NEWSPAPER

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Business Insurance

Reporting Weekly For Corporate Risk, Employee Benefit and Financial Executives / $4

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Updates

Manville trust reaches deal to begin paying asbestos claims

NEW YORK—The Manville Personal Injury Settlement Trust will end a four-year moratorium and resume paying asbestos claims after a judge approved a class-action settlement of up to $2.2 billion.

U.S. District Judge Jack B. Weinstein last week approved the terms of the settlement between the trust and representatives of four separate classes of plaintiffs: those with active claims; future claimants; former distributors of Manville Corp. products; and other former asbestos makers with claims

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American Eagle fully covered

Recent crashes prompt FAA safety action



GRAPHIC BY JOHN HALL

Just after liability renewals, an American Eagle flight crashed near Raleigh, N.C. Also, insurers and the families of victims of Pan Am Flight 103 met for settlement talks. See story, page 45.

GRAPHIC BY JOHN HALL

By DAVE LENCKUS

RALEIGH, N.C.—AMR Corp. is fully covered for claims from last week's crash of an American Eagle commuter plane under its just-renewed liability program, which was significantly more expensive due to an Oct. 31 crash.

The cost of the renewal, though, would be significantly reduced if aviation authorities determine that the earlier American Eagle crash was caused by product failure or design.

The two crashes, which involved different airplane models, have spurred unprecedented safety measures by the Federal Aviation Administration.

The FAA on Dec. 9 ordered all ATR-72 and ATR-42 aircraft grounded in weather that is conducive to icing. Federal investigators are focusing on the role icing may have played in the Oct. 31 crash of an American Eagle ATR-72 in Roselawn, Ind., though they have not determined the cause of that crash (*BI*, Nov. 7).

Last week's accident prompted federal regulators to accelerate plans to force commuter airline pilots to pass the tougher training requirements that pilots for larger aircraft face. Regulators also will standardize other safety requirements for all airlines.

Dallas-based AMR, though, already had required that all pilots with its commuter and large airline operations meet the more stringent training standards.

There is no move by regulators, however, to standardize the safety equipment requirements for commuter aircraft—those that seat fewer than 30—with the requirements for larger aircraft.

Thirteen passengers and two crew members were killed and five passengers injured Dec. 13 when an American Eagle Jetstream 3200 turboprop crashed near Raleigh, N.C., in rain, fog and near-freezing temperatures.

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Risk manager role likely to expand to investment arena

By RODD ZOLKOS

The much publicized investment losses that culminated in the Orange County, Calif., investment fund debacle could lead to a greater role for risk managers in managing their organizations' exposure to financial risks.

Such a move would be a departure from risk managers' traditional role of protecting physical assets and guarding against exposure to more traditional liabilities.

But with companies losing millions of dollars on derivative investments—and Orange County's loss of billions of dollars on both extensive leveraging and interest rate-sensitive derivatives—exposures to claims from shareholders, bondholders or taxpayers are prompting some risk managers to at least become more aware of their organization's investment practices.

If risk managers don't take it upon themselves to become more familiar with investment activities, increasingly wary underwriters may force their hand.

"It's something that risk managers should be more involved with, at least in terms of understanding the positions their companies are in," said Christopher Addieg, risk manager at First Interstate Bancorp. in Los Angeles.

"They'll have to. The underwriters will force them to," Mr. Addieg said. "The underwriters in London are very nervous about banks' positions in derivatives."

And those concerns aren't limited to London insurers or the banking industry.

"Certainly when you think

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Plant explosion insured

Four workers killed, Iowa facility leveled at Terra Industries

By MICHAEL SCHACHNER

SIOUX CITY, Iowa—Terra Industries Inc. says it has adequate property and business interruption coverage for any "adverse material consequences" from the Dec. 13 explosion that destroyed a nitrogen fertilizer plant in Port Neal, Iowa.

The agricultural chemical concern, which is based in nearby Sioux City, has an all-risk, layered property policy led by Industrial Risk Insurers that will enable it to rebuild the destroyed factory, which was valued at just more than $20 million by Woodbury County tax assessors.

David Varney, director of insurance and risk management, would not provide other specifics of either Terra's property coverage, or its workers compensation or casualty coverages.



AP/Wide World photo

The blast occurred in the ammonium nitrate processing area of the plant. Two neighboring towns had to be evacuated while the ammonia cloud dissipated.

"We're insured by well recognized companies with whom we are very comfortable. All our property, workers comp and GL carriers have been placed on notice and they are responding accord-

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COBRA, family leave likely to mesh well

By DEBORAH SHALOWITZ COWANS

WASHINGTON—Rules for coordinating COBRA coverage with federal family and medical leave guidelines are not expected to pose significant problems for employers, according to benefit experts.

COBRA health care continuation coverage begins on the last day of family or medical leave, if an employee does not return to work following the leave, according to guidelines published today by the Internal Revenue Service.

The issue is important because while on leave, an employee must pay only the portion of health care premiums required of active employees.

Workers can decline coverage during the leave period and still be eligible for COBRA health care coverage at the end of the leave, several experts pointed out.

However, employers can require a worker electing health care continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 to pay up to 102% of the cost of coverage.

While the IRS' approach is more favorable to employees than to employers, experts said that the guidelines generally are reasonable, clear and easy to understand.

"I give the IRS credit" for a "fairly common sense" approach, commented Mary Lynn Eubanks, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill. "They picked a fairly easy point in time to measure" the beginning of the COBRA health care coverage period.

"The rules you have to follow are relatively straightforward, so it'll be easy for employers to administer," observed Henry Saveth, a principal in the New York office of A. Foster Higgins & Co. Inc.

Under the Family and Medical Leave Act of 1993, which generally took effect Aug. 6, 1993, most employees in companies with more than 50 workers are entitled to 12 weeks of unpaid job-protected leave for their own serious illness or to care for a sick relative or new child. During this period,

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Updates

Manville settlement approved

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against the trust (*BI*, Aug. 1).

Victims are to be compensated based on levels of impairment. The trust is offering claimants 10% of what they are entitled. Claimants who accept will be paid immediately. Those who want an individual evaluation can seek review from the claims department but will receive no payment right away. If claimants reject another offer, they can go to arbitration.

The settlement also calls for $55.7 million to be set aside to reimburse other asbestos makers and Manville distributors for payments made by them for Manville's share of liability in claims resolved while the trust was inoperative.

Trust Executive Director Patricia Houser has said if the settlement was approved, the trust could make offers on 20,000 claims within the first month, and then make offers on another 30,000 claims per quarter, depending on rates of acceptance.

Swiss Re, Credit Suisse team

ZURICH—Swiss Reinsurance Co. and CS Holding, the Zurich parent of Credit Suisse bank, will jointly try to develop and eventually market financial derivatives based on reinsurance risks.

In a cash-and-stock deal announced last week, Swiss Re is to take a 20% stake in CS Holding's London derivatives operation, Credit Suisse Financial Products. That operation is to work with Swiss Re on the new derivatives products, which are only in the theoretical stages now, said Walter Knabenhans, chief operating officer of the division.

Joining the CSFP board will be Lukas Muehlemann, managing director and chief executive officer of Swiss Re, and Walter B. Kielholz, member of the executive board Swiss Re.

No cash figures for the 20% stake were available, but CS Holding will increase its Swiss Re stake to 9% from 5%. Swiss Re says it will increase its shareholding in CS Holding from the current 1% "gradually over time."

Swiss Re and CS Holdings also announced that they will create a $200 million investment fund that will "make investments in the restructuring and recapitalization of the insurance industry" in Europe, the United States and elsewhere.

