes executive perks.**Other consulting services:** Key man, non-qualified plans.**Staff:** 25 total staff members; 10 professionals, including one MBA, one CLU, two attorneys, one CPA, one CPCU.**Clients:** 35% with more than 500 employees, 65% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; no minimum size client, 50 employees.**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100-\$125; junior consultant, \$65-\$85.**1983 gross revenues:** \$900,000.
Principal officers: Paul E. Dorroh, vice chairman/chief executive officer; Bartholomew G. Nyhan, president; Ronald W. Shepherd, Rich E. Glenn Jr., executive vps; John Norris, John Dorsett, vps.**H****Frank B. Hall Consulting Co.**261 Madison Ave., New York, N.Y.
10016; 212-922-1300**Year founded:** 1980.**Parent company:** Frank B. Hall & Co. Inc.**Services provided:** 100% of gross revenues from benefit consulting.**Retirement plan consulting:** 25% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.**Welfare plan consulting:** 63% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, cost containment.**Communication consulting:** 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovi-

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sual program preparation.

International benefits consulting: 5% of business. Includes consulting via overseas branch offices, via overseas correspondents.

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

Locations: Montgomery, Ala.; Anchorage and Fairbanks, Alaska; Fresno, Los Angeles, Newport Beach, Oakland, Salinas, San Francisco, Walnut Creek, Calif.; Denver; Hartford, Conn.; Jacksonville, Coral Gables, Miami Shores, Orlando, Fla.; Atlanta; Honolulu; Chicago, Des Plaines and Oak Brook, Ill.; Cedar Rapids, Iowa; New Orleans; Boston; Detroit; St. Louis; Las Vegas, Nev.; Morristown, N.J.; Garden City New York, White

Plains, N.Y.; Cleveland, Columbus, Youngstown, Ohio; Tulsa, Okla.; Portland, Ore.; Philadelphia; Pittsburgh; Providence, R.I.; Dallas; Houston; San Antonio, Texas; Salt Lake City; Seattle; Milwaukee; San Juan, Puerto Rico.

Staff: 400 total staff; 300 total professional staff (overseas personnel excluded), including 10 FSAs, 10 ASAs, 15 MBAs, 10 CEBS, 35 CLUs, 10 attorneys, two Ph.D.s, one doctor of theology, two FSPAs, three MSPAs, two ARMs, two CPCUs, 25 enrolled actuaries, 30 NASD registered principals and representatives.

Clients: 3,700 total clients (overseas clients excluded); 60% with more than 500 employees, 40% with fewer than 500 employees; 99% corporations, 1% multiemployer plans;

no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$130-\$185; junior consultant, \$70-\$95; clerical, \$30-\$50 (overseas rates excluded).

1983 gross revenues: \$31.5 million, excludes overseas business.

Principal officers: Robert M. Adams, president; M. Daniel Andrain, David F. Burkstaller, Richard I. Citron, Jack W. Giddens, Michael J. Reynolds, John E. Vaught, executive vps.

A.S. Hansen Inc.

1080 Green Bay Road, Lake Bluff, Ill. 60044; 312-234-3400

Year founded: 1930.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 45% of business is basic consulting, 33% actuarial work and 2% of business is executive plans. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administrator consulting, selection of funding media consulting, asset accumulation/investment consulting, pension investment policy, manager selection, performance measurement.

Communication consulting: 10% of business. Includes general

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

Compensation consulting: 10% of business. Includes executive incentive, other executive perks, wage and salary administration, sales incentive programs.

Locations: Atlanta, Columbus, Ga.; Dallas; Denver; Fort Worth, Texas; Houston; Chicago; Los Angeles; Memphis, Tenn.; Milwaukee; New Orleans; New York; San Francisco; Tampa, Fla.; Washington; Wichita, Kan.; White Plains, N.Y.; Toronto.

Staff: 600 total employees; 200 professionals.

Clients: 2,500 total clients.

Compensation: By the hour, from \$35 to \$195; average billing rate, \$70.

1983 gross revenues: \$46 million.

Principal officers: William Bret, chairman; Larry M. Fisher, president.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2300

Parent company: Hay Associates.

Year founded: 1911.

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

Retirement plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

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

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

grams, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: Includes executive incentive, other executive perks, wage and salary administration.

Locations: Boston; New York; Washington; Atlanta; San Francisco.

Staff: 100 total employees; 60 professionals, including 25 FSAs, five ASAs, 10 MBAs, five CEBS, two attorneys.

Clients: 700 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 80% corporations, 15% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the hour, senior consultant, \$120; junior consultant, \$80; clerical, \$40.

1983 gross revenues: \$10 million.

Principal officers: Kenneth P. Shapiro, president; Leonard Zimmerman, executive vp; Jack Thompson, senior vp/chief actuary; David L. Hewitt, Michael Mudry, senior vps.

Herget & Co. Inc.

204 E. Lombard St., Baltimore, Md. 21202; 301-539-3500

Year founded: 1949.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 66% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 17% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the

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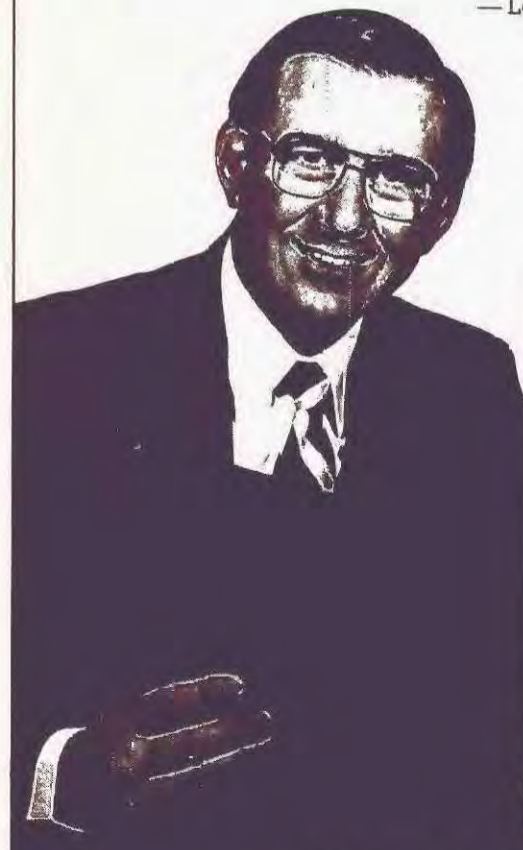
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100 W. Plainfield Rd. Suite 106, Countryside, IL 60525

Continued from facing page insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans.

Communication consulting: 11% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Compensation consulting: 6% of business. Includes executive incentive, other executive perks, wage and salary administration.

Locations: Pittsburgh; Fort Lauderdale, Fla.

Staff: 76 total staff members; 28 professionals, including four FSAs, two ASAs, one MBA, two CEBS, one CLU, five enrolled actuaries.

Clients: 1,500 total clients; 11% with more than 500 employees, 89% with fewer than 500; 96% corporations, 4% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant, \$125; junior consultant, \$85; clerical, \$25.

1983 gross revenues: \$4 million.

Principal officers: Charles E. Herget Jr., chairman/chief executive officer; Thomas J. Egan Jr., president-actuarial, benefits and compensation consulting division; C. Richard Donovan, senior vp; Morton A. Kesler, vp-finance and administrative services.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000

Year founded: 1940.

Services provided: 85% of gross revenues from benefit consulting; 15% of gross revenues from activities other than benefit consulting.

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

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims management consulting.

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

International benefits consulting: Includes consulting from the United States and consulting by affiliated firm, MPA (International) Ltd., in London. MPA has seven offices in the United Kingdom and seven offices around the world.

Compensation consulting: Executive incentives, other executive perks, wage and salary administration, performance appraisal.

Locations: Atlanta; Boston; Chicago; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Newport Beach, Calif.; Phoenix; Rowayton, Conn.; San Francisco; Toronto. Tampa, Fla., and St. Louis offices to open in early 1984.

Staff: 850 total staff members; including 65 FSAs, 46 ASAs, 72 MBAs, four CLUs, 22 attorneys.

Clients: 2,670 total clients; 95% with more than 500 employees, 5% with fewer than 500; 99% corporations, 1% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant, \$212; junior consultant, \$60.

1983 gross revenues: \$60 million.

Principal officers: Peter E. Friedes, chief executive officer.

Human Resources Management Group

1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000

Parent company: Alexander & Alexander Services Inc.

Year founded: 1898.

Services provided: 75% of gross revenues from benefit consulting; 25% of gross revenues from activities other than benefit consulting.

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

Welfare plan consulting: 40% of business. Includes plan design

Continued on next page

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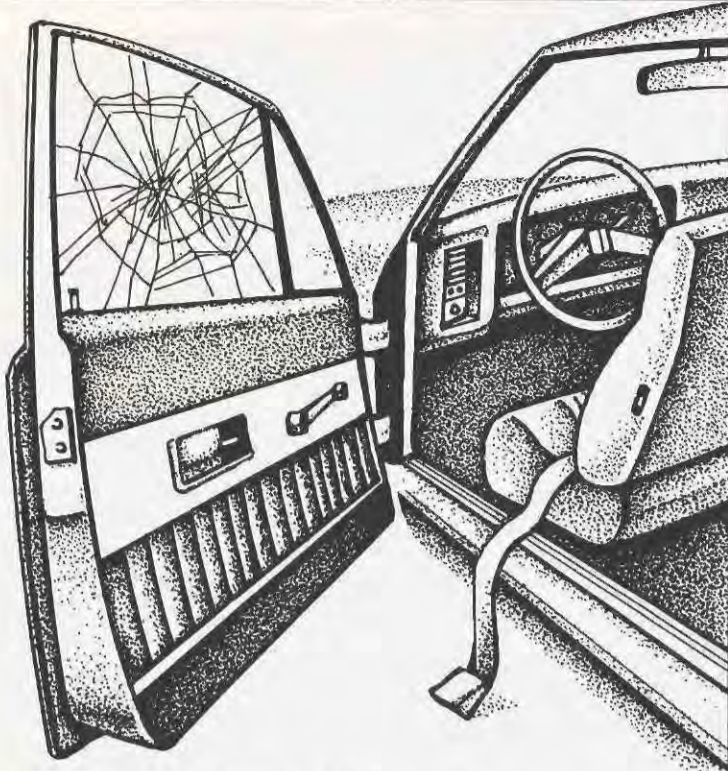
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11933 Westline Drive, St. Louis, MO 63141, 314/878-3306

Continued from previous page
consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, health care cost-containment services.

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

International benefits consulting: 2% of business. Via overseas branch offices, via overseas correspondents, from the United States.

Compensation consulting: 8% of business. Includes executive incentive, other executive perks, wage and salary administration, organizational planning and analysis.

Locations: Throughout the United States.

Staff: 742 total employees; more than 300 professionals, includes 30 FSAs, 30 ASAs, 12 MBAs, seven CEBS, 35 CLUs, four attorneys, one ChCF.

Clients: More than 5,000 clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$150-\$200; junior consultant, \$40-\$60.

1983 gross revenues: More than \$60 million.

Principal officers: Joseph J. Stahl II, director-Human Resource Management; A.M. D'Alessandro, E.W. Teal, J. Wilkinson, J.R. Zatto, senior vps; E.J. Rudzinski, vp.

J

Fred S. James & Co. Inc./James Benefits

2614 S. 1935 West, Salt Lake City, Utah 84119; 801-973-7300

Year founded: 1858.

Parent company: Transamerica Corp.

Services provided: 68% of gross revenues from benefit consulting, 32% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 6% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 78% of business. Includes plan design consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, client in-house claim administration.

Communication consulting: 3% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

International benefits consulting: 7% of business. Includes consulting via overseas branch offices, via overseas correspondents, reinsurance, captives.

Compensation consulting: 3% of business. Executive incentives, other executive perks.

Other consulting services: 3% cost-containment consulting.

Locations: 44 benefits consulting offices in the United States; main offices in Salt Lake City, New York and Chicago; overseas offices in England, France, Australia, Switzerland, Greece and West Germany.

Staff: 850 total staff members; 175 professionals, including eight FSAs, three ASAs, 12 MBAs, four CEBS, eight CLUs, eight CPAs.

Clients: 2,500 total clients; 20% with more than 500 employees, 80% with fewer than 500; 91% corporations, 7% multiemployer plans, 2% individuals; minimum size client, 10 employees.

Compensation: By the project; commissions for insurance placed

with underwriters; on retainer; by the hour, senior consultant, \$125; junior consultant, \$65; clerical, \$28.

1983 gross revenues: \$41 million.

Principal officers: Richard J. Galbraith, president; Louis D. Kinney, senior executive vp; R. Sterling Spafford, executive vp-marketing; E. Drew Crowley, senior vp-research and development; L. Carvel Whiting, senior vp-data processing; Lane A. Summerhays, chief financial officer.

Johnson & Higgins

95 Wall St., New York, N.Y. 10005; 212-701-7500

Year founded: 1845.

Services provided: 24.1% of gross revenues (for 1982) from benefit consulting, 75.9% of revenues from activities other than benefit consulting.

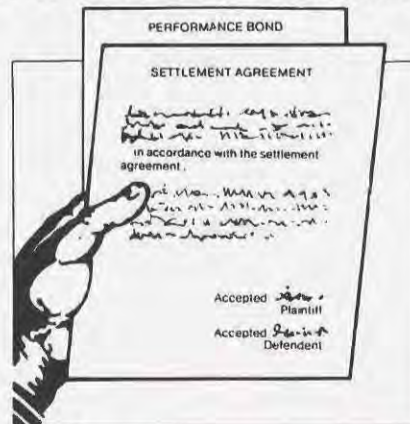
Retirement plan consulting: Plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting (through J&H Equity subsidiary), pension plan liability and asset management (deterministic and stochastic forecasting), GIC bidding.