Tobacco trade's mixed news

MIAMI—The tobacco industry was dealt both a setback and a reprieve in separate liability lawsuits last week.

In Miami, Judge Robert P. Kaye of the Circuit Court for Dade County certified flight attendants as a class, paving the way for the first class-action lawsuit relating to secondhand smoke.

The flight attendants filed suit in 1991, but a year later Judge Kaye rejected class-action status. A Florida appellate court ruling earlier this year forced a rehearing (*BI*, March 21; June 1, 1992; Nov. 11, 1991).

Currently, 23 flight attendants and two survivors of deceased attendants are plaintiffs, but as many as 60,000 current and former workers could qualify for the class. They are expected to seek damages in excess of $1 billion.

In New Orleans, a federal judge postponed a decision on class-action status in a lawsuit there, expressing concern over the manageability of such a suit. U.S. District Judge Okla B. Jones II is expected to rule by year end on whether millions of smokers may sue based on their addiction to cigarettes.

Plaintiffs lawyers must submit a detailed trial plan by today.

In October, a Florida judge certified a class of smokers who are addicted to nicotine and who are suffering from tobacco-related illnesses.

Insured quake losses rising

LOS ANGELES—Insured losses from the Jan. 17 Northridge earthquake that struck Los Angeles are expected to top $10 billion after several property insurers' recent adjustments in loss estimates.

State Farm Mutual Automobile Insurance Assn. last week increased its quake loss estimate by 26.5%, to $2.53 billion. The Bloomington, Ill.-based insurer had estimated its losses at $2 billion in October.

Meanwhile, 20th Century Industries is expecting quake claims to total $900 million, up 10.4% from the $815 million it estimated on Sept. 8. Los Angeles-based Farmers Group Inc. expects its $1.35 billion damage estimate to rise but has not yet released a new figure.

However, Northbrook, Ill.-based Allstate Corp. doesn't anticipate an increase in its current loss estimate of $1.3 billion.

AMA takes new tack on reform

CHICAGO—Altering its stance, the American Medical Assn. is backing incremental health care reform rather than a major overhaul to immediately achieve universal coverage.

The AMA says it believes that reform legislation failed in 1994 in part because the public and physicians feared that reform designed to achieve universal coverage quickly would do more harm than good.

In a policy statement adopted last week by the AMA's House of Delegates, the Chicago-based association called for the "pursuit of incre-

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Errors & omissions

- Enrollment figures supplied by Aetna Health Plans for the ranking of the nation's largest HMOs in the Dec. 20 Managed Care Market Report issue are incorrect. The correct figures and ranking of HMOs appear on page 42.
- A questionnaire was not received from Reliance National in time for the Dec. 5 Directory of International Property/Casualty Insurers. The full listing appears on page 42.

Insurers plot new strategy for Superfund reform drive

By GAVIN SOUTER and MARK A. HOFMANN

WASHINGTON—Six major insurance trade groups will be meeting this week to begin developing principles that they hope the entire insurance industry can use to evaluate proposals in the upcoming Superfund debate.

Headed by Franklin M. Nutter, president of the Reinsurance Assn. of America, the group will try to develop Superfund yardsticks to help the insurance industry avoid the acrimony and divisiveness that characterized debate on the issue earlier this year.

Besides the RAA, the group will include representatives from the Alliance of American Insurers, the American Insurance Assn., the Council of Insurance Agents & Brokers, the National Assn. of Independent Insurers and the National Assn. of Mutual Insurance Cos. These groups met last week and, sources say, continued to express broad agreement about such areas as cleanup standards and risk assessment.

Those, however, are not the issues that sparked disagreement; taxes are. And while most of the insurance groups at last week's meeting favor repeal of retroactive liability, they were not universally in favor of replacing the lost funds with a broad tax.

One observer said that the meeting was marked by realization that the industry has only a narrow window of opportunity to influence the Superfund debate. The observer said that reauthorization debate is not likely to begin until late spring because Congress will be preoccupied with legislation spelling out the 10-point GOP Contract With America. The de-

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Better news for PBGC 50

Slight increase in underfunding an improvement

By JERRY GEISEL

WASHINGTON—Unfunded liabilities in the nation's 50 most underfunded employer-sponsored pension plans increased only 2% during the last year, and could actually have declined if the assumptions used to calculate plan liabilities had not changed.

The 50 plans' unfunded guaranteed benefits—those that the Pension Benefit Guaranty Corp. would have to pay participants if a plan were terminated—rose to $32.3 billion in 1993 from $31.67 billion in 1992, according to the PBGC, which last week released its so-called annual Top 50 list.

That almost negligible increase follows a 30.7% rise in underfunding by the top 50 in 1992.

Pension funding may have actu-

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Largest funding shortfalls*

General Motors	$15.91 bil
LTV	1.99 bil
Bethlehem Steel	1.81 bil
Westinghouse	1.75 bil
Navistar	753 mil

Worst funding ratios

Ravenswood Aluminum	23%
New Valley Corp.	42%
LTV	47%
ACF Industries/TWA	50%
Keystone Consolidated	52%

*For benefits guaranteed by PBGC
Source: PBGC

GRAPHIC BY MIKE GARVEY

Business Insurance TPA directory deadline nears

The deadline is approaching for companies to return questionnaires to be listed in *Business Insurance*'s annual directory of third-party administrators.

The directory will appear in the Feb. 6 issue, which will also contain a report on trends in self-insurance.

There is no charge to be listed in the directory. Companies need only fill out and return a *BI* questionnaire.

If your company offers claims administration, adjusting or auditing services for self-insured clients and you have not received a questionnaire, please request one immediately by calling Rich Trout, Assistant Directory Editor, at 312-649-5483.

The extended deadline for returning the TPA questionnaires is Jan. 9.

Ruling allows suits against employers for injuries to fetus

By ROBERTO CENICEROS

SAN FRANCISCO—California employers can be sued by the unborn children of their employees if the fetuses are directly harmed by workplace hazards, a state appellate court has ruled.

Suits on behalf of children harmed only indirectly, though, will still be barred by workers compensation's exclusive remedy doctrine under a 1989 California appeals court ruling.

Although the 1st Appellate District characterized its Nov. 30 opinion as limited in scope, several experts said it substantially erodes the 1989 ruling and opens the door for a broad range of lawsuits blaming birth defects on employers.

"It really makes the employer the guarantor of birth defects," said Susan Roos, a partner specializing in labor and employment litigation for the San Francisco office of Sheppard, Mullen, Richter & Hampton.

In four other states, courts also have refused to bar fetal-injury suits on the basis of the exclusive remedy doctrine, said Associate Justice Clinton W. White, who concurred with the appeals ruling but dissented in part.

The recent decision stemmed from a 1992 lawsuit filed on behalf of Jeffrey Agnew-Watson. He was born brain damaged and blind from injuries he sustained when his mother, a psychiatric nurse at Alameda County's High-

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Inside

- Good communication is one way self-insurers can avoid conflicts with insurers, two attorneys advise at a recent seminar. **PAGE 42**
- An Australian risk manager for a diversified multinational company was named Australasia's Risk Manager of the Year. **PAGE 43**
- A Chatset Ltd. report says underreserving remains a serious problem at Lloyd's of London. **PAGE 43**
- The chairman of CNA Insurance Cos. has set a one-year deadline for completing the $1.1 billion merger with Continental Corp. **PAGE 48**

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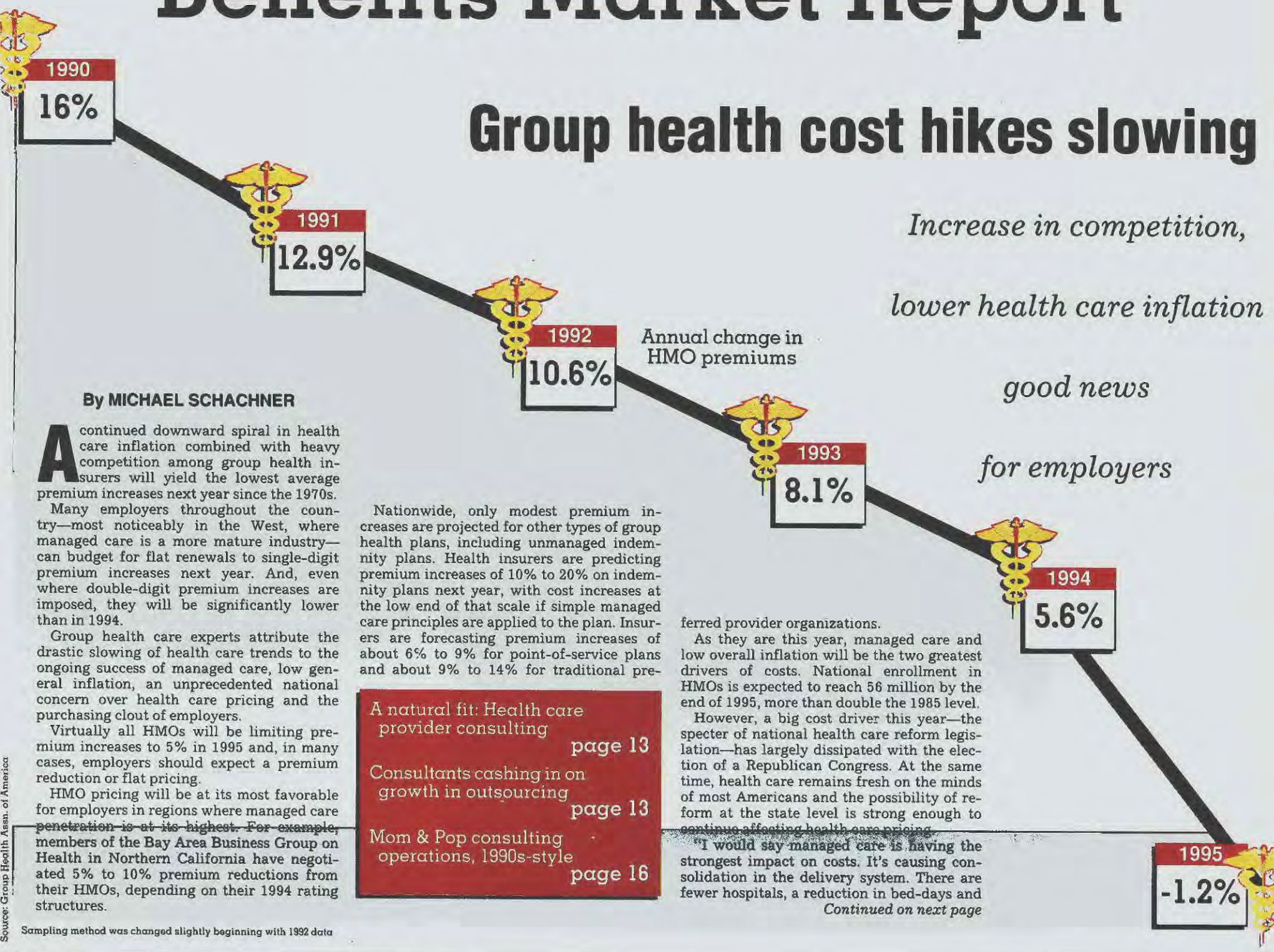
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Benefits Market Report

Group health cost hikes slowing

Increase in competition, lower health care inflation good news for employers



Annual change in HMO premiums

Source: Group Health Assn. of America

Sampling method was changed slightly beginning with 1992 data

By MICHAEL SCHACHNER

A continued downward spiral in health care inflation combined with heavy competition among group health insurers will yield the lowest average premium increases next year since the 1970s.

Many employers throughout the country—most noticeably in the West, where managed care is a more mature industry—can budget for flat renewals to single-digit premium increases next year. And, even where double-digit premium increases are imposed, they will be significantly lower than in 1994.

Group health care experts attribute the drastic slowing of health care trends to the ongoing success of managed care, low general inflation, an unprecedented national concern over health care pricing and the purchasing clout of employers.

Virtually all HMOs will be limiting premium increases to 5% in 1995 and, in many cases, employers should expect a premium reduction or flat pricing.

HMO pricing will be at its most favorable for employers in regions where managed care penetration is at its highest. For example, members of the Bay Area Business Group on Health in Northern California have negotiated 5% to 10% premium reductions from their HMOs, depending on their 1994 rating structures.

Nationwide, only modest premium increases are projected for other types of group health plans, including unmanaged indemnity plans. Health insurers are predicting premium increases of 10% to 20% on indemnity plans next year, with cost increases at the low end of that scale if simple managed care principles are applied to the plan. Insurers are forecasting premium increases of about 6% to 9% for point-of-service plans and about 9% to 14% for traditional preferred provider organizations.

As they are this year, managed care and low overall inflation will be the two greatest drivers of costs. National enrollment in HMOs is expected to reach 56 million by the end of 1995, more than double the 1985 level.

However, a big cost driver this year—the specter of national health care reform legislation—has largely dissipated with the election of a Republican Congress. At the same time, health care remains fresh on the minds of most Americans and the possibility of reform at the state level is strong enough to continue affecting health care pricing.

"I would say managed care is having the strongest impact on costs. It's causing consolidation in the delivery system. There are fewer hospitals, a reduction in bed-days and

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A natural fit: Health care provider consulting page 13

Consultants cashing in on growth in outsourcing page 13

Mom & Pop consulting operations, 1990s-style page 16

Reform uncertainty cuts consultants' '94 revenue growth

By CHRISTINE WOOLSEY

A mood of cautious optimism is returning to the employee benefit consulting industry, following a year in which the possibility of federal health care reform and slow economic improvement deterred many employers from moving ahead with major employee benefit projects.

Revenue growth among the world's 10 largest benefit consulting firms averaged 5.8% in 1994, exceeding the 2.2% average growth in 1993 but falling short of the 7% gains made in 1991 and 1992.

Business for most consulting firms picked up in the latter half of 1994, but the growth is nothing to write home about and certainly will not produce the double-digit gains the firms enjoyed in the 1980s.

Estimated worldwide benefit consulting revenues for the leading consultants will top $3 billion for the first time in 1994, up from about $2.9 billion in 1993.

Three firms reported below-average increases in revenues for 1994, while one firm—Sedgwick Noble Lowndes—reported a 3.5% decrease in benefit consulting revenues, primarily due to continued restructuring after Sedgwick Group P.L.C.'s purchase of Noble Lowndes & Partners Ltd. (*BI*, Aug. 23, 1993).

Two firms—Hewitt Associates L.L.C. and Coopers & Lybrand L.L.P. Human Resource Advisory Group—expect 1994 benefit consulting revenues to increase by more than 10%.

Business Insurance ranks the consultants strictly on revenues generated by worldwide employee

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World's largest employee benefit consultants

Ranked by worldwide benefit consulting revenues. 1994 figures are estimates.