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, variable benefit study and implementation.

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

Continued on facing page

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International benefits consulting: Consulting via overseas branch offices, via overseas correspondents, from the United States.

Compensation consulting: Done through Sibson & Co. Inc. Includes executive incentive, other executive perks, wage and salary administration, sales incentive program.

Locations: Atlanta; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Costa Mesa, Calif.; Dallas; Denver; Detroit; Hartford, Conn.; Honolulu; Houston; Los Angeles; Louisville, Ky.; Miami; Minneapolis; Nashville, Tenn.; New Orleans; Parsippany, N.J.; Philadelphia; Phoenix, Ariz.; Pittsburgh; Portland, Maine; Portland, Ore.; Richmond, Va.; Riverside, Calif.; St. Louis; San Diego; San Francisco; Seattle; Stamford, Conn.; Tulsa, Okla.; Washington; Wilmington, Del.; and Calgary and Edmonton, Alberta; Halifax, Nova Scotia; Montreal; Quebec; Toronto; Vancouver, British Columbia; Winnipeg, Manitoba.

Staff: 790 total employees; 550 professionals, including 62 FSAs, 50 ASAs, 90 MBAs, 18 CEBS, 44 CLUs, 15 attorneys, 75 NASD registered representatives.

Clients: Not reported.

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

1983 gross revenues: Not reported.

Principal officers: Kenneth K. Keene, Thomas G. Patzau, senior vps/directors.

Johnson Insurance Associates

P.O. Box 6043, 14 Droningens Gade, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00801; 809-776-3176/775-1581

Year founded: 1981.

Services provided: 55% of gross revenues from benefit consulting; 45% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 25% of business. Includes plan design consulting, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 65% of business. Plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.

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

International benefit consulting: 5% of business. Consulting from U.S. Virgin Islands.

Compensation consulting: Medical reimbursement plans and deferred compensation plans.

Other consulting: Cost-containment programs for medical benefits and disability benefits.

Locations: Cowpet Bay West, St. Thomas, U.S. Virgin Islands.

Staff: Three total employees; two professionals.

Clients: 300 clients; 0.5% with more than 500 employees, 95.5% with fewer than 500 employees; 10% corporations, 65% multiemployer plans, 25% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$65-\$90; junior consultant, \$30-\$50; clerical, \$25.

1983 gross revenues: Less than \$200,000.

Principal officers: James W. Johnson, JoAnne Johnson, principals.

Albert C. Jones, New England Inc.

P.O. Box 281, Hanover, N.H. 03755; 603-643-3904

Year founded: 1977.

Services provided: 25% of gross revenues from benefit consulting, 75% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 20% of business. Includes plan design consulting, record-keeping and administration systems consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 65% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.

Communication consulting: 10% of business. Includes general

consulting on communications programs, booklet preparation, audiovisual program preparation.

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

Compensation consulting: 4% of business. Includes executive incentive, other executive perks.

Staff: Seven total staff members, four professionals, including one MBA, three CLUs, one ChFC, two CICs, one CPCU.

Clients: 40 total clients; 40% with more than 500 employees, 60% with fewer than 500; 90% corporations, 10% multiemployer plans; minimum size client, 50 employees.

Compensation: By the hour, senior consultant, \$50; junior consultant, \$40; clerical, \$20.

1983 gross revenues: \$275,000.

Principal officers: Jane Y. Bastalis, president; Albert C. Jones, treasurer.

K

The Kooper Group

666 Fifth Ave., New York, N.Y. 10019; 212-246-2188

Year founded: 1968.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 95% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, claims administration by The NBA Group.

Other consulting services: 5% of business. Individual life and health insurance.

Locations: East Orange, N.J.

Staff: 10 total staff members; three professionals, including one CEBS, one CLU, one attorney.

Clients: 250 total clients; 33.3% with more than 500 employees; 95% corporations, 5% individuals; minimum size client, 10 employees.

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

1983 gross revenues: \$750,000.

Principal officers: Michael Kooper, president; Michael D. Rockman, vp; Gloria Solomon, consultant.

Kwasha Lipton

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

Year founded: 1944.

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

Retirement plan consulting: 70% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration.

Continued on next page

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 tration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans, benefits programs, including FSAs.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 5% of business. Consulting via overseas correspondents, from the

United States.

Compensation consulting: 5% of business. Includes executive incentive, other executive perks, wage and salary administration, job evaluation, performance appraisal.

Staff: 240 total employees; 190 professionals, including 25 FSAs, 22 ASAs, six MBAs, three attorneys, three FCAs, 12 FCAs, 13 MCAs, 32 MAAs, one ACAS.

Clients: 425 clients; 95% with more than 500 employees, 5% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour.

1983 gross revenues: Not reported.

Principal officers: Dick Sears, chief executive partner; David Skovron, chief operating partner.

M

Mass Insurance Consultants & Administrators Inc.

209 S. LaSalle St., Chicago, Ill. 60604; 312-346-2626

Year founded: 1952.

Services provided: 5% of gross revenues from benefit consulting, 95% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 4% of business. Includes plan design consulting, insurer/broker selection consulting, claims administration by company.

Communication consulting: 1% of business. Includes general consulting on communications programs, booklet preparation.

Other consulting services: Administration of employee benefit programs.

Staff: 150 total staff members; 16 professionals, including two MBAs, one CEBS, four CLUs, one FLMI, one PE, one CMC, two CPAs, four CPCUs.

Clients: 41 total clients (based on associations equals one client); 75% with more than 500 employees, 25% with fewer than 500; 70% corporations, 30% individuals; minimum size client, 50 employees.

Compensation: By the project; by the hour, senior consultant, \$50-\$75; junior consultant, \$30; clerical, \$10.

1983 gross revenues: \$5 million.

Principal officers: Edward E. Mack III, vice chairman/chief executive officer; Robert J. Cardinal, president/chief operating officer; Thomas J. O'Neill, Kenneth Kri-spin, Richard Swanson, vps.

Meidinger Inc.

2600 Meidinger Tower, Louisville, Ky. 40202; 502-561-4500.

Year founded: 1936.

Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution systems, record-keeping and administrative systems consulting, plan/trust legal document drafting,

selection of funding media consulting, asset accumulation/investment consulting, actuarial modeling.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, claims administrator, by Meidinger in Cleveland, actuarial administration of self-insured plans.

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

International consulting: 3% of business. Includes consulting via overseas correspondents, from the United States.

Compensation consulting: 3% of business. Includes executive incentives, other executive perks, wage and salary administration.

Other consulting services: 10% of business. Includes health management.

Locations: Atlanta; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Dallas; Houston; Indianapolis; Kansas City, Mo.; Memphis, Tenn.; New York; Milwaukee; Minneapolis; Philadelphia; Pittsburgh; Richmond, Va.; Rowayton, Conn.; St. Louis; Washington.

Staff: 650 total staff members; 300 professionals, including 31 FSAs, 37 ASAs, six CEBS, 16 CLUs, 21 attorneys five CPAs, four Ph.D.s.

Clients: 2,500 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project; by the hour.

1983 gross revenues: \$40 million.

Principal officers: Douglas D. Stenger, chairman; Frank Peabody III, president; Timothy Lynch, William B. Alexander, executive vps.

William M. Mercer Inc.

1211 Ave. of the Americas, New York, N.Y. 10036; 212-997-7171

Year founded: 1937.

Parent company: Marsh & McLennan Cos. Inc.

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

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

Welfare plan consulting: Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, health care cost management.

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

International benefits consulting: Includes consulting via overseas branch offices, overseas correspondents and from the United States.

Compensation consulting: Includes executive incentive, other executive perks, wage and salary administration, performance appraisal systems.

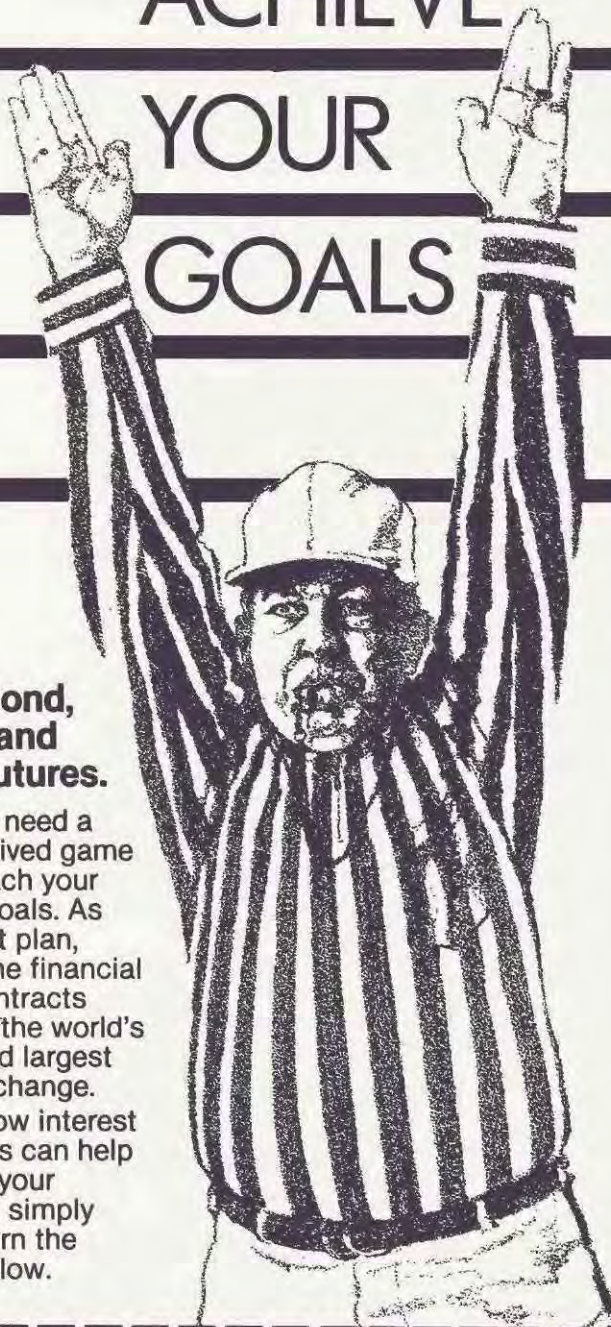
Locations: Albuquerque, N.M.; Anchorage, Alaska; Atlanta; Baltimore; Boston; Buffalo, Rochester, N.Y.; Charlotte, N.C.; Chicago; Cleveland; Columbus, Ohio; Dallas/Fort Worth, Texas; Detroit; Fresno, Calif.; Greenville, S.C.; Houston; Kansas City, Mo.; Las Vegas, Nev.; Louisville, Ky.; Memphis, Nashville, Tenn.; Minneapolis; Morristown, Orange, N.J.; Philadelphia; Phoenix, Ariz.; Pittsburgh; Portland, Ore.; Richmond, Va.; St. Louis; San Francisco; Seattle; Stamford, Conn.; Tampa, Fla.; Washington; Calgary, Edmonton, Alberta; Halifax, Nova Scotia; London, Ontario; Montreal; Ottawa; Quebec; Saskatoon, Saskatchewan; St. John's, New Brunswick; Toronto; Vancouver, British Columbia; Winnipeg, Manitoba; plus 21 locations worldwide.

Staff: 1,913 total staff members; 750 professionals, including 177 FSAs, 100 ASAs, 25 attorneys, 10 MLSS.

Clients: 8,000 total clients; 40% with more than 500 employees, 60% with fewer than 500; 95% corporations, 5% multiemployer plans, less

Continued on facing page

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than 1% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, \$65-\$250 per hour.

1983 gross revenues: \$120 million (1982), which represents the separation Marsh & McLennan Group Associates Inc. from William M. Mercer Inc.

Principal officers: John G. Ireland, chairman; Diljit S. Juneja, president; Barnet N. Berin, managing director-professional standards; Carson E. Beadle, managing director-practice development; Ronald M. Walker, managing director-professional development; David F. Howe, managing director/head of Eastern region; Philip E. Carlin, managing director/head of Western region; Robert A. Brochu, managing director/president-William M. Mercer Ltd. (Canada); Donald E. Boden, managing director/head of international region.

Midwest Benefits Corp.

22255 Greenfield, Southfield, Mich.
48075; 313-569-9700

Year founded: 1972.

Services provided: 60% of gross revenues from benefit consulting, 40% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 90% of business. Includes plan design consulting, insurer/broker selection consulting, broking the insurance to insurers, claims administration.

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

Compensation consulting: 5% of business. Executive incentives, other executive perks.

Locations: Grand Rapids, Mich.; Chicago.

Staff: 45 total staff members; five professionals, including one FSA, one CLU.

Clients: Total clients not reported; 90% with more than 500 employees, 10% with fewer than 500; 100% corporations; minimum size client, 50 employees.

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

1983 gross revenues: \$1.5 million.

Principal officers: Frank P. Spadafore, president; Ron Klein, Michael Zuzenak, Larry Ostling, vps.

Miller Mason & Dickenson Inc.

2227 Bryn Mawr Ave., Philadelphia, Pa. 19131; 215-879-6300

Year founded: 1960.

Services provided: 97% of gross revenues from benefit consulting, 3% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 46% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 35% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers.

Communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 2% of business. Includes consulting via overseas correspon-

dents, from the United States.

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

Locations: Chicago; Dallas; Albuquerque, N.M.

Staff: 110 total staff members; 60 professionals, includes three FSAs, five ASAs, five MBAs, three CEBS, two CLUs, 20 EAs.