Name (Parent)	Gross revenues benefit consulting[1] (millions) 1994	1993	% change	Offices U.S./total	Professional benefit consulting employees[2]/total	Gross revenues total operations (millions) 1994
William M. Mercer Cos. Inc. (Marsh & McLennan Cos. Inc.)	$641	$604	6.1%	43/103	4,353/6,713	$925
Towers Perrin	466	443	5.2	39/76	2,645/5,097	712
The Wyatt Co.[3]	368	349	5.7	31/69	2,800/3,700	433
Hewitt Associates L.L.C.[4]	337	303	11.2	32/62	2,485/3,728	396
Sedgwick Noble Lowndes (Sedgwick Group P.L.C.)	273	282	-3.5	38/91	1,701/3,938	323
Coopers & Lybrand L.L.P., Human Resource Advisory Group	271	235	15.5	23/88	2,063/2,830	306
The Alexander Consulting Group Inc. (Alexander & Alexander Services Inc.)	206	198	3.7	22/98	875/2,008	237
Buck Consultants Inc.	175	165	6.0	20/39	1,100/1,350	175
A. Foster Higgins & Co. Inc. (Johnson & Higgins)	169	164	3.0	51/82	1,075/1,850	234
Godwins International (Aon Corp.)	144	140	2.6	25/54	1,109/1,760	167
Total	$3,050	$2,883	5.8	324/762	20,206/32,974	$3,908

[1] Excludes revenues from claims administration, compensation consulting, insurance commissions (where no consulting is involved) and other non-benefit consulting [2] Figures may include non-benefit consulting employees [3] Fiscal year June 30 [4] Fiscal year Sept. 30 Source: *BI* survey

GRAPHIC BY MIKE GARVEY

Pricing

Continued from previous page

a sharing of technologies. Managed care is the mainstream and the old ways of financing and delivering health care are behind us," said Michael Thompson, vp-health care operations with the Prudential Health Care System in Roseland, N.J.

"Health care reform talk set the market in motion and it's moving very fast now. Today, even the major (insurers) are focusing on managed care and nothing else. And employers seem to be willing to follow their lead in most cases," added Tom Parciak, a vp and consulting actuary with Actuarial Sciences Associates Inc., a Somerset, N.J.-based benefits consulting unit of AT&T Corp.

The impact of managed care once again is showing up in inflation figures from the U.S. Bureau of Labor Statistics. For the year ended Oct. 31, the medical care component of the Consumer Price Index rose 4.7%, compared with 5.9% for all of 1993 and 6.6% for 1992. Meanwhile, general inflation was only 2.6% for the year ended Oct. 31, and 3% in 1993.

"There's just no bottom-up inflationary pressures," said Mark White, a consulting actuary with The Wyatt Co. in Washington. "Basically, there are two schools of thought on pricing. One is the so-called 'Hillary Factor,' which says trends are a result of the recent focus on health care. The other is that underlying factors that existed before the Clintons ever got to Washington are at work."

The key underlying factor, according to most experts, is that employers simply could not handle more cost increases after years of double-digit inflation. Thus, they have shifted to managed care plans, primarily traditional HMOs.

With enrollment skyrocketing at most HMOs, competition for group business is unprecedented. The result is pricing geared toward retaining current group accounts and procuring market share.

Employers simply could not handle more cost increases after years of double-digit inflation, so they have shifted to managed care plans, primarily traditional HMOs.

The Washington-based Group Health Assn. of America estimates that HMO premiums will actually fall by 1.2% in 1995, compared with a 5.6% premium increase this year (*BI*, Dec. 12).

Generally, employers that contract with independent HMOs will receive the most favorable premiums in 1995.

"Managed care still looks encouraging to us. The market is not tapped and prospects look good for the future," said David Koppe, vp-finance with United HealthCare Corp. in Minneapolis, which has total enrollment of 3.2 million. He said United HealthCare will boost premiums by about 2% to 3% next year.

At Kaiser Foundation Health Plan Inc., the Kaiser Permanente HMO in Northern California will reduce premiums by 1% to 2%, while in Southern California, average premiums will go down by 6%. Nationwide, Kaiser will reduce average premiums by 2.9%, said Jim Taul, director of pricing. "Our membership is flat, while competitor membership is on the rise. It's been 10 years since we've had premium decreases across the program."

At Woodland Hills, Calif.-based Health Systems International Inc., which has 1.2 million members in its Health Net unit in California and 200,000 more individuals in QualMed Inc. in five other Western states, premiums will increase by 2% to 2.5% on average, a spokesman said. "Large employers are exercising their rather considerable clout. They believe there is still excess in the system, and it's our job to get those costs down."

Another recently merged company, FHP International Corp., which was formed earlier this year when FHP acquired Take-Care Inc. (*BI*, Jan. 17) and has total HMO enrollment of 1.7 million, will boost premiums by 4.5%, said a spokesman for the Fountain Valley, Calif.-based company.

Richard Lipeles, executive vp with Cypress, Calif.-based PacifiCare Health Systems Inc., which earlier this year acquired regional HMOs in Seattle and Florida giving it more than 960,000 members in six states, will raise premiums less than 4%, with many subscribers receiving flat renewals. "If we're dealing with a consortium of large employers, the chances are high that they will get actual reductions in premiums."

At insurer-owned HMOs, premium increases will be slightly higher than at the independents. Most health insurers are continuing to market straight PPOs and POS plans, too, and premiums for those will increase by about 6% to 14%.

"Medical expense inflation is about 0% to 2% for HMOs, and premium increases will be based on that, depending on premium adequacy at the end of 1994," said Charles T. Bell, senior vp with Aetna Life & Casualty Co. in Hartford, Conn., whose Aetna Health Plans unit has total enrollment of 1.1 million. Premiums will increase by 9% to 11% for Aetna PPOs and 6% to 8% for its POS plans.

"Awareness about health care costs is continually increasing as is acceptance of managed care. Therefore, trends should remain moderate," said Mr. Bell.

At CIGNA Corp., whose CIGNA HealthCare Inc. subsidiary remains the largest insurer-owned HMO with 3.3 million subscribers, HMO premium increases will be in the "low single digits," said Jeff Berney, senior vp-national accounts with the Hartford, Conn.-based company. He said employers with PPOs should expect premium hikes in the high single digits to low double digits, while companies with POS plans can expect "mid-single-digit" increases.

"Historically, prescription drug and mental health costs were high. But we have subsidiaries

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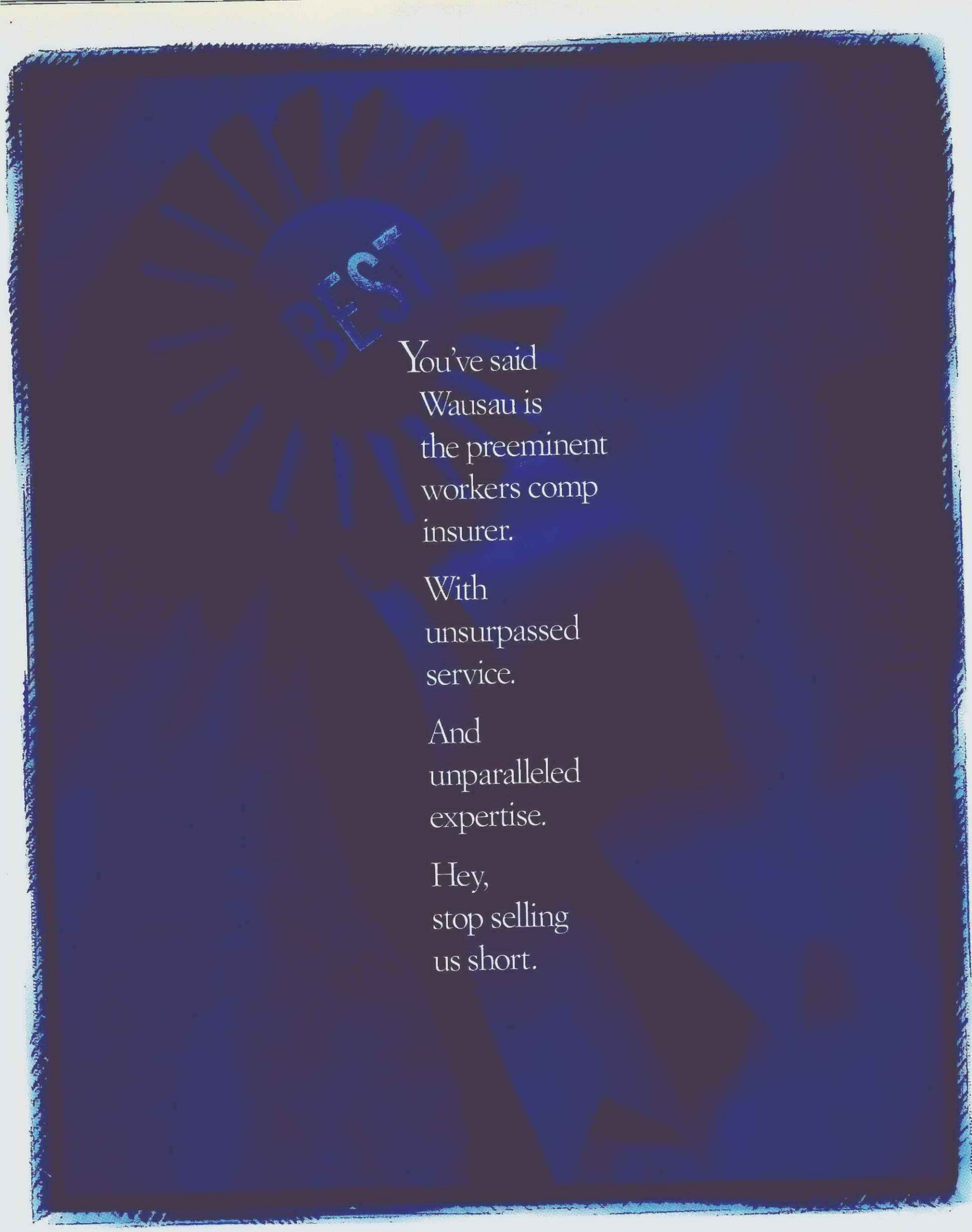
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Costs

Continued from page 4

working with the drug companies and employers on controlling these costs. I think we're getting our arms around that now," Mr. Berney said.

Mr. Thompson of Prudential, which has 3.6 million total members, said many of its HMO subscribers will see "flat to negative" premiums in 1995, while for others increases will be no more than 8%. "In the West, competition has driven down costs to flat." Prudential's PPO will boost prices by 12% to 15%, he said. Prudential PPOs will raise premiums 9% to 11% in most cases.

One big pending health care merger will be finished in 1995 when Metropolitan Life Insurance Co. of New York and Hartford, Conn.-based Travelers Corp. officially merge their group health businesses to form MetraHealth Cos. Inc.

However, for now both companies are separate entities.

At Travelers, Michael Gross, division vp for managed care and employee benefit operations, said employers with HMOs should expect premium increases of about 5%, and those with HMOs about 11%. Point-of-service plans will see premiums go up by "high single digits." He said managed care has resulted in "modest trends on the outpatient side, but with length-of-stay pressure, the intensity of services goes up and average costs per day do increase."

Mr. Gross, like many others, said prescription drug costs are low compared with previous years. "But, we need to be concerned about that. We may be looking at some stockholder pressure for drug companies to raise prices."

'Competition is fierce. It will reduce insurer profits right down to the tip of trends,' actuary Karl Madrecki says.

James Galasso, a vp and senior group actuary with MetLife, also said HMO premiums would climb by about 5% next year, while PPO premiums will increase by about 10% and POS plan premiums will increase by about 8%.

HMO premiums will be close to flat at Provident Life & Accident Insurance Co. of Chattanooga, Tenn., said Vp Jim Pesnell. Premiums will rise 7% to 12% for PPO members and less than 10% for POS plans.

At the 69 Blue Cross & Blue Shield Assn. plans across the country, average premium increases for HMOs will be 6% or below, "with some flat renewals," according to Karl Madrecki, senior actuary. PPOs, he said, would raise premiums by 8% on average and POS plans 6% to 8%.

"Competition is fierce," he said. "It will reduce insurer profits right down to the tip of trends. We're in on of those rare downward inflationary cycles, so it's important to realize that this isn't all because of great management."

At one of the largest Blues plans, Empire Blue Cross & Blue Shield, which covers 5.5 million New Yorkers, HMO premiums will be flat because "current pricing is adequate," said Tom Cobb, senior vp and chief marketing officer. PPO premiums should increase by about 10% and POS premiums 5% to 8%.

And, at Principal Mutual Life Insurance Co. in Des Moines, Iowa, which derives about half of its group health business from small employers, HMO premiums will be "fairly flat," said Tom Graf, senior vp. "I can't see anyone, including us, raising their prices much."

Principal Mutual PPOs will boost premiums by about 10% to 12%, he noted.

Naturally, indemnity plans will experience higher premium increases, but these increases will be fairly moderate, especially if the plan contains a point-of-service option with obvious incentives for employees to use network doctors and hospitals.

"Indemnity plan increases will be in the mid-double digits," said CIGNA's Mr. Berney.

Prudential is predicting 17% to 19% premium increases for unmanaged indemnity programs.

At Aetna, Mr. Bell said the company will call for 11% to 15% increases.

At MetLife, unmanaged plan premiums will rise about 13%, while at Travelers Mr. Gross projected 11% to 15% increases.

Nationwide, the BC/BS Assn. plans will increase premiums by about 10%, although at Empire BC/BS, the increase could be as high as 30%, said Mr. Cobb.

Provident's Mr. Pesnell predicted 8% to 13% premium increases on indemnity plans, while Principal Mutual's Mr. Graf said small employers will pay as much as 20% more for indemnity plans next year, but could pay as little as 10% more.

Self-insured employers should expect health care cost inflation of less than 10% in most cases, and could see costs escalate by as little as 5% in 1995 if their plans contain managed care features.

For example, Bankers Trust Co., which employs abut 8,300, anticipates health care inflation of 6% across its three plans. Allan Phillips, a vp in the company's New York headquarters, said Bankers Trust is satisfied with that level of cost escalation. "It's pretty good and we're doing well in our managed plans."

About half of its workforce is in one of two unmanaged indemnity programs, one of which is a high-deductible catastrophic coverage plan. Inflation on those plans is expected to be about 10%, he said. Bankers Trust offers employees around the country access to many of the large HMOs, for which cost hikes will be "nearly nothing." It also has a POS plan, which should experience 3% inflation.

At Armonk, N.Y.-based International Business Machines Corp., costs for its 125,000 workers nationwide will rise by about 5% to 6%, a spokesman said. About 30% of employees are in HMOs and the remainder are in two versions of indemnity plans, one of which is a traditional first-dollar plan. The spokesman said IBM has achieved cost savings through the streamlining of its mental health program (*BI*, Nov. 28), and by managing pharmacy benefits.