Clients: 400 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 99% corporations, 1% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, \$100-\$175; junior consultant, \$50-\$90; clerical, \$25-\$40.

1983 gross revenues: \$6 million.

Principal officers: Melville P. Dickenson, chairman; Richard A. Scott, president; Ernest M. Thompson, Roger Marietti, vps; Harvey Kesselman, James Callahan, senior actuaries; John McCue, senior consultant.

Milliman & Robertson

1301 Fifth Ave., Seattle, Wash.
19101; 206-624-7940

Year founded: 1947.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than consulting.

Retirement plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping work for defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 34% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: 2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 2% of business. Includes consulting from the United States.

Compensation consulting: 2% of business. Executive incentives, other executive perks.

Locations: Atlanta; Albany, N.Y.; Chicago; Dallas; Denver; Hartford, Conn.; Houston; Indianapolis; Milwaukee; Minneapolis; New York; Omaha, Neb.; Los Angeles; Philadelphia; Phoenix, Ariz.; Portland, Ore.; San Francisco; Washington.

Staff: 400 total staff members; 170 professionals, including 115 FSAs, 40 ASAs.

Clients: Not reported.

Compensation: By the hour, senior consultant, \$125-\$200; junior consultant, \$65-\$100; clerical, \$20-\$35.

1983 gross revenues: Not reported.

Principal officers: James A. Curtis, chairman and chief executive officer; Allan D. Affleck, director of life insurance; Fenton R. Isaacson, director of pensions; George L. Berry, director of health insurance; James R. Berquist, director of casualty insurance; William R. Fleckenstein, financial vp.

H.D. Morgan & Associates

2 N. Riverside Plaza, Suite 840,
Chicago, Ill. 60606; 312-648-7433

Year founded: 1979.

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

Retirement plan consulting: 90% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration

consulting, selection of funding media consulting, technical support for affiliated consultants.

Welfare plan consulting: 3% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, actuarial evaluation of self-funded plans.

Communication consulting: 7% of business. General consulting on communications programs, benefit statement preparation, booklet preparation.

Staff: One professional with an FSA; affiliations with other firms expands total staff to 12.

Clients: Total clients not reported; 10% with more than 500 employees, 90% with fewer than 500; 95% corporations, 5% multiemployer plans; no minimum size client.

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

1983 gross revenues: Not reported.

Principal officer: Harry D. Morgan.

N

New York Claim Administrators

2525 One Marine Midland Center,
Buffalo, N.Y. 14203; 716-856-6592

Year founded: 1983.

Parent company: E.T. Danahy.

Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than consulting.

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

Staff: 10 total staff members; four professionals, including two MBAs, one attorney.

Clients: 175 total clients; 5% with more than 500 employees, 95% with fewer than 500; 100% individuals; minimum size client, 50 employees.

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

1983 gross revenues: Not reported-new company.

Principal officers: Ronald K. Zoeller, president; E. Timothy Danahy III, vp.

O

Olliver/Pilcher Insurance Inc.

6150 N. 16th St., Phoenix, Ariz.
85016; 602-277-5703

Year founded: 1907.

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

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

Communication consulting: 5% of business. General consulting on communications programs.

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

Locations: 10 branches in Arizona.

Staff: Eight total employees (in employee benefits); 3 professionals, including two CLUs.

Clients: 400 clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project;

commissions for insurance placed with underwriters; by the hour, senior consultant, \$120; junior consultant, \$90; clerical, \$40.

1983 gross revenues: Not reported.

Principal officers: Steve Lindstrom, vp; Bill Gabbert, manager.

P

Pension Planning Co. Inc.

355 Lexington Ave., New York, N.Y.
10017; 212-867-4100

Year founded: 1945.

Parent company: Republic Hogg Robinson.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 80% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 10% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims management system consulting and claims management audits, actuarial evaluation of self-insured plans.

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

International benefits consulting: 3% of business. Includes consulting via overseas correspondents.

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

Staff: 40 total staff members; 23 professionals, including one FSA, four ASAs, two MBAs, one attorney.

Clients: 400 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 95% corporations, 4% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, \$100-\$185; junior consultant, \$80-\$100; clerical, \$30.

1983 gross revenues: Not reported.

Principal officers: James Kahn, president; Donald A. Lockwood, executive vp/actuary; Robert Hruska, Paul D. Robinson, Thomas Mitchell, vps/actuaries; Grant Dougherty, vp.

R

Reed Stenhouse

P.O. Box 250, Toronto-Dominion Centre, Toronto, Ontario M5K1J5;
416-868-5500

Year founded: 1880.

Parent company: Reed Stenhouse Cos. Ltd.

Services provided: 80% of gross revenues from benefit consulting, 20% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 38% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 39% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration.

Communication consulting: 2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 10% of business. Includes consulting via overseas branch offices, from the United States.

Compensation consulting: 8% of business. Includes executive incentive, other executive perks.

Other consulting: 19% of business. Includes personal financial planning, individual life insurance and investment advice, ordinary life.

Locations: More than 180 offices worldwide.

Staff: 563 total staff members; 213 professionals, including 22 FSAs, six ASAs, eight MBAs, 10 CEBS, eight CLUs, one attorney.

Clients: Number of clients not reported; 86% corporations, 4% multiemployer plans, 10% individuals; no minimum size client.

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

1983 gross revenues: \$32.1 million.

Principal officers: P.J. Desmarais, president (Canada); John D. Loudon, chairman (United Kingdom); B.J. Willats, deputy chairman (United Kingdom); R.J. Crabb, executive director (Australia); J.E. Stone, senior vp (United States).

Risk Planning Group Inc.

722 Post Road, Darien, Conn.
06820; 203-655-9791

Year founded: 1970.

Services provided: 6% of gross revenues from benefit consulting, 94% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 30% of business. Includes plan design consulting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, second opinions with actuarial assumptions, valuation reports.

Welfare plan consulting: 67% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, assistance with cost containment in health care programs, governmental pooling studies.

Communication consulting: Service available through associate consultant.

International benefits consulting: 3% of business. Includes assistance in feasibility analysis, design and development of captive insurance company-funded employee benefit programs.

Staff: 25 total staff members; 14 professionals, including eight MBAs, one CLU, one CPA, one enrolled actuary.

Clients: 110 clients; 85% with more than 500 employees, 15% with fewer than 500 employees; 99% corporations, 1% individuals; minimum size client, 10 employees.

Compensation: By the project; on retainer; by the hour, senior consultant, \$100-\$175; junior consultant, \$60-\$90.

1983 gross revenues: \$2.2 million.

Principal officers: H. Felix Kloman, president; B.M. Brown, M.J. Cole, D.H. Rosenbaum, R.D. Preston, W.R. Smith, T.J. Wander, vps.

Continued on next page

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Continued from previous page

S

Martin E. Segal Co.

730 Fifth Ave., New York, N.Y.
10019; 212-586-5600

Year founded: 1939.

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

Retirement plan consulting: 45% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, selection of funding media consulting, asset accumulation/investment consulting, actuarial forecasting.

Welfare plan consulting: 40% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, health care cost management, preferred provider organization consulting, claims audits.

Communication consulting: 5% of business. Includes general con-

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

International benefits consulting: 5% of business. Includes consulting via overseas branch offices in Canada, from the United States.

Compensation consulting: 5% of business. Executive incentives, other executive perks, wage and salary administration.

Locations: Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; Phoenix, Ariz.; San Francisco; Washington; Edmonton, Alberta; Toronto.

Staff: 490 total staff members; 370 professionals, including 12 FSAs, 19 ASAs, 20 MBAs, nine attorneys, two CPAs, two Ph.D.s.

Clients: 3,300 total clients; 85% with more than 500 employees, 15% with fewer than 500; 45% corporations, 55% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, \$100-\$200; junior consultant, \$40-\$100, includes clerical.

1983 gross revenues: Not reported.

Principal officers: Martin E. Segal, chairman; Robert D. Krinsky, president; Robert D. Paul, vice chairman; John F. Gentleman, Berton Jacobson, executive vps.

Self-Insured Plans

662 First Bank Drive, Palatine, Ill.
60067; 312-934-7772

Year founded: 1982.

Parent company: Claims Administration Services Inc.

Services provided: 85% of gross revenues from benefit consulting, 15% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 85% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration by Claims Administration Services Inc.

Communication consulting: 15% of business. Includes booklet preparation.

Staff: Nine total staff members; two professionals, including one CEBS, one attorney.

Clients: 50 total clients; 20% with more than 500 employees, 80% with fewer than 500; 100% corporations; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100; junior consultant, \$65; clerical, \$40.

1983 gross revenues: \$500,000.

Principal officers: Stephen F. Rasnick, president.

Donald Shaffer Associates Inc.

11 Grace Ave., Great Neck, N.Y.
11021; 516-466-4642

Year founded: 1954.

Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 25% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting, termination benefits.

Welfare plan consulting: 45% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims advice.

Communication consulting:

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

Compensation consulting: 20% of business. Includes executive incentive, other executive perks, tax-sheltered programs, tax-advantageous programs.

Staff: Seven total staff members; five professionals, including two CLUs.

Clients: 200 total clients; 3% with more than 500 employees, 97% with fewer than 500; 75% corporations, 3% multiemployer plans, 22% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100; junior consultant, \$60; clerical, \$25.

1983 gross revenues: \$800,000.

Principal officers: Donald Shaffer, president; Ken Groves, general manager; Arlene Resnick, marketing manager; Olive Reid, office manager.

E.W. Siver & Associates Inc.

9400 Fourth St. N., St. Petersburg, Fla. 33702; 813-577-2780

Year founded: 1970.

Services provided: 25% of gross revenues from benefit consulting, 75% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 20% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans.

Compensation consulting: 5% of business. Executive incentives, other executive perks.

Staff: 16 total staff members; eight professionals, including three CLUs, two attorneys.

Clients: 75 total clients; 30% with more than 500 employees, 70% with fewer than 500; 60% corporations, 5% individuals, 25% government agencies; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, \$100; junior consultant, \$60; clerical, \$15.

1983 gross revenues: Not reported.

Principal officers: Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall, vp; Charlotte H. Steel, corporate secretary.

Southern Employee Communications

Box 7683-A, Birmingham, Ala.
35253; 205-870-3999

Year founded: 1971.

Parent company: Southern Production Cos. Inc.

Services provided: 25% of gross revenues from benefit consulting, 75% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 25% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting.

Communication consulting: 75% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, cost-containment program preparation.

Staff: Six total staff members, including two professionals.

Clients: 24 clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, \$100; junior consultant, \$50; clerical, \$20.

1983 gross revenues: Not reported.

Continued on facing page

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Continued from facing page

Principal officers: R. Craig Fulford, president; Kate C. Hawthorne, secretary/treasurer.

T

TIC International Corp.

3901 N. Meridian St., Suite 500, Indianapolis, Ind. 46208; 317-924-5311

Year founded: 1951.

Services provided: 20% of gross revenues from benefit consulting, 80% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 40% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting.

Welfare plan consulting: 50% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, broking the insurance to insurers, evaluation of other service providers, claims administration, actuarial evaluation of self-insured plans, claims management system consulting and claims management audits.

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

Locations: Akron, Cleveland, Mentor, Ohio; Birmingham, East Lansing, Mich.; Louisville, Ky.; Milwaukee; New York.

Staff: 200 total employees; seven professionals, including three FSAs, one attorney, one Ph.D., two CPAs.

Clients: 275 clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 90% multiemployer plans, 10% others; no minimum size client.

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

1983 gross revenues: \$8.2 million.

Principal officers: Ronald B. Woodard, president/chairman; Stephen E. Kraabel, executive vp/chief operating officer; John M. Meyer, vp/chief financial officer and secretary/treasurer.

Tillinghast, Nelson & Warren Inc.

Tower Place, 3340 Peachtree Road N.E., Atlanta, Ga. 30326; 404-261-5420

Year founded: 1945.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record-keeping work for defined contribution plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, selection of funding media consulting, asset accumulation/investment consulting.

Welfare plan consulting: 20% of business. Includes plan design consulting, selection of funding media consulting, insurer selection consulting, broking the insurance to insurers on a fee basis, evaluation of other service providers.

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

International benefits consulting: 10% of business. Includes consulting via overseas branch offices.

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

Other consulting: Life actuarial consulting, casualty actuarial consulting, risk management consulting.

Locations: Newton, Mass.; Chicago; Dallas; San Antonio, Fort Worth, Texas; Denver; Hartford, Conn.; Jacksonville, Fla.; Kansas City, Kan.; Los Angeles; New Orleans; New York; St. Louis; Hamilton, Bermuda; Toronto; London; Dublin, Ireland.

Staff: 340 total staff members; 170 professionals, including 58 FSAs, 20 ASAs, five CLUs.

Clients: Total clients not reported.

Compensation: By the hour, senior consultant, \$100 and up; junior consultant, \$40-\$100; clerical, \$20-\$40.

1983 gross revenues: \$30 million.

Principal officers: James C.H. Anderson, managing principal of firm; J. Russell Southworth, managing principal-employee benefits; Randall P. Mire, managing principal-life actuarial; W. James MacGinnitie, managing principal-casualty actuarial; George M. Betterley, managing principal-risk management; Henry K. Knowlton, managing principal-administration and finance.

Towers, Perrin, Forster & Crosby

600 Third Ave., New York, N.Y. 10016; 212-309-3400

Year founded: 1934.

Services provided: 70% of gross revenues from benefit consulting, 30% of gross revenues from activities other than benefit consulting.

Retirement plan consulting: 49% of business. Includes plan de-

sign consulting, actuarial work for defined benefit plans, record-keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, asset accumulation/investment consulting.

Welfare plan consulting: 7.5% of business. Includes plan design consulting, selection of funding media consulting, insurer/broker selection consulting, evaluation of other service providers.

Communication consulting: 8% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefits consulting: 6% of business. Includes consulting via overseas branch offices and from the United States.

Compensation consulting: 17% of business. Includes executive incentive, other executive perks, wage and salary administration.

Other consulting: General management and insurance consulting services through Cresap, McCormick & Paget division.

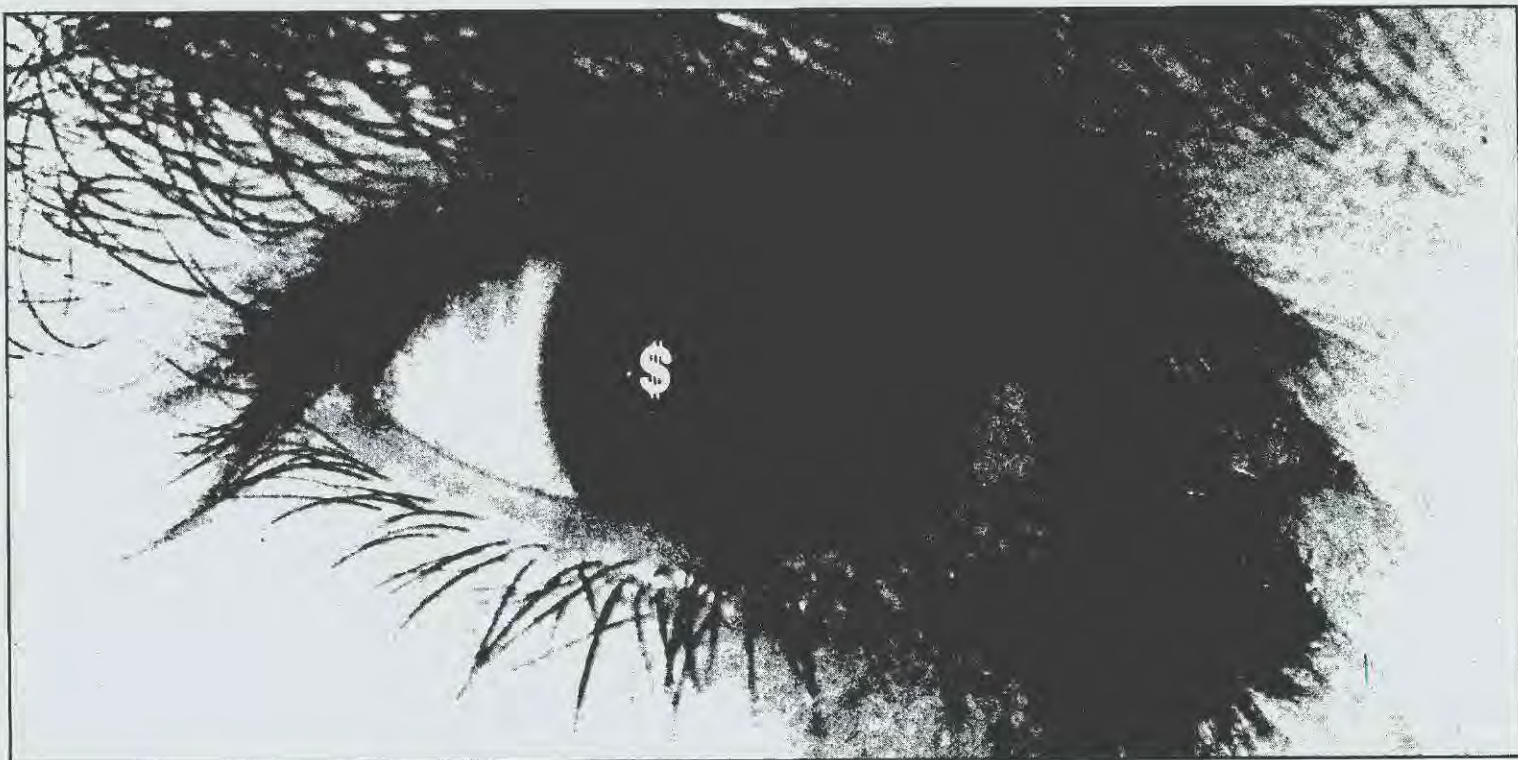
Locations: Atlanta; Boston; Chicago; Cleveland; Dallas; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Philadelphia; Pittsburgh; St. Louis; San Francisco; Seattle; Stamford, Conn.; Tampa, Fla.; Washington; Calgary, Alberta; Montreal; Toronto; Vancouver, British Columbia. Ten other offices throughout the world.

Staff: 2,000 total staff members; 1,300 professionals, including 185 FSAs, 90 ASAs.

Clients: 5,000 total clients; 100% corporations (includes non-profit organizations and government agencies); no minimum size client.

Compensation: By the hour.
1983 gross revenues: \$170 million.

Principal officers: Q.I. Smith,
Continued on next page



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Continued from previous page
chief executive officer/chairman;
J.E. Kielley, president; D.E. Sullivan,
vp-employee benefits; L.N. Margel,
chief actuary; C.F. Fretz, vp-human
resource services.

W

Scott Wetzel Services Inc.

P.O. Box 418, Bremerton, Wash.
9831C; 206-479-0200

Year founded: 1941.

Parent company: City Investing
Co.

Services provided: 90% of gross
revenues from benefit consulting,
10% of gross revenues from activities
other than benefit consulting.

Welfare plan consulting: 90%
of business. Includes in-house
claims administration, claims man-
agement system consulting and
claims management audits.

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

Locations: Anchorage and Ju-
neau, Alaska; Boise, Idaho; Boston;
Chicago; Cleveland; Dallas; Eng-
lewood, Colo.; Las Vegas and Reno,
Nev.; Los Angeles; New York;
Omaha, Neb.; Orange, Calif.; Phila-
delphia; Phoenix, Ariz.; Portland,
Ore.; Salt Lake City; San Francisco;
Seattle; Springfield, N.J.; Spokane
and Tacoma, Wash.; Tampa, Fla.;
Twinsburg, Ohio; Washington.

Staff: 430 total employees; 290

professionals, including two MBAs,
four attorneys, one CPA, two
CPCUs, two PEs, six CSPs, one
CIH.

Clients: 320 clients; 10% with
more than 500 employees, 90% with
fewer than 500 employees; 95% cor-
porations, 5% multiemployer plans;
minimum size client 75 employees.

Compensation: By the project.

1983 gross revenues: Not re-
ported.

Principal officers: E. Scott
Wetzel, president; D.W. Mulliner,
executive vp; Robert Spratt, Ken-
neth Rosser, senior vps; Myron Sol-
tau, vp-corporate services.

Williams, Thacher & Rand

7979 Old Georgetown Road, Suite
400, Bethesda, Md. 20814;
301-654-0505

Year founded: 1975.

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

Retirement plan consulting:
60% of business. Includes plan de-
sign consulting, actuarial work for
defined benefit plans, record-keep-
ing work for defined contribution
plans, record-keeping and adminis-
tration systems consulting, plan/trust
legal document drafting, plan admin-
istration consulting, selection of
funding media consulting.

Welfare plan consulting: 30%
of business. Includes plan design
consulting, selection of funding
media consulting, insurer selection
consulting, evaluation of other
service providers.

Communication consulting: 5%
of business. Includes general con-
sulting on communications pro-
grams, benefit statement prepara-
tion, booklet preparation, audiovi-
sual program preparation.

Compensation consulting: 5%
of business. Executive incentives,
other executive perks, wage and
salary administration and flexible
compensation.

Locations: Baltimore; New
York.

Staff: 33 total staff members; 22
professionals, including two FSAs,
six ASAs, one MBA, one attorney.

Clients: 350 total clients; 20%
with more than 500 employees, 80%
with fewer than 500; 100% corpora-
tions; no minimum size client.

Compensation: By the hour, se-
nior consultant, \$120-\$175; junior
consultant, \$75-\$110; clerical, \$25-
\$50.

1983 gross revenues: \$2.4 mil-
lion.

Principal officers: Charles G.
Thacher, Robert L. Williams,
Thomas O.S. Rand, principals.

Wittner, Hanahan & Peck Inc.

5999 Central Ave., St. Petersburg,
Fla. 33710; 813-384-3000

Year founded: 1980.

Services provided: 50% of gross
revenues from benefit consulting,
50% of gross revenues from activities
other than benefit consulting.

Welfare plan consulting: 90%
of business. Includes plan design
consulting, selection of funding
media consulting, insurer/broker
selection consulting, broking the
insurance to insurers, evaluation of
other service providers, claims ad-
ministration.

Communication consulting: 5%
of business. Includes general con-
sulting on communications pro-

grams, benefit statement prepara-
tion, booklet preparation, audiovi-
sual program preparation.

Compensation consulting: 5%
of business. Includes executive in-
centives, other executive perks,
wage and salary administration.

Staff: Eight total staff members;
four professionals.

Clients: 67 total clients; 10% with
more than 500 employees, 90% with
fewer than 500; 98% corporations,
2% multiemployer plans; minimum
size client, 100 employees.

Compensation: By the project.
1983 gross revenues: \$1.32 mil-
lion.

Principal officers: Ted P.
Wittner, chairman; James L. Hana-
han, president; John L. Peck, vp.

The Wyatt Co.

200 First National Building, Detroit,
Mich. 48226; 313-961-5485

Year founded: 1946.

Services provided: 96% of gross
revenues from benefit consulting,
4% of gross revenues from activities
other than benefit consulting. In-
formation applies only to U.S. oper-
ations only.

Retirement plan consulting:
75% of business. Includes plan de-
sign consulting, actuarial work for
defined benefit plans, record-keep-
ing work for defined contribution
plans, record-keeping and adminis-
tration systems consulting, plan ad-
ministration consulting, asset accu-
mulation/investment consulting.

Welfare plan consulting: 5% of
business. Includes plan design con-
sulting, selection of funding media
consulting, evaluation of other
service providers.

Communication consulting: 5%
of business. Includes general con-
sulting on communications pro-
grams, benefit statement prepara-
tion, booklet preparation, audiovi-
sual program preparation.

International benefits consult-
ing: 3% of business. Includes con-
sulting via overseas branch offices,
via overseas correspondents, from
the United States.

Compensation consulting: 8%
of business. Includes executive in-
centive, other executive perks,
wage and salary administration.

Other consulting services: 4%
of business. Risk management con-
sulting.

Locations: Atlanta; Boston; Chi-
cago; Cleveland; Dallas; Denver;
Fort Lee, N.J.; Grand Rapids,
Mich.; Honolulu; Houston; Los An-
geles; Memphis, Tenn.; Miami;
Minneapolis-St. Paul, Minn.; New
York; Orlando, Fla.; Philadelphia;
Phoenix, Ariz.; Portland, Ore.; San
Diego; San Francisco; Seattle;
Stamford, Conn.; Washington. Plus
six offices in Canada, two in Mex-
ico and 16 others worldwide.

Staff: 1,200 total employees; 700
professionals, including 140 FSAs,
112 ASAs, 25 attorneys.

Clients: More than 10,000 clients;
40% with more than 500 employees,
60% with fewer than 500 employ-
ees; 98% corporations, 2% multiem-
ployer plans; no minimum size cli-
ent.

Compensation: By the hour.
1983 gross revenues: \$100 mil-
lion (United States only).

Principal officers: J. Perham
Stanley, president (Detroit); V.
Clark Beard, vp/treasurer (Dal-
las); Michael H. Davis, vp (Boston);
John Hanson, vp (Chicago); Paul H.
Jackson, vp (Washington).

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Pennsylvania rates to fall

HARRISBURG, Pa.—Pennsyl-
vania workers compensation insur-
ance rates will decline 0.2% in 1984,
according to Anthony A. Gayelin,
the state's acting insurance com-
missioner.

The reduction will result in pre-
mium savings of approximately \$2
million for the state's 200,000 em-
ployers.

It is the fourth consecutive an-

nual reduction.

Since January 1980, workers
compensation insurers rates in
Pennsylvania have declined 14.6%,
which represents a \$186 million re-
duction in premiums the state's em-
ployers pay.

During the four years prior to
1980, Pennsylvania workers com-
pensation rates had increased al-
most 225%.

Coalitions continue to battle health costs

Continued from page 1
around the country.

Other coalitions believed to be among the most aggressive include those based in Kansas City, Los Angeles, San Diego, Chicago, Topeka, Kan., and Lake County, Ill., as well as statewide coalitions in Iowa, Utah and Maryland.

Some of the coalitions limit membership to private employers, but most of them permit some combination of hospitals, physicians, public employers, labor representatives and insurance companies to join as either full-fledged or advisory members.

A handful includes local politicians, government regulators and representatives from charitable organizations like the American Heart Assn. or the American Red Cross.

Although the nation's oldest coalition, established in Philadelphia, is only 7 years old, there are about 125 groups in existence today, reports Jan Peter Ozga, director of the Clearinghouse on Business Coalitions for Health Action, a 2-year-old project of the U.S. Chamber of Commerce that tracks coalitions and acts as a liaison.

More than half of these groups have emerged within the past two years. During 1983, 20 new coalitions were identified by the clearinghouse and Mr. Ozga describes the movement as "still in the peaking stage."

Nearly half of the 115 coalitions listed in the soon-to-be published 1984 clearinghouse directory include 24 or fewer members; 33% have 25 to 49 members; 15% have 50 to 99 members; and 3% have 100 or more members.

The Arizona coalition, which is less than 1 year old, is by far the largest of them all.