Brad Stevens, health and welfare practice director at Intel Corp.'s Folsom, Calif., office, said costs of its managed indemnity plan with a POS network option, which covers 90% of employees, will be flat to reduced in 1995. Its HMOs in California, Oregon and New Mexico, which cover the rest of Intel's 22,000 workers, will see "modest increases," he said. "This is not our first year of flat costs. We've had managed care for five years and the results are kicking in." BI



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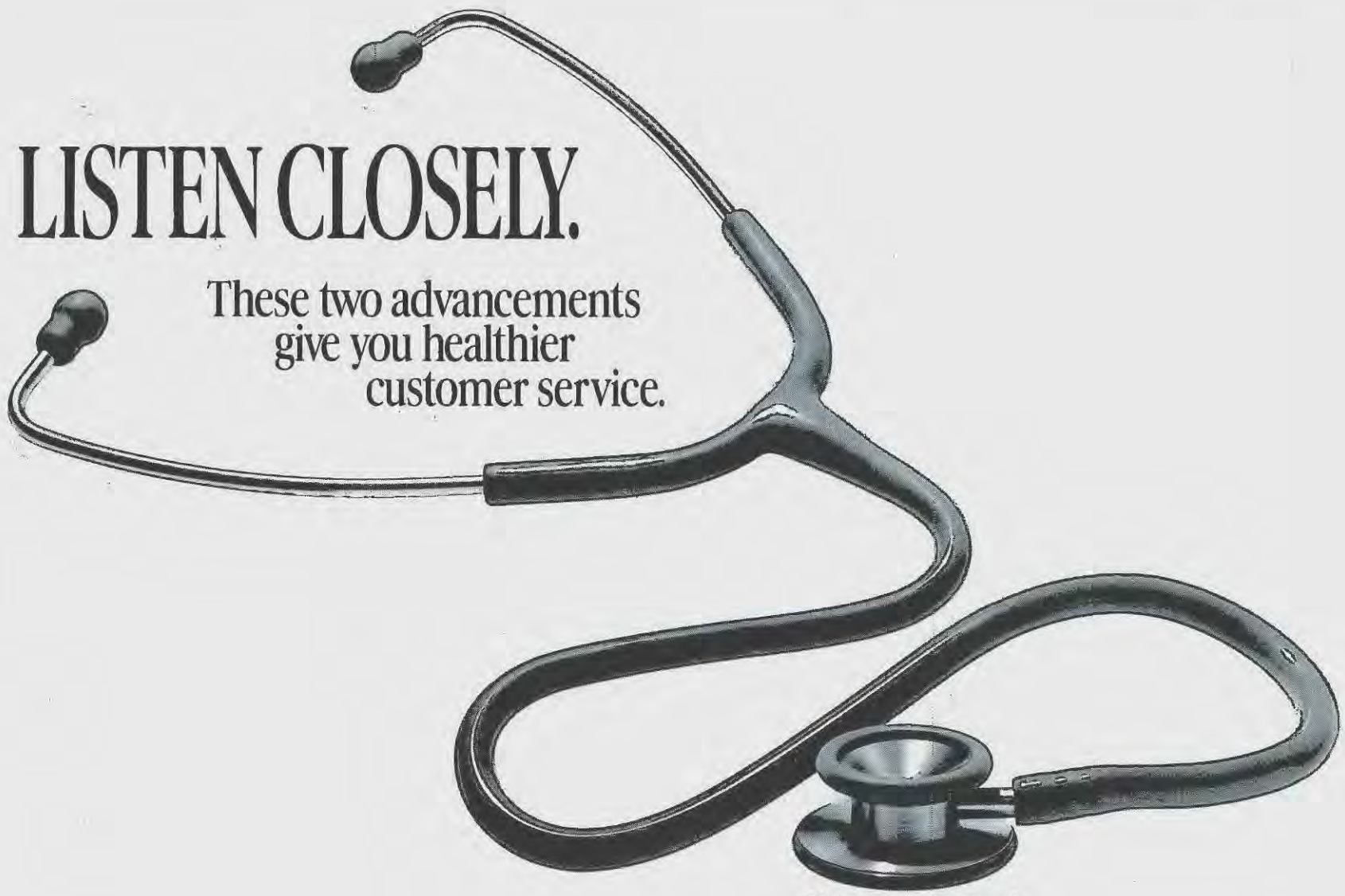
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NOW, AS THIS YEAR GOES SPEEDING BY,
ONCE MORE WE REASSESS.

NINETY-FOUR WAS SHOOK AWAKE
BY QUAKING IN L.A.
AND ENDED WITH A JOLTING CHANGE
AS VOTERS HAD THEIR SAY.

HEALTH CARE REFORM SLIPPED OUR GRASP,
I'M SURE SOME PEOPLE CHEER
BUT THOSE WITHOUT INSURANCE NETS
INCREASE, NOT DISAPPEAR.

SUPERFUND WAS PLAGUED THIS YEAR
BY E.I.R.F. GRIEF.
WITH RETROACTIVE BLAME INTACT,
ITS DEATH MET WITH RELIEF!

G.O.P. ASCENDANCY
WILL CALM McCARRAN'S BEAST.
SOLVENCY LAWS WILL IDLE, TOO,
FOR TWO YEARS HENCE AT LEAST!

THE P.B.G.C. TOOK THE REINS
FROM YEARS OF SAD NEGLECT
AS CONGRESS DEEMED THEIR SHRINKING FUNDS
NEED, REALLY, TO BE CHECKED.

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Consultants

Continued from page 3

benefit consulting—that is, giving advice on a fee-for-service basis on employee benefit issues. Only revenues from majority-owned benefit consulting affiliates are counted.

Excluded from revenues for purposes of the ranking are revenues generated from other activities, like claims administration, compensation consulting and insurance brokerage.

All 1994 figures are estimates, unless otherwise noted. Fluctuating currency exchange rates skew revenues somewhat, especially for firms with a large international client base.

Business Insurance also ranks the largest consulting firms, based on benefit consulting revenues generated in the United States or from consulting for U.S. multinationals (see chart).

With the possibility of federal health care reform behind them, employers are now moving ahead with new health care projects, most notably managed care.

In addition, large employers are fine-tuning their retirement programs to maximize pension fund investment returns and improve employee savings rates.

As a result, executives from the largest benefit consulting firms say, health care and retirement practices are growing.

Part of that growth was due to "pent up demand," commented Donald C. Ingram, chairman of Godwins Booke & Dickenson in Chicago, the domestic unit of Godwins International.

Godwins, owned by Aon Corp., estimates its benefit consulting revenues will rise 2.6% to $144 million from $140 million in 1993.

"Employers just didn't do anything to speak of during the health care reform debate," Mr. Ingram said. "Now they are back to looking at things they were looking at in the past."

"The uncertainty of legislation affected all of us," agreed William Giegerich, president and chief executive officer of Buck Consultants Inc. in New York.

Buck estimates its consulting revenues will grow 6% to $175 million from $165 million in 1993.

"A lot of employers held off because no one was sure what the game would be. Now, when you watch the news, everyone—including the Democrats—is saying health care legislation was a bad idea," Mr. Giegerich said.

Many consulting executives say it was the threat of health care legislation, rather than the concomitant slowdown in health care cost increases, that kept employers from enlisting their consultants.

"In general, many organizations put off any changes," said J. Russell Southworth, managing director-North America for Towers Perrin in Boston.

At Towers Perrin, the world's second-largest benefit consulting firm, estimated benefit consulting revenues rose 5.2% to $466 million from $443 million in 1993.

"I think there have been some successful efforts in the private sector to control costs," said Mr. Southworth, adding that provider concerns about federal price controls also put a damper on consulting revenue increases.

"But now, with the prospect for price controls receding and the reduction of federal health care spending on Medicare and Medicaid, I suspect plan sponsors will take a renewed interest in health care cost containment programs," Mr. Southworth said.

"Given the election results, it seems clear there won't be government-controlled health care and companies will go back to finding solutions on their own," Mr. Giegerich pointed out.

But, he noted, the death of federal health care reform hasn't had a significant impact on health care consulting activities yet. "Things don't turn on a dime. There is still a little shock effect: Here's a freight train coming and now it's gone."