"Coalitions have been an amazing development around the country," observes Willis Goldbeck, president of the Washington Business Group on Health in Washington, D.C. "Night after night, people are sitting around the table discussing and studying health issues."

One of the major benefits of coalitions is that they have people talking together, he stresses. And, coalitions help employers to approach parity in their communities with health care providers, which traditionally have powerful hospital councils and medical societies with paid staffs to represent them.

"Business should be a serious player in the health care game—which does not mean that business has to win every round," says Mr. Goldbeck.

Indeed, he warns against unrealistic expectations from business coalitions. Every community is different and the solutions that fit in one area do not necessarily work somewhere else.

For this reason, some coalitions are working cooperatively with local provider groups. Others—notably in Arizona—feel they are forced to take firmer action.

The activities of business coalitions tend to fall into five major categories, according to the Chamber of Commerce clearinghouse. These include: benefits program design; data collection for cost and utilization review; development of alternative delivery and payment systems (like health maintenance organizations, preferred provider organizations and self-funding); health education programs; and health planning.

Figures developed by Mr. Ozga suggest that existing and new coalitions are changing somewhat in their structure and membership:

- Many business coalitions are evolving into communitywide coalitions by broadening their membership to include non-employer members with a stake in the local

or statewide health care delivery system.

- Employer health care coalitions are turning increasingly to paid staff to help them manage and administer their programs.

- The percentage of coalitions that charge dues as a source of revenue increased to 62% last year, up from only 32% in 1982.

- Significantly more money is becoming available through corporate donations and private and government grants to fund coalition-sponsored research and projects. Among these sources are the John A. Hartford Foundation, the CIGNA Foundation and the Robert Wood Johnson Foundation.

Hospital overbuilding and excess capacity are the key issues that have captured the attention of Arizona business. Hospitals account for 56% of employers' health care benefit costs and are the fastest-growing item in the health care bill, says Joseph J. Campanella, president of Sperry Corp.'s flight systems operation in Phoenix.

Spearheaded by four of the state's largest employers—Sperry, Motorola Inc., Garrett Corp. and Honeywell Inc.—the Arizona Coalition for Cost Effective Quality Health Care has waged a consumer education campaign to get its message to the public.

For example, it has publicized through its newsletter how hospital beds in various counties exceed the state's five-year health plan, how much patients pay per day to fund various hospitals' debt service and how much rates have increased in the past year at these same hospitals.

"The problem is that hospitals don't operate in a free market economy and consumers have no choice based on price," explains a Sperry Corp. spokesman. This is why Arizona employers believe that rate regulation is necessary for some interim period until competition comes to Arizona's health care industry, he adds.

The ballot-initiative campaign got the green light last month after compromise negotiations with the Arizona Hospital Assn. broke down. Coalition employers are turning first to their own workers to obtain 108,637 qualified signatures required for the constitutional amendment to give the state regulatory authority over hospitals and 72,637 qualified signatures for the statutory initiative to establish the Arizona Health Care Authority.

If the proposals enjoy employee support—which employers say they do—the coalition should have no difficulty in putting its program on the ballot because the coalition represents more than 400,000 employees and dependents.

Other business coalitions around the country are studying preferred provider arrangements as a way to introduce more competition into the health care delivery system. Besides the South Florida group, coalitions planning or considering PPOs include those in Maryland: San Diego, Los Angeles and Santa Clara County, Calif.; and Lake County, Ill.

"We are in the process of forming a committee to gather data about PPOs and to study the best format for these arrangements," reports Don S. Hillier, vp-personnel at the Maryland National Bank in Baltimore and president of the 90-member Maryland Health Care Coalition.

Mr. Hillier says the Maryland coalition is very interested in what the South Florida group is doing. Like that coalition, Maryland employers expect to soon obtain detailed information showing their individual costs by hospitals, physi-

cian identification number and diagnostic-related group.

"So far, we've been working with aggregate data," he explains.

The coalition has used this aggregate data to identify physicians and hospitals whose treatment patterns and resulting charges vary significantly from the norm. When such a situation is identified, the coalition takes the problem to either a physician or hospital advisory panel, whichever is appropriate.

"If we discover that a physician is keeping someone in the hospital too long, we discuss it with the physician advisory panel," says Mr. Hillier. "The physician won't go back and reduce the charge, but we hope the physician's behavior will change in the future."

San Diego-area employers are busy forming their own PPO through a year-old coalition called the Committee for Affordable Health Care. Although provider-based PPOs are proliferating throughout California, San Diego employers are the motivating force behind this project, which they call The Community Care Network (BI, Oct. 31, May 30).

Earlier this year, the San Diego group won a \$100,000 planning grant from the Robert Wood Johnson Foundation and hopes to obtain a \$1.5 million implementation grant from the foundation in 1984.

The Health Care Cost Containment Committee of the Santa Clara County Manufacturers Group in Northern California also attempted to establish a PPO, but it could not reach consensus on a plan among its 90 business members and eight local hospitals.

Instead, Hewlett-Packard Co. in Palo Alto has decided to carry the ball by contracting with one area hospital and 275 of its practicing physicians. The hospital has recently committed to fixed pricing for certain procedures and Hewlett-Packard will build incentives into its benefits plan to encourage employees to seek treatment at this hospital.

"Hewlett-Packard is talking to other area hospitals and hoping they will buy into the arrangement," reports Bob Lee, vp-personnel at Plantronics Inc. in San Jose, Calif., and a past chairman of the manufacturers' cost committee. "Other employers also are invited to participate in the arrangement already set up with H-P."

The Employers Health Care

Group of Lake County, Ill., just north of Chicago, doesn't feel comfortable with the term "PPO," but it is studying the possibility of a group-purchasing arrangement with local providers that would take advantage of economies of scale.

Eleven members of the 22-member coalition are spending about \$30,000 to fund a feasibility study being prepared by benefit consultant A.S. Hansen Inc. and a Chicago law firm. The study will help the sponsors make a "go, no-go decision," reports Chip Burgett, associate director of compensation and benefits at Baxter-Travenol Laboratories Inc. in Deerfield, Ill., and president of the coalition.

"There are a lot of tough issues to consider," notes Mr. Burgett. "Ultimately, you get to a point where all the providers in the area are not included in the arrangement and what happens to those who are not preferred?"

The Utah Health Cost Management Foundation, a coalition dominated by employers but that also includes insurers, has twice tried but failed to modify a state law that prohibits insurance companies from offering PPOs. The group will not get another chance to change the law until 1985.

In the meantime, the group is working with provider groups to develop alternative delivery systems that promote price competition in the Salt Lake City area. It served as a catalyst to develop a professional review organization that is available to insurers and self-insured employers. And it has successfully encouraged the adoption of mandatory surgical second opinions and prior authorization for hospitalization.

"We believe that competition from HMOs and PPOs will eventually force fee-for-service providers to become more cost-effective," says Peter F. Singer, executive director of the foundation, which presently employs two full-time professionals and one support staffer.

The coalition is funded until March 1984 by a grant from the John A. Hartford Foundation. After that time, the group hopes that sales of memberships costing \$250 to \$5,000 will sustain its staff and current activities.

The Health Policy Corp. of Iowa is a statewide coalition of diverse organizations with a stake in health

care costs, including employers. It promotes the flow of information from Iowa's Business Labor Coalition on Health in Des Moines to seven purchaser-only business groups in outlying areas of the state.

HPCI interfaces with providers, legislators, labor leaders and insurers to develop and implement strategic plans of action, provide data, research, information and educational services, and to help to develop and influence the design of health care delivery systems.

HPCI is the recipient of CIGNA Foundation and Robert Wood Johnson Foundation grants, as well as a \$10,000 grant from the Prudential Insurance Co. of America.

One of the newer coalitions formed last April in Dallas demonstrates how the business coalition movement is spreading into communities across the country.

Steve Schrenzel acted as a catalyst in organizing the Dallas Business Group on Health after relocating in the Dallas area as manager of benefits planning at LTV Corp. Mr. Schrenzel had attended a number of coalition meetings in the Midwest when he worked at AM International Inc. in Chicago.

Today, the Dallas coalition has 26 members who represent more than 200,000 employees and has been involved with two major activities: It encouraged the development of a statewide private medical review program and it contributed ideas to the script of an 80-minute film on health care that was produced by the Texas Medical Assn.

The film is targeted to a wide variety of audiences and will be shown to some employees of some coalition members.

"We are planning activities in 1984 oriented toward what employers can do on their own to promote wellness and health awareness," reports Mr. Schrenzel. Mr. Schrenzel envisions the Dallas Business Group on Health as an informational and educational organization that facilitates dialogue between employers and among employers, providers, insurers and other actors on the health care stage.

"It's important to keep getting input from the provider community along the way," he stresses. In the long run, he says there needs to be consensus—and not confrontation—between purchasers and providers if there is to be change in medical care practices. ■

Fireman's Fund adds \$230 million to reserves

NOVATO, Calif.—Fireman's Fund Insurance Cos. last week made prophets out of many Wall Street analysts who had predicted the large property/casualty insurer was under-reserving.

The American Express Co. affiliate added \$230 million to its reserves in a move that will result in a whopping fourth-quarter loss and punch a big dent in Fireman's Fund's \$171.1 million in aftertax operating earnings reported so far this year (BI, Dec. 5).

American Express says the problems at Fireman's Fund will cause its 1983 earnings to drop about 10% from last year's.

Analysts said the move raised questions about whether other major property/casualty insurers may need to make additions to reserves soon. They say that continued rate competition has sharply eaten into reserves, especially those held by companies that specialize in writing long-tailed liability coverages.

Many of the same analysts had predicted for months that the seemingly smooth earnings growth reported by Fireman's Fund

masked potentially weak reserving practices.

Fireman's Fund has assured securities analysts as late as August that its loss-reserving practices were sound.

American Express also announced last week it had recruited the former president of its credit-card division, William M. McCormick, to take over as chairman and chief executive of Fireman's Fund's property/casualty insurance operations and was giving American Express President Sanford I. Weill additional responsibility as chairman and chief executive of the Fireman's Fund holding company.

Mr. Weill replaces Edwin F. Cutler, who was named chairman of the insurance affiliate's executive committee.

For most of 1982 and 1983, Fireman's Fund showed continually improving operating results that were usually better than—but at least equal to—most of its property/casualty competitors. But things slipped badly in the third quarter, with a reported 24% drop in operating income for the three months.

Repeatedly, the insurer had talked of its "conservative pricing" and its restraint and realism in refusing to slash rates. Last week, however, it acknowledged to analysts they had actually been too aggressive in 1983.

"I think credibility is a real problem right now for Fireman's Fund and American Express," said David Anthony, an insurance stock analyst with Smith, Barney Harris Upham & Co. Inc.

Earlier this month, Fireman's Fund has announced that it will eliminate about 1,500 employees—through a combination of layoffs, attrition and productivity gains—in its property casualty operations in the next 13 months. About 300 positions were terminated immediately.

The company said the staff reductions were part of a cost-reduction program planned to save \$19 million in 1983 and \$36 million next year.

Besides the terminations, Fireman's Fund has instituted a hiring freeze and plans to consolidate some operations as well as supervisory positions. ■

Flurry of pollution cleanup suits filed

By DOUGLAS McLEOD

WASHINGTON—Several companies are facing possible liability for pollution damages and cleanup costs following a flurry of court actions filed by the Justice Department earlier this month.

The eight actions, brought under the Comprehensive Environmental Response, Compensation and Liability Act, better known as CERCLA or the Superfund Act, charge numerous companies and individuals with contributing to hazardous waste spills at seven separate sites.

Included is an amendment to a 1979 lawsuit against Occidental Chemical Corp. seeking to recover \$45 million in Superfund and other money spent so far in the cleanup and monitoring of Love Canal. Occidental Chemical, formerly Hooker Chemical & Plastics Corp., was acquired by Occidental Petroleum Corp. in 1968.

All of the Justice Department actions were filed before Dec. 11, the deadline for certain types of lawsuits under the Superfund law. The law, enacted on Dec. 11, 1980, requires that claims for damages to natural resources be brought within three years of their discovery or the date of enactment, whichever is later.

Even though some of the suits are for Superfund cost recovery only and not for environmental damage per se, lawyers indicate that the Justice Department met the filing deadline just in case the three-year limit is found to apply to recovery costs, too.

The complaint against Occidental, filed in U.S. District Court for the Western District of New York seeks to recover \$45 million the government says it has spent at Love Canal, along with any future costs.

The \$45 million includes about \$15 million spent to help relocate 238 families forced to abandon their homes in the Love Canal area. The remainder included money spent to purchase and demolish the 238 homes and the local

school, monitor the area and place a cap over the canal area.

The complaint asks that Occidental Chemical, which dumped 21,800 tons of toxic materials at Love Canal between 1947 and 1953, be held responsible for future care of the site.

Toward this end, the government also asks that Occidental be ordered to establish a \$65 million annuity trust account or performance bond.

The complaint amends a 1979 Justice Department lawsuit against Occidental Chemical, which is still in the discovery phase.

Occidental is currently discussing coverage of cleanup liability with its insurers, but the coverage "is not a resolved issue," according to one source.

The company recently announced that it had reached an agreement in principle with several of its liability insurers to settle for about \$25 million some 1,345 of the 1,431 lawsuits brought by Love Canal residents (BI, Oct. 17.)

Hartford Accident & Indemnity Insurance Co. was Occidental's primary liability insurer from 1942 through 1973, writing a peak of \$10 million in comprehensive general liability coverage. About 14 of Occidental's more than 40 liability insurers between 1967 and 1979 will also contribute to the settlement.

Other court actions taken recently by the Justice Department include:

- A lawsuit filed in U.S. District Court in Newark, N.J., against Chicago-based Morton-Thiokol Inc. seeking to recover \$2.7 million in federal and state money spent to clean up a site the company leased in Plumstead Township, N.J.