Other executives say health care consulting did not slow down in 1994.

"The need for health care cost containment never abated despite all of the health care work in Congress. The majority of employers felt not a lot would happen and (reform) wouldn't be massive," said Howard Fluhr, president and CEO of Segal Co. in New York. "Employers felt even if federal health reform took place, they'd still have problems to take care of," he said.

"One thing that did slow down was flex programs. Benefits professionals didn't want to hold off on those plans, but management did."

Managed care played a role in most of the health care projects consultants worked on this year. "Business really picked up in the last half of the year. Some clients had delayed (managed care) projects and we helped some large corporations expand managed care networks in tertiary and secondary markets," commented Dave Rahill, a principal for A. Foster Higgins & Co. Inc. in New York.

Foster Higgins ranks as the world's ninth-largest benefit consulting firm with an estimated $169 million in revenues, up 3% from $164 million in 1993.

State health care reform initiatives also produced new business for some firms and consultants expect state governments to account for more business in the future.

Foster Higgins, for example, helped Washington and Maryland on health care reform projects geared toward enabling smaller employers to get access to affordable health insurance products.

"Just because health care reform isn't going on at the federal level, doesn't mean it isn't going on at the state level," said Kenneth G. Martin, chief executive of Sedgwick Noble Lowndes' North America operations in Memphis, Tenn. "There is a need for proactive health care consulting. Clients still want to be kept adequately informed and it's moved down to the state level. Clients expect us to be experts about state health care laws."

SNL estimates 1994 benefit consulting revenues will fall 3.5% to $273 million from $282 million, partly due to staff cuts and office closings in Noble Lowndes' U.S. operations.

Of particular concern for clients, said Mr. Martin, are requests to waive certain requirements under the federal Employee Retirement Income Security Act by states that want to try their own health care reforms.

Top 10 U.S. benefit consultants

Based on U.S. benefit consulting revenues

	1994 estimates (in millions)
William M. Mercer Inc.	$378.2
Towers Perrin	349.5
Hewitt Associates L.L.C	310.0
The Wyatt Co.	294.7[1]
Coopers & Lybrand HRAG	146.4
Buck Consultants Inc.	140.0
A. Foster Higgins & Co. Inc.	133.5
Alexander Consulting Group Inc.	127.5
Godwins Booke & Dickenson	103.4
Sedgwick Noble Lowndes	73.6
Total	2,056.8

[1]BI estimate; figure reflects fiscal year ending June 30
Source: *BI* survey

GRAPHIC BY KIM ROME

Employer coalition and group health care purchasing organizations also are providing opportunities for benefit consulting firms.

"We are seeing an increasing interest in coalitions and group purchasing. A lot of those ideas came out of health care reform, but we'll see the trend continue," said Vikesh Mahendroo, executive vp of William M. Mercer Inc. in New York.

William M. Mercer Cos. Inc., the world's largest benefit consulting firm, estimates 1994 benefit consulting revenues will reach $641 million, up 6.1% from $604 million in 1993.

"Health care reform slowed down standard employer health care consulting from its pace in the past. Up until 1994, health care consulting to employers grew as fast as anything we did," commented Tim Lynch, executive vp at Mercer.

Executives from the leading benefit consulting firms expect health care consulting revenues to rebound over the next few years.

"Looking forward, there are signs we will be due for another explosion of activity," predicted Dale Gifford,

Continued on next page

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Continued from previous page
chief executive of Hewitt Associates L.L.C. The Lincolnshire, Ill.-based firm reported revenues of $337 million for the year ended Sept. 30, up 11.2% from $303 million.

Retirement plan consulting revenues, excluding revenues for administrative outsourcing (see related story), were up for some of the leading firms in 1994, but only modestly. Most retirement plan consulting is driven by employers' desire to maximize the return on their pension plan investments. But, many employers also want to take a closer look at their defined benefit plans and increase participation in their defined contribution plans.

"Retirement plan consulting was a bit of a surprise; our actuarial work actually picked up over the year," said Donald Seeley, president and CEO of Alexander Consulting Group Inc. in Lyndhurst, N.J.

Following a year in which the benefit consulting unit of Alexander & Alexander Services Inc. did some house cleaning to improve its financial operations, the firm estimates 1994 benefit consulting revenues will total $206 million, up 3.7% from $198 million in 1993.

Communication consulting related to retirement planning picked up for ACG in 1994, Mr. Seeley said, driven in part by employers' "concern over the potential gap employees have in their defined contribution plans because of a lack of participation and insufficient investment knowledge." Corporations are increasingly trying to show employees how much money they need to save to retire comfortably.

"Retirement consulting is not just related to record keeping and systems and actuarial valuations. There is a lot of strategic retirement consulting to be done," said A.W. "Pete" Smith Jr., president and CEO of The Wyatt Co. in Washington.

Wyatt reported 1994 benefit consulting revenues of $368 million for the year ended June 30, a 5.7% increase from $349 million in 1993.

"We are concerned about what is happening with retirement benefits in the United States," he said. "As the tax-favored status has been taken away from defined benefit plans, more responsibility is being shifted to employees in the form of 401(k) plans. But, employees are addressing retirement savings when it's too late."

"Employees are contributing more money to their 401(k)s, but not at appropriate levels or they are withdrawing funds for things other than retirement," Mr. Seeley added.

"There is a time bomb ticking out there," Mr. Smith warned. The bomb may explode when baby boomers want to retire but lack the savings to do so and employers confront a growing number of workers who have outgrown their usefulness, but cannot afford to retire.

"Corporations are saying there is a problem, but think the government should help them," he said.

The Republican sweep in the November elections may mean more government attention on retirement plans. "There are a number of people in lead positions who are economically conservative and understand the significance of retirement savings," said Mr. Giegerich.

"It will be interesting to see if there is enough concern by corporations that they swing the pendulum back to defined benefit plans from defined contribution plans," Mr. Seeley commented. "We haven't seen that yet."

Revenues for overseas consulting operations are growing at single-digit rates, with certain practice areas turning in flat or decreasing revenue in only a few countries.

In Canada, for instance, the economy remains moribund and employers are unlikely to initiate new benefit projects.

"It is a tough environment up there. We are doing all we can, but their economy hasn't improved yet," said Robert Powell, chairman and CEO of Foster Higgins.

Many consultants also reported a slowdown in revenue growth in the United Kingdom, mainly because the financial planning business is soft.

Revenues also are down because of widespread reported abuses by financial planners who work for individuals (*BI*, Oct. 31). Many consulting firms provide such advice to retiring U.K. workers at the request of their employers.

Millions of employees have opted out of employer-sponsored defined benefit plans in recent years and say that they have been misled into enrolling with private plans that provided lower returns.

New regulations designed to combat abuses are now reducing the incomes and margins of some U.K. benefit consultants with large individual financial advisory practices.

"The U.K. imposed strict regulations on what makes up good practice. The government wants to make sure employee benefit consultants comply with the regulations and give good advice," explained Rob White-Cooper, executive chairman for Sedgwick Noble Lowndes in London, where individual advice accounts for 20% of U.K. revenues.

"We all have to comply with the new set of regulatory criteria. This means we have to employ people whose sole point is to make sure we comply. That is putting pressure on income," Mr. White-Cooper said.

"The life and pension business is down about 15% overall in the United Kingdom, he said, adding, "the lack of confidence in the industry as a whole has had a big impact on Noble Lowndes."

"Even though we are getting more clients, business is down," said Daniel Cox, chairman and CEO of Godwins International. IFA business accounts for about 50% of Godwins revenues in the United Kingdom, he said.