- Two lawsuits filed in U.S. District Court for the Northern District of California in San Francisco against Allied Corp. of Morristown, N.J., Santa Fe Industries Inc. of Chicago and Getty Oil Co. of Los Angeles. The suits, which do not specify monetary damages, charge these and other defendants with

damaging natural resources at two separate sites at a naval weapons station in Concord, Calif.

- A lawsuit filed in U.S. District Court for the Western District of Texas in Waco against Ciba-Geigy Corp., the U.S. pharmaceutical and chemical manufacturing subsidiary of CIBA-Geigy A.G. of Switzerland, and McGregor Chemical Corp. The suit claims that the two companies are responsible for chemical contamination of property later acquired by the Naval Weapons Industrial Reserve Plant in McGregor, Texas. CIBA-Geigy had manufactured pesticides on the site.

The suit demands that the companies be ordered to clean up the site or pay the \$400,000 estimated cost of the cleanup.

- A lawsuit filed in U.S. District Court in Syracuse, N.Y., against Aluminum Co. of America, based in Pittsburgh, and Reynolds Aluminum Corp. of Richmond, Va., seeking \$800,000 for the cleanup of oil contaminated with polychlorinated biphenyls (PCBs), which leaked from storage tanks in Moira,

N.Y.

The suit also names Kenneth Pierce, who owned the tanks, to which the oil was sent from the companies' Massena, N.Y., plants.

The government says it has spent \$600,000 on the cleanup and estimates it will spend \$200,000 more.

- A lawsuit filed against AVX Corp. of Great Neck, N.Y., and RTE Corp. of Waukesha, Wis., manufacturers of electrical products, for an unspecified amount of damages in the discharge of wastes containing PCBs into New Bedford harbor in Massachusetts.

- An amendment to a lawsuit already filed seeking recovery of cleanup costs at a dumpsite operated by Seymour Recycling Corp. in Seymour, Ind. The amendment adds 50 companies—including Mobil Oil Corp., Union Carbide Corp., Phelps Dodge Corp., Manville Corp., Reynolds Metals Corp., Monsanto Corp. and U.S. Steel Corp.—and five individuals to the 91 companies and individuals already named.

In a related matter, St. Louis-

based Monsanto said it would voluntarily spend \$4 million this year and \$25 million in 1984 to clean up various hazardous waste sites.

"We made the decision to take a more aggressive attitude toward environmental cleanups for three reasons," a company spokesman said. "One, we recognize that it's the responsible thing to do. Two, we realize we will have to do it sooner or later, and if we wait until later when we'd be under some sort of government order, it would likely take longer and cost more. Three, we want to demonstrate to the public that we are concerned and responsible."

Monsanto has already cleaned up two sites this year, one called Anders Lane in Galveston County, Texas, and another in Augusta, Ga. The four main sites the company will work on in 1984 are near Lamarque, Texas, in Sauget, Ill., and in Bridgeport, N.J.

Besides the Seymour site suit, there are also other federal and state environmental suits against Monsanto.

Lawsuits may aid Shell pollution liability claim

Continued from page 2

the Shell suit on the basis that it "seeks an advisory opinion with respect to issues that do not present a justiciable case or controversy."

Although this motion is still scheduled to be heard on Jan. 16, several attorneys involved in the litigation acknowledged that the state and federal government lawsuits throw a new element into the case.

"The suits would appear to undercut the motion to dismiss," observed an attorney who represents several of the insurance company defendants.

Shell may decide to amend its original complaint to reflect these new developments, suggested another attorney involved in the litigation. "It's a very fluid situation and we'll have to await develop-

ments."

Before the motion to dismiss can be considered, a decision must be reached as to where the case will be heard. Shell wants the matter heard in the state court in San Mateo County, Calif., where it filed its original petition. The insurers subsequently moved the suit to federal court in San Francisco.

A hearing has been scheduled for today in the federal court to determine whether Shell's motion to remand the suit to state court will be granted. If it is, then the insurers would have to refile their motion to dismiss the suit in the state court.

Attorneys say this kind of procedural wrangling is typical at the outset of a major case.

So far, none of the insurers has responded to Shell on the merits of its demand for hazardous waste

cleanup coverage under its primary and excess liability policies dating back to 1947.

Travelers Insurance Co. of Hartford, Conn., provided primary liability coverage to Shell from 1948 through 1975.

Shell's legal problems created by hazardous wastes were further expanded this month when it was sued along with Dow Chemical Co., three other private companies and several federal and state agencies for cleanup costs at a dump site in Northern California.

The suit was brought under CERCLA by the Cadillac Fairview Corp., a part owner of the dump site, which claims it bought the facility for development in 1976 without realizing that it had been used as a disposal site for oil refinery and other wastes until 1960.

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Government, Associations, Unions, Educational Institutions	1,024
Commercial Consumers Sub-total	23,176
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
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TOTAL	42,383

*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

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Equal Opportunity Employer, M/F/H/V

These Kids are covered from ship to shore

Continued from page 1

just waited in line 12 hours to buy a Cabbage Patch doll, as a finished product the Kids are valued at just \$17, their wholesale cost.

The insurance coverage on the Kids starts even before they set sail from Hong Kong. Coleco protects its products overseas through a foreign property insurance policy written by Federal Insurance Co. of Short Hills, N.J., an affiliate of Chubb Group.

The policy covers the Cabbage Patch Kids from the time Coleco accepts responsibility for them from the three Hong Kong subcontractors—Kam Toys, Kader Co. and Perfekta Enterprises, said Mr. Brodasky.

And, if for some reason the Hong Kong factories close down and the kids are not produced, Coleco is insured for up to \$25 million for business interruption losses, with the first \$8 million placed with Federal.

If the Cabbage Patch Kids are still around next Christmas, the insurance coverage protecting them may well be different.

Mr. Brodasky currently is working on a new worldwide wrap-up property insurance policy for Coleco that would be effective Jan. 1. Then, instead of several property policies covering Coleco products, there would be only one policy.

The all-risk policy would wrap up all of Coleco's property, transit, boiler and machinery and business interruption risks, Mr. Brodasky said. Limits would be around \$150 million to \$200 million, with deductibles open for negotiation with the insurer but ranging from \$10,000 to \$100,000.

A wrap-up policy will fill any loopholes that past property coverages missed and also will provide better coverage for new products that come into the market, said Mr. Brodasky.

"You would be surprised at the pace the company moves," Mr. Brodasky said. "Once it finds that a product is marketable, it can take about 30 days to produce and sell it."

"From a risk management point of view, that is why an all-risk pol-

icy is so important—so nothing will be overlooked in the process."

The plan still must be approved by Coleco executives.

In the past two years, Coleco has blossomed into a major toy and electronics manufacturer, generating \$500 million in net sales last year and an estimated \$800 million this year.

The 50-year-old company used to generate most of its income from above-ground swimming pools and related equipment, but last year it earned 92% of its profits from family leisure games and toys. Coleco products include Colecovision video games and cartridges, doll carriages, pool tables and fake snow products.

And this year, besides the new Cabbage Patch Kids, Coleco also purchased the exclusive worldwide

licensing rights to market Dr. Seuss characters in toys and games as well as video and computer software.

However, Coleco's expansion this year from 3,000 employees to 6,000 employees is due mainly to its newly introduced home computer, dubbed Adam. However, the company and its officials are now defendants in a lawsuit filed by shareholders who charge that Coleco and its officials failed to disclose problems with Adam prior to Coleco's \$9 million stock offering.

Nevertheless, because of its push into computers and the doubling of its staff, Coleco executives decided that the company needed a risk manager to be responsible for insurance and loss prevention. Mr. Brodasky, a former risk manager

for Raymark Corp. in Trumbull, Conn., was hired for the new post in September.

The first item on Mr. Brodasky's agenda was to review the company's insurance program, which led him to investigate the merits of a wrap-up property program.

Next, Mr. Brodasky will tackle Coleco's workers compensation coverage. Workers comp risks have grown with the expansion of the company and will be examined closely, Mr. Brodasky said.

Coleco's current workers compensation insurance is written by Wausau Insurance Cos. of Wausau, Wis.

Mr. Brodasky also will review Coleco's liability insurance program. Currently, the first \$1 million primary coverage is written by Puritan Insurance Co. in Stamford,

Conn., said Mr. Brodasky, but there are excess layers running into "millions of dollars."

Mr. Brodasky also plans to institute a comprehensive loss-prevention and safety program to keep losses to a minimum.

"At the moment, supervisors are being trained in what to look for so that we can develop the spirit and knowledge of a strong loss-prevention program," he said. "They will be our eyes and ears."

Oh yes, by the way, Mr. Brodasky does have a couple of Cabbage Patch Kids in his office and his daughter does own one.

And, for those of you who don't own one yet, he offered this information: 250,000 finished dolls will enter the United States each week until the end of the year.

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Comp rates up in Washington

OLYMPIA, Wash.—Employers who participate the state's exclusive workers compensation fund will see their rates rise an average of 30% this year, instead of the 55% initially proposed.

The 55% increase was filed by the Department of Labor & Industries in October to raise \$209 million needed to return the three states workers compensation trust funds to actuarial solvency (BI, Oct. 31).

The 30% rate increase, adopted last month, will raise an estimated \$116 million for the trust funds, leaving a projected \$93 million deficit at the end of next year, said fund director Sam Kinville.

The Department of Labor & Industries cut the rate increase after testimony from business and labor concerning the rising cost of workers compensation insurance.

Business and labor called for a study of the system, which has been authorized by the governor.

However, if the financial condition of the state funds doesn't improve, employers may face another 30% increase next year, Mr. Kinville said.

The increase taking effect in January will average 21.5% in the accident fund and 53.6% in the medical aid fund. There will be no increase in the supplemental pension fund.

Get on right track at RIMS

NEW YORK—Have you ever been so overwhelmed by the choices available from the multitude of meetings listed in the program for the annual Risk & Insurance Management Society conference that you were unsure of what meeting to attend when?

You could find some guidance in a new "Track Program," which highlights three specific areas of interest at the 22nd annual RIMS conference, to be held April 1-6 in New York.

The three tracks are: risk management information systems, international risk management and an introduction to risk management.

Sessions during the week have been scheduled for each track, allowing registrants to focus their attendance on one of these topics—or to mix and match from these three tracks or any of the other scheduled sessions that fall outside of the tracks.

RIMS is an association of more than 7,000 risk managers who represent 4,000 industrial and service companies and non-profit organizations. The RIMS conference is the largest annual gathering of professionals concerned with risk management and employee benefit issues.

For those interested in risk management information systems, the track includes: a session on data processing centers and personal computers, covering the exposures, problems and solutions and two miniseminars: one on personal computers as a new tool for the risk manager and one on selecting computer hardware and software.

The international risk management track includes a session on international barriers to trade and how they affect the risk manager and three miniseminars: one on how a multinational can create a world network for employee benefits, one on global risk management programs and one on emerging international risks.

The introduction to risk management track includes a new special section for new risk managers that will meet all day on Monday. The morning will include discussions on the latest in products and services, safety-incentive loss-prevention programs and the tenets of risk finance to risk control. In the afternoon, a panel of winners of the *Business Insurance Risk Manager of the Year* award will discuss their programs and answer questions.

In addition, those following the introduction to risk management track are advised to attend a session on professional relationship development and any of the following eight miniseminars on: how to organize risk management in your company; the basics for risk managers; an introduction to boiler and machinery insurance; meeting the risk management challenge in the future; bonding and risk management; an introduction to the techniques of loss control; the state of the art in property insurance coverages, structures and premium trends; and an introduction to transportation risks.

In addition to the sessions designated to be of special interest to those interested in one or more of these three tracks, the RIMS conference includes industry sessions on Monday and Tuesday, a general session on Wednesday morning, two split sessions Wednesday afternoon and 60 miniseminars on Monday, Tuesday and Thursday.

Forty-one industry sessions, in which risk managers in similar industries can gather to discuss their common concerns, are currently scheduled—some for all day Monday and Tuesday, others for either Monday or Tuesday.

At the general session for all registrants on Wednesday morning, two working parties organized by RIMS will discuss and debate their findings. One working party will discuss the emerging impact of the public accounting sector on professional risk management. The other will discuss how much regulation is needed for self-insurers.

On Wednesday afternoon, one of the two split sessions—in addition to the designated track sessions—will describe combining employee benefits and workers compensation delivery systems; the other will deal with workplace and environmental hazards.

The 60 additional miniseminars cover a myriad of risk management and employee benefit issues. Among the risk management issues to be covered in miniseminars are professional development; fees vs. commissions for brokers' services; unbundling of services.

Some of the employee benefit issues to be covered in miniseminars are various aspects of the rising costs of health care in employer-sponsored child care programs; flexible benefits; communicating benefits; group auto plans; employer colations; and tax issues.

For an advance program and registration information for the RIMS conference, contact Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292; Attn.: Conference Department.

RIMS fete benefits scholarships

Continued from page 2

The RIMS directors and staff view this Sunday evening fund-raiser as accomplishing the goal of hosting a reception, but with the added benefit of making it more meaningful.

"We are trying to expand the number of scholarships given around the country," said James Newton, chairman and president of the foundation and director of loss administration at Fuqua Industries Inc. in Atlanta.

Robert Spencer was the risk manager at Fuqua Industries at the time of his sudden death in February 1979. He also had been president of RIMS in 1977-1978 and was instrumental in forming the student involvement program at the annual RIMS meeting, which allows students to attend the conference.

In memory of Mr. Spencer, members of the Atlanta Chapter of RIMS decided to establish a foundation to develop and promote scholarships for students around the country.

The foundation has awarded 16 scholarships of \$750 each since the first awards were made in 1980. At least six \$750 scholarships will be awarded to students in 1984 and announced at the annual RIMS conference.

The scholarships are for either undergraduate or graduate work in the field of risk management or insurance.

Currently, the foundation has

about \$28,000, thanks to one or more contributions from 14 corporations, nine RIMS chapters, 10 named and several anonymous individuals and an initial contribution from national RIMS.

The Sunday evening fund-raiser at the start of the 1984 RIMS meeting should "help put this foundation on the map," Mr. Newton says.

Four categories of donations have been established for contributing to the reception fund-raiser for the scholarship fund:

- Benefactor, which is limited to non-profit organizations like RIMS local chapters, for \$1,000 or more.

- Donor, which is open to any for-profit organization contributing \$2,500 to \$5,000.

- Sponsor, which is open to any for-profit organization contributing \$5,000 or more.

- Friend, which is open to any individual contribution of \$100 or more.

The contributions are tax deductible.

RIMS chapters contributing to the reception may designate that scholarships awarded from the income on their contributions be granted in a specific geographic area.

In addition, whatever interest income is generated on the contribution from a RIMS chapter will be matched by the Spencer Foundation for five years, up to a maximum of \$500.

Therefore, a chapter can double the amount of interest for a scholarship for five years.

And, RIMS chapters will be able to contribute to the foundation in coming years, with the interest income on the additional contributions available for the matching grant.

The Spencer Foundation will earmark 25% of its total scholarship funds available for the matching grants.

"At the end of five years, hopefully, the chapter will have built the designated funds to a point that they would provide a substantial scholarship on its own through the foundation," says the letter to RIMS chapters encouraging their contributions.

The matching funds will be an incentive for the chapters to contribute to the foundation, Mr. Newton hopes.

Supporters of the reception will be honored at the event and during the week-long conference, noted Mr. Judd.

A brochure and a banner to be displayed at the reception will list supporters. All employers of supporting organizations will be identified at the reception. Supporters will also be listed in the conference program and companies will receive a plaque in recognition. In addition, RIMS will issue press releases about donations.

For further information on the fund-raising reception, contact Mr. Judd at 212-286-9292 or Mr. Newton, president of the Robert S. Spencer Memorial Foundation, at 404-658-9000.

Changes could delay MGM decision

Continued from page 2

property coverage trial when he offered INA his services.

In his order, Judge Claiborne says Mr. Cozen's contact with Mr. Morris and his attorney were "directly responsible for the defection of the witness Morris from MGM and MGM has lost the services of an indispensable witness and adviser.

"Because Mr. Cozen's conduct was not willful, dishonest or corrupt, the court will impose no sanctions other than disqualification, feeling that disqualification is a most heavy penalty to pay for what I consider was merely an error of judgment on his part," the opinion adds.

The judge's order also bars Mr. Cozen and his firm from communicating any information obtained from Mr. Morris.

In a written statement, Mr. Cozen called Judge Claiborne's disqualification order "unsupported by citation of legal precedent and by the established record." He noted Mr. Morris was not an MGM employee when he met with the INA lawyer, that no agreement for services was ever reached and that Mr. Morris himself denied ever having been induced by Mr. Cozen to defect.

Mr. Cozen also says the court's order cites no specific violation of the lawyer's Code of Professional Responsibility, which he says is required for disqualification.

Attorneys for MGM said they didn't know whether the removal of INA's counsel would affect its case one way or the other, but added that it would provide more time to compensate for the loss of Mr. Morris' services.

MGM said that—with one exception—the order does not prevent Mr. Cozen or his law firm from briefing a replacement law firm on MGM's post-fire reconstruction costs, which are part of MGM's \$211 million insurance claim.

"Certainly what Mr. Cozen knows from George Morris cannot be passed along to anyone," said

Steve Morris, the lead attorney for MGM who is unrelated to George Morris. "That cannot be conveyed to replacement counsel."

Attorneys for American Protection Insurance Co., the Kemper Corp. affiliate that wrote a \$125 million policy excess of \$50 million for MGM and has joined INA in the property insurance litigation, expressed surprise at the judge's order.

"I was definitely surprised," said Lawrence Zelle, a partner in the Minneapolis firm of Robbins, Zelle, Larson & Kaplan. "I don't think

(Mr.) Cozen did anything improper. And after reading the order, I don't have a different opinion."

MGM had asked that Mr. Zelle's firm be disqualified along with INA's counsel, but the judge disagreed, saying the Robbins, Zelle, Larson & Kaplan had no improper contacts with George Morris.

Mr. Zelle said he expected the rapid-fire developments in the case would probably delay start of a trial. "I have never been in this position before—the judge being indicted and the lead counsel disqualified," he noted.

Covering Santa poses no big risks

Continued from page 2

underwriting for the amount of money involved. But then, who would sue the jolly old elf?"

Several contractors across the nation specialize in placing Santa—or his look-alikes—in malls around the country. Santa usually is accompanied by several elves toting photographic equipment, so they can sell pictures to the parents of the children he hoists onto his lap.

The contractors say they are able to cover Santa Claus as an employee under their general liability as well as their workers compensation policies.

For example, liability risks arising from the Santas who work for Nora K. Puglia of Springfield, Ill., are covered by The Cincinnati Insurance Co. of Springdale, Ohio, under a general liability policy for her Perfect Impressions Santa business. The Cincinnati policy includes coverage for contractors liability, including broad-form property damage and personal injury.

"We haven't had any kind of problem," she says.

Rich Studios Inc. of Worcester, Mass., which delivers Santa to at least 200 locations each Christmas season, says it has to provide evidence of insurance to numerous merchants. It must purchase both standard liability and workers compensation coverage, though a

Rich Studios spokesman wouldn't comment on what company writes its insurance.

To be on the safe side, however, operations like Rich Studios and Ms. Puglia's give Santa hours of training about how to treat children and tips on such things as makeup, personal appearance, avoidance of alcohol and the like.

"You're always worried about Santa because he represents the (shopping) center and he's gotta be good," says Carolyn R. Kennedy, marketing director for the Worcester Center Galleria in Worcester, Mass., a shopping mall operated by Worcester Center Associates Inc.

"Santa's job is tough," she says. At one time, Ms. Kennedy hired Santa herself and arranged coverage through a local insurance agent and a specialty lines underwriter. More recently, though, she says she has hired Santas through a contractor.

Although Santa can be covered for most risks, there is one type of coverage that even Santa may not be able to procure, says Gainsco's Mr. Johnson: professional liability insurance.

What happens, he asks, if Santa promises a child something that doesn't show up under the tree on Dec. 25?

"Santa does not make promises he cannot keep," says Ms. Puglia, with a twinkle in her eye.

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FM insurers to abolish premium deposit

Continued from page 1
 every expectation that it will be well-received by risk managers, both those who are policyholders now and those interested in coverage."

"We hope it will build volume," adds Michael McIntyre, vp of marketing for Allendale. "Anyone who buys property insurance should be happy about the change, but the marketplace itself will tell us whether the terms and the cost of the insurance will finally be acceptable."

The former premium deposit system, industry sources say, had become a dinosaur and simply unacceptable to modern finance-minded risk managers who recognized how a long-term deposit premium robbed a buyer of significant investment returns and posed awkward bookkeeping problems under contemporary accounting standards.

Instituted in 1835 by Zachariah Allen, who founded Allendale, the premium deposit plan demanded that a buyer pay about five times its annual premium in advance to provide capital for the mutual insurer.

The deposit premium, paid in a lump sum for a three-year policy term, was then absorbed by the insurer at a rate of slightly less than 20% a year, usually totaling 56% by the end of the three-year period.

At the end of the three years, the remaining 44% of premium could be applied to the renewal deposit premium or returned to a policyholder leaving the system.

When interest rates were low, the interest lost by not investing that cash was negligible. But as interest rates increased, so did policyholder complaints about losing a significant cash-flow advantage.

"It's one thing to put up a lot of money when interest rates hold at 4%," remarks Lorne Palmason, managing director of insurance brokerage Marsh & McLennan Inc. "But it became quite another issue when the prime rate hit 20% at the peak of the recession. Even though the prime rate has dropped significantly, risk managers still care about having the cash available to invest."

Sensing the buyer sentiment against the deposit premium plan, stock insurance companies that began underwriting highly protected risk insurance in the late 1970s began to take advantage of the controversy and promote the fact that they did not require a deposit premium.

Commerce & Industry Insurance Co., part of American International Group Inc., began a marketing program targeting dissatisfied FM policyholders (BI, Sept. 8, 1980).

The FM insurers responded with market

research and its first alteration of the program in 1981.

"The feedback we picked up from our market research was overwhelmingly negative on the deposit premium plan," explains W. Glenn Yancey, senior vp of marketing at Arkwright-Boston. "In fact, the single biggest issue concerning our policyholders seemed to be the deposit premium."

In 1981, the FM system announced its first change in the plan, an optional program by which buyers could pay a deposit premium in annual installments rather than one lump sum. However, the annual premium deposit was absorbed faster, usually at a rate which totaled 68% at the end of the three years.

Taking into account a 15% annual return on investment, however, the optional annual deposit premium option offered policyholders significant savings—more than \$20,000 for a \$300,000 deposit premium over a three-year period (BI, June 22, 1981).

Though FM executives say the optional plan was an improvement adopted quickly by most policyholders, it still did not satisfy investment-minded risk managers who balked at any long-term deposit.

"Allendale held focus group meetings of policyholders at the end of last year and early this year," noted Mr. McIntyre. "And it became clear to us that buyers were still concerned about the deposit premium."

Moreover, risk managers still complained about the rigidity of the payment structure and the difficulty in accounting for the way in which premium was absorbed and the premium dividend returned.

These problems will be eliminated under the new plan, which allows for a uniform method of earning premium, notes Bill Hansen, vp-marketing for Protection Mutual. This should greatly simplify the customer's accounting and record keeping, he says.

Mr. Hansen also emphasizes that Protection Mutual (as will the other FM insurers) will make available several payment options under the new plan, which he feels will make the underwriter even more competitive.

The plan, he says, has already attracted substantial interest from brokers and consultants.

The FM System's competitors, however, had little to say about the new premium payment plan and those that are aware of the change anticipate little change in overall competition.

Dick Williams, president of Commerce & Industry Insurance, doesn't expect much more competition because of the premium change.

"People were more concerned about interest rates and investment income a few years ago than they are now. When we compete with FM companies, we win some and we lose some. I don't expect that to change," he says. "They have been revising their plan for several years and this is just the latest step."

FM insurers' rates, however, could increase as a result of the change, Mr. Williams suggests.

"FM insurers were practically the originators of cash-flow underwriting," he says. "Their premium deposit plan has always taken into consideration the investment advantages of having a lot of cash on deposit from policyholders and their rates were based on that advantage."

"But they play by the same financial rules as we do. If they don't earn as much investment income as they used to, they will have to deal with their money needs. And that could mean higher rates." Officials at FM companies, however, say they foresee no changes in business procedures.

At Kemper Group in Long Grove, Ill., which underwrites highly protected risk insurance through its American Protection Insurance Co. subsidiary, HPR underwriting manager Robert Smialek found the new FM plan to be old news.

FM insurers have been cutting special deals similar to the new plan ever since property insurance rate competition reached its peak late last year, he says.

"There won't be any real change in the competition. The mutuals have always offered special payment plans and financing deals on selected new business and on renewing prestige accounts. Now they are just making it standard policy."

Although some insurance brokers suggest that stock property insurers may respond to the new premium plan with increased rate competition, Mr. Smialek doubts rates can fall much further.

American Protection's own payment schedule is already variable with premium financing available, he adds.

Industrial Risk Insurers, the Hartford-based consortium of property insurers that is the FM System's major competitor, had no comment on the change, pending an analysis of the new plan.

Corporate buyers whose property coverage has not yet come up for renewal were generally unaware of the new FM terms, but had heard that a change was coming.

"We haven't seen the new terms yet, but we hear they should make accounting easier," remarks Karen McClosky, administrative assistant and property insurance special-

ist at Hanna Mining Co. in Cleveland, an FM policyholder.

"However, it doesn't seem that it will be necessary to go through the trouble of canceling and renewing coverage immediately as companies did the last time FM introduced a change in their payment plan."

Hanna Mining renews most of its highly protected risk coverage on June 1, Ms. McClosky adds.

Spencer Traver, assistant treasurer at The BFGoodrich Co. in Akron, Ohio, also an FM policyholder, had not received details of the change, but he said he thought the new plan was a positive step.

"It's the first notion we have had that the FM System is ready to come into the 1980s. It's a major step forward," Mr. Traver explains.

FM insurers, he believes, have consistently lagged behind the times in corporate positioning and have made changes only when they had to compete.

"The new plan seems similar to a system FM applied in the late 1960s when they were making an attempt at marketing in Europe. I guess they needed it just to try to compete over there and that realization was the beginning of the end for the large premium deposit," he says.

The change, however, probably won't upset the highly protected risk competition much, Mr. Traver notes. FM insurers still lag behind other insurers in their unwillingness to unbundle services to corporations that are not purchasing coverage.

"Unbundled services is the real growth area of the future for insurance companies and that's a lesson the FM insurers have yet to learn," he says.

British Issues

13 Dec Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comml Union	187	31.2	16.86	9.0	187-182
Eagle Star	715	21.7	27.86	3.9	715-697
Genl Accident	445	13.1	26.43	5.9	445-440
Gdn Royal Exch	515	13.6	30.71	6.0	515-510
Phoenix	383	16.7	26.00	6.8	386-378
Royal	523	13.4	39.28	7.5	527-520
Sun Alliance	1463	16.8	78.57	5.4	1463-1413

Brokers	Price	P/E	Div.	Yield	1 Week High-Low
CE Heath	332	8.3	22.86	6.9	333-320
Hogg Robinson	130	10.0	9.43	7.3	132-129
JH Minat	139	10.7	7.57	5.4	139-136
Sedg Grp	244	12.2	11.43	4.7	244-227
Stenhouse Hldg	131	12.6	9.43	6.3	137-131
Stew Wrightson	280	9.3	22.57	8.1	280-263
Willis Faber	660	13.8	30.00	4.5	660-645

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

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Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	36.50	-1.0	5.8	2.64	7.2	37.00	36.38	1,999.9
American Bankers Ins Group	14.13	2.7	11.4	0.50	3.5	14.13	13.75	55.1
American Gen Ins Co	24.13	-4.9	8.3	0.80	3.3	25.63	24.13	1,576.9
American Intl Fnl Corp	21.63	19.3	11.6	1.12	5.2	21.63	19.00	31.3
American Indt Group Inc	64.25	-3.7	10.8	0.44	0.7	67.50	64.25	1,156.7
American Natl Ins Co	21.75	-7.4	7.9	0.96	4.4	23.63*	21.75	191.0
American Sts Life Ins Co	49.00	-1.0	13.4	0.88	1.8	49.50	49.00	2.3
Aneco Reins Ltd	3.63	3.4	25.9	0.00	0.0	3.63	3.50	14.3
Avenco Corp	20.25	-1.2	12.5	0.58	2.9	20.63	20.13	2.3
Banks Iowa Inc	47.50	0.0	15.3	1.52	3.2	47.50	47.50	0.6
Bitco Corp	17.25	-1.4	0.0	1.33	7.7	17.50	17.25	18.7
Carolina Gas Ins Co	6.75	0.0	0.0	0.20	3.0	6.75	6.75	1.5
Chubb Corp	68.25	-0.7	8.9	3.12	4.6	70.50*	68.25	609.8
Combined Intl Corp	38.75	-1.3	11.5	2.00	5.2	39.25	38.50	205.0
Continental Corp	27.25	-2.2	56.8	2.60	9.5	28.13	27.25	559.9
Crawford & Co	14.50	0.0	10.7	0.60	4.1	14.50	14.50	10.7
Crown Life Ins Co	119.63	0.0	7.8	3.20	2.7	119.63	119.63	0.0
Employers Cas Co	31.75	-1.6	7.1	1.20	3.8	32.25	31.75	5.1
Equifax Inc	29.00	-1.3	2.1	1.60	5.5	29.00	28.75	17.4
Excelsior Ins Co	21.50	0.0	18.1	0.00	0.0	21.50	21.50	3.1
Farmers Group Inc	40.25	-6.9	9.9	1.36	3.4	42.63	40.25	99.8
Foremost Corp Amer	28.00	0.0	8.5	0.88	3.1	28.25	28.00	84.0
Fremont Gen Corp	15.88	-0.8	0.0	0.48	3.0	16.50	15.88	1,253.3
Great West Life Assurn Co	264.50	-11.8	9.5	11.00	4.2	300.00	264.50	0.0
Hanover Ins Co	52.50	-5.0	6.7	0.88	1.7	55.00	52.50	18.9
Hartford Steam Boiler Insprtn	55.50	0.0	10.8	3.00	5.4	55.50	55.50	3.9
Jefferson Natl Life Ins Co	42.50	0.0	14.3	0.76	1.8	42.50	42.50	2.4
Kemper Corp	39.88	-0.3	8.6	1.80	4.5	40.13	39.88	127.4
Lincoln Natl Corp Ind	65.38	-1.9	9.4	3.36	5.1	66.50	65.13	166.7
Mission Ins Group Inc	24.88	-1.5	10.1	1.00	4.0	25.00	24.88*	112.7
Nationwide Corp Ohio	41.75	0.0	15.3	0.70	1.7	0.00	610 NOT TRADE	
Northwestern Natl Life Ins	36.00	0.0	9.5	1.50	4.2	36.50	36.00	29.3
Ohio Cas Corp	44.63	-6.5	8.3	2.52	5.6	47.75	44.63	67.0
Old Rep Intl Corp	32.88	0.8	7.3	0.90	2.7	33.13	32.88	85.6
Orion Cap Corp	27.50	0.0	13.2	0.76	2.8	27.63	27.50	17.6
Preferred Risk Life Ins Co	20.00	0.0	7.6	0.67	3.3	20.00	20.00	1.8
Provident Life & Acc Ins Co	65.00	0.0	8.0	2.60	4.0	65.00	65.00	24.2
St Paul Cos Inc	58.25	-1.7	7.9	2.80	4.8	59.75	58.25	397.3
SAFECO Corp	56.63	-0.7	11.2	2.60	4.6	57.13	56.00	112.5
Sri Corp	16.75	-2.9	7.3	0.88	4.1	17.25	16.75	93.8
Seibels Bruce Group Inc	22.88	1.7	12.9	0.80	3.5	22.88	22.50	25.1
Statesman Group Inc	9.63	-2.5	8.4	0.15	1.6	9.88	9.63	52.4
Tokio Marine & Fire Ins Co	112.50	3.4	22.7	0.96	0.9	113.50	111.00	14.4
Travelers Corp	32.25	0.4	8.1	1.80	5.6	32.50	32.13	730.6
United Fire & Cas Co	32.30	0.0	11.4	0.88	2.8	32.00	32.00	0.3
United States Fid & Gty Co	58.30	-1.1	10.2	3.84	6.6	59.00	58.00	92.0
United Svcs Life Ins Co	25.38	-2.6	6.9	1.00	4.3	24.13	25.38	30.8
UsLife Corp	27.38	-4.3	8.0	0.96	3.4	28.63	27.63	127.0
Washington Natl Corp	23.50	2.2	11.2	1.08	4.6	24.75	22.88	134.0
Zenith Natl Ins Corp	14.25	-9.5	10.0	0.60	4.2	15.75	14.25	44.3
INSURANCE COMPANIES	AVERAGE		10.7		3.8			
Agents Brokers								
Alexander & Alexander Svcs	20.50	5.1	0.0	1.00	4.9	20.50	20.00	487.4
Baldwin & Lyons Inc	37.50	0.0	15.6	0.80	2.1	37.50	37.50	0.4
Corroon & Black Corp	24.00	-7.2	15.1	1.00	4.2	24.25	23.38	72.1
Crump E H Cos Inc	10.25	2.5	14.0	0.40	3.9	10.25	10.00	47.7
Emett & Chandler Cos Inc	11.88	5.6	32.1	0.00	0.0	11.88*	11.25	4.9
Hall Frank B & Co Inc	24.88	-4.3	22.6	0.00	0.0	26.38	24.88	592.4
Integrated Res Inc	28.25	-0.9	9.1	0.00	0.0	30.13	27.50*	296.9
Marsh & McLennan Cos Inc	46.50	0.0	13.6	2.20	4.7	46.50	45.75	117.0
Poe & Assoc Inc	5.50	-4.3	0.0	0.00	0.0	5.75	5.50*	1.2
Reed Stenhouse Cos Ltd	12.00	-5.9	14.6	0.60	5.0	12.63	11.88*	117.2
AGENTS/BROKERS	AVERAGE		17.1		2.7			
Conglomerates Holding Cos.								
American Express(Fireman's Fd)	28.50	-14.9	8.3	1.28	4.5	33.75	28.50*	7,901.5
Anderson (Clayton/Ranger/PanAm)	28.75	2.7	13.4	1.32	4.6	29.00	27.75	49.0
Arco Inc	19.75	-1.3	0.0	0.40	2.0	20.00	19.50	329.2
Baldwin Utd Corp	2.53	0.0	0.0	0.00	0.0	2.75	2.63	480.4
CIGNA Corp	45.38	-0.3	7.8	2.48	5.5	45.75	45.25	784.8
City Investing Co. (Home Ins.)	38.75	2.0	11.4	1.80	4.6	40.25*	38.63	1,682.7
CNA Finl Corp (CNA)	21.38	0.6	7.0	0.00	0.0	21.50	21.25	57.0
Control Data (Comml. Credit)	44.75	-0.8	10.9	0.60	1.3	45.50	44.50	781.8
General Be Corp	66.50	0.4	14.1	1.28	1.9	68.88	66.25	685.1
Gulf Utd Corp	30.53	-3.5	9.4	1.32	4.3	32.25	30.63	447.4
ITT (Hartford Group)	44.38	0.3	10.0	2.76	6.2	45.50	44.38	1,275.9
Optimum Hldg Corp	5.00	0.0	38.5	0.00	0.0	5.00	5.00	3.1
Sears Roebuck & Co. (Allstate)	38							

The Hartford introduces Starscan.SM

"Now you can get all the advantages of flexible benefits—without the drawbacks."

Ray Drury, Vice President, Special Markets Department, tells Benefit Plan Managers how The Hartford's Starscan serves the interests of employee and employer alike.

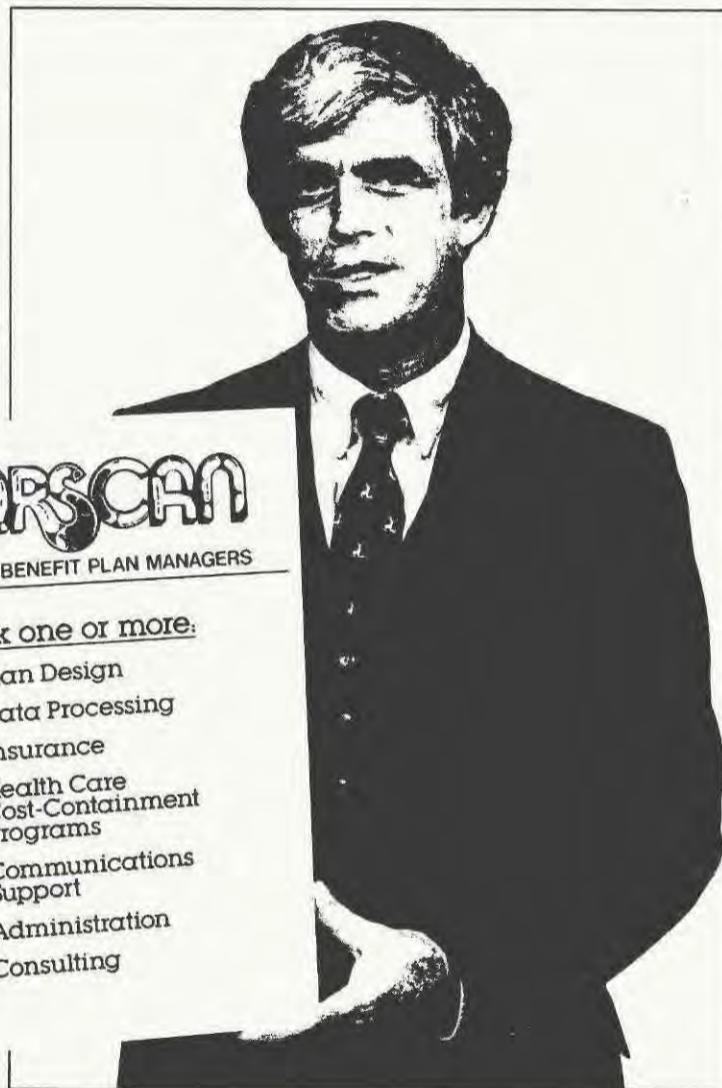
Q. What advantages does the Starscan approach have over traditional group benefit plans?

A. Starscan provides the flexibility needed to meet the more complex and varied insurance needs of employees today. It gives employees an important say in benefit programs by letting them select which benefits they prefer among traditional coverages such as life, medical, dental, disability, and pensions. But the Starscan approach can also incorporate emerging, non-traditional coverage choices as well. And it lets employees—within limits—select levels of coverage.

Other advantages include more effective and efficient use of employer contributions, the opportunity to contain escalating benefit costs, greater employee appreciation of benefits, reduced pressure for across-the-board increases in benefits, and a progressive employer image. Not least, Starscan helps employers recruit and retain employees.

Q. How does the Starscan flexible benefit approach work?

A. In the way best suited to meet the needs of you and your employees. For example, existing benefits might be kept as they are, or



Pick one or more:

- Plan Design
- Data Processing
- Insurance
- Health Care Cost-Containment Programs
- Communications Support
- Administration
- Consulting

reduced to a standard core for all employees. In either case, employees would be given credits to purchase additional benefits to fit their needs. Benefits beyond those the credits would buy could be purchased through payroll deductions.

Or, set benefits might be offered with different levels of coverage. By choosing a higher level of one benefit and a lower level of another, employees could match benefits more closely to their needs.

Q. What support services does The Hartford offer?

A. Working closely with your agent, broker, consultant, or third party administrator, we'll provide whatever services you require.

Depending on your needs, we offer consulting services for feasibility studies and plan design, alternative data processing services, complete communications support, and a variety of health care cost-containment programs. And, of course, we can provide a full range of coverage and funding options, along with pension and actuarial expertise.

Q. What about cost?

A. Obviously, changing a traditional benefit program to a tailored flexible plan involves initial costs. But selecting only those items you need from the Starscan menu can make those costs much lower than you might expect. And the kind of synergy involved in this approach has a real impact on bottom-line results, and can lead to significant cost savings over traditional group benefit plans.

Q. How can I get a brochure describing Starscan?

A. Just write to Starscan, Special Markets Department, B, 8 Griffin Road North, Griffin Office Center, Windsor, CT 06095. Or call David Washburn, Director of New Products, at (203) 683-8435.



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