On the other side of the globe, Mexico is providing new opportunities for benefit consultants.

"Mexico has been growing for us, not necessarily because of the North American Free Trade Agreement, but because the Salinas government is very pro-business and the economy is expanding," Buck's Mr. Giegerich said.

Other opportunities are coming in countries in Latin America and elsewhere that are privatizing pension arrangements.

"There is a lot of opportunity in those countries. Governments are seeking advice on how to go about privatization," Mr. Cox commented. "The second phase of that will be determining how employers will react to that privatization."

There are some parts of the world that are not ready for traditional consulting services, like China and some parts of Eastern Europe, but consultants are gearing up to establish business operations there.

"We will continue to try to expand internationally," even in immature markets, said Reed Keller, vice chairman of Coopers & Lybrand Human Resource Advisory Group in Atlanta. "But to get the business overseas, in developing countries, one has to work from the axiom of 'What are the clients' business needs?' They need basic advice, blocking and tackling, in the human resource area."

Coopers & Lybrand estimates its 1994 benefit consulting revenues will increase to $271 million, up 15.5% from $235 million in 1993.

Growing demand for provider consulting

By CHRISTINE WOOLSEY

Health care provider consulting is a developing business area for a handful of the leading employee benefit consulting firms.

Consulting firms historically have worked with providers in getting them to respond more effectively to employers' needs. Now, benefit consulting executives say their firms can help providers figure out what kinds of services they should offer and how they can best compete in a rapidly changing market.

In addition, consultants can provide actuarial expertise to health maintenance organizations and other providers that sell services on a capitated basis.

Provider consulting can include re-engineering, network development, risk analysis and clinical effectiveness. Hospitals, physician groups and HMOs are the primary targets.

"The demand for provider consulting is still being driven by large employers and purchasers that want to get a better health care product," said Dave Rahill, a principal with A. Foster Higgins & Co. Inc. in New York. "They want it cheaper, of decent quality and good tradeoffs in terms of employee choice and cost."

Competition for this type of business is most likely to come from general management consulting and accounting firms.

Bringing the employer perspective to provider consulting can be a plus for benefit consulting firms.

"We have evaluated a number of successful HMOs, and we are in a position to tell providers what works in aggressive employer markets," Mr. Rahill noted.

Only a few benefit consulting firms have made the commitment to go after this market segment.

William M. Mercer Inc. has a well-developed provider consulting practice staffed by 50 to 60 employees and has plans to add that many more in 1995, said Tim Lynch, executive vp for the U.S. operating unit of William M. Mercer Cos. Inc.

"We've seen a lot of activity in 1994," said Mr. Lynch. "In fact, what we didn't do on the employer (health care consulting) side was taken up by the health care provider consulting side."

Mercer expects its provider consulting revenues to double over the next one or two years.

Towers Perrin had been offering health care provider consulting services through Tillinghast, its risk management consulting unit. The firm has now created a separate operating unit, called Integrated HealthSystems Consulting. The unit is based in Stamford, Conn., and draws on 55 provider consultants located in eight offices around the country.

Foster Higgins has full-time provider consulting staffers in Washington, Atlanta, New York and Los Angeles and plans to add some in Seattle in 1995.

Revenues for the specialty are small—less than 3% of Foster Higgins' total—but are rising rapidly, according to Mr. Rahill.

Consulting to employers and providers, which have traditionally sat on opposite sides of the fence, isn't necessarily a conflict of interest, the consultants say.

Foster Higgins was concerned about a possible conflict before it entered the business, Mr. Rahill said. "But we surveyed our large clients about 18 months ago, and they said they were not satisfied with the market and if we could improve it without compromising employer consulting, we should do it."

"We look at this situation by situation," explained Vikesh Mahendroo, executive vp at Mercer. "There are instances where we've seen a conflict with an existing client, and we've walked away."

Conflicts are more likely to arise when consultants are asked to help more than one provider in a community, consultants say.

"You have to be careful and disclose fully the relationships," said William Giegerich, president and CEO of Buck Consultants Inc. in New York.

"But it is almost inevitable that you help both sides," he added. BI

Cashing in on downsizing

As clients go back to basics, consultants go to work

By CHRISTINE WOOLSEY

If there is one practice area that produced significant growth for a number of the top consultants in 1994, it is outsourcing benefit plan administration.

As employers pare back operations to focus on their core business, they are increasingly dismantling huge benefits and human resource departments and farming some of that work out to consulting firms.

Many large employers are no longer interested in simply outsourcing defined benefit or defined contribution plan administration but also are making moves to outsource health and welfare programs and other human resource functions.

As a result, outside benefit service centers, which handle everything from claims administration to inquiries from employees, are sprouting up across the country.

"Benefits departments won't survive in this world if they are burdened with customer service calls" that can be handled by an outside benefit service center, commented A.W. "Pete" Smith Jr., president and chief executive officer of The Wyatt Co. in Washington.

Plus, it takes a large investment to keep administration systems up to date—an investment many employers do not want to make.

"It will be difficult for all but the largest employers to have the infrastructure necessary" to handle the increasingly complex benefit administration needs, said Daniel Cox, chairman and CEO of Godwins International in Chicago.

To meet clients' growing demands for outsourcing services, a number of firms ranked among the top 10 consultants are making multimillion-dollar investments in developing outsourcing personnel and technology.

It appears as though the employee benefit consulting market is segmenting into those firms that are investing heavily in outsourcing and those that are not.

Several firms, including Hewitt Associates L.L.C., Buck Consultants Inc., The Wyatt Co., Towers Perrin and William M. Mercer Inc., have made investments in the $20 million range to beef up outsourcing capabilities.

Other firms are making investments in the $3 million to $5 million range.

Competitive pressures for this business are coming not only from within the traditional consulting industry but also from non-traditional players, like mutual funds, accounting firms and huge data processing companies that boast technologically advanced computer systems.

"It's not just the employee benefit consultants competing for that business. We see competition from firms like" EDS Corp. of Plano, Texas, and Arthur Andersen Co. of Chicago, Mr. Smith said.

The type of firm an employer will use often depends on what problem the employer is trying to solve. "Competitors come at problems with different perspectives and angles. As a consultant, you have to be aware of that," he said.

Getting a piece of an employer's outsourcing business often leads to other lucrative consulting projects.

"When you build an outsourcing relationship, there is a sprouting of other relationships with a client," explained Vikesh Mahendroo, executive vp of William M. Mercer Inc., the U.S. operating unit of William M. Mercer Cos. Inc. of New York. And, he noted, "Most outsourcing contracts are of longer duration, so it is ongoing revenue."

"We see a market there that can be exploited," said Mercer Executive Vp Tim Lynch. "Clients are saying, 'Let's get back to basics.' We are saying, 'We have the skills to do this well, we understand how your plans work. We've done administration for defined benefit, defined contribution, health and welfare and flexible benefit plans. We've assisted in communications.'

"It's all of a sudden coming into place: An employer says, 'We can't have the best people for all of this on staff. Let's give it to a company that can get good people, then overlay the technology."

Some consulting executives say that only firms with a long history of outsourcing will thrive in this business going forward. Latecomers, or those investing only minimally, will be at a disadvantage.

"We've been making investments in technology for a few years. If you were not going down this road before, I don't know how you'd get there now," said William Giegerich, president and CEO of Buck Consultants Inc. in New York.

"It's increasingly hard to be a small player in this business," agreed Dale Gifford, chief executive at Hewitt Associates L.L.C. in Lincolnshire, Ill.

"There are necessary investments in technology, people, real estate. Undoubtedly, the bigger players will get bigger and the smaller ones will get smaller."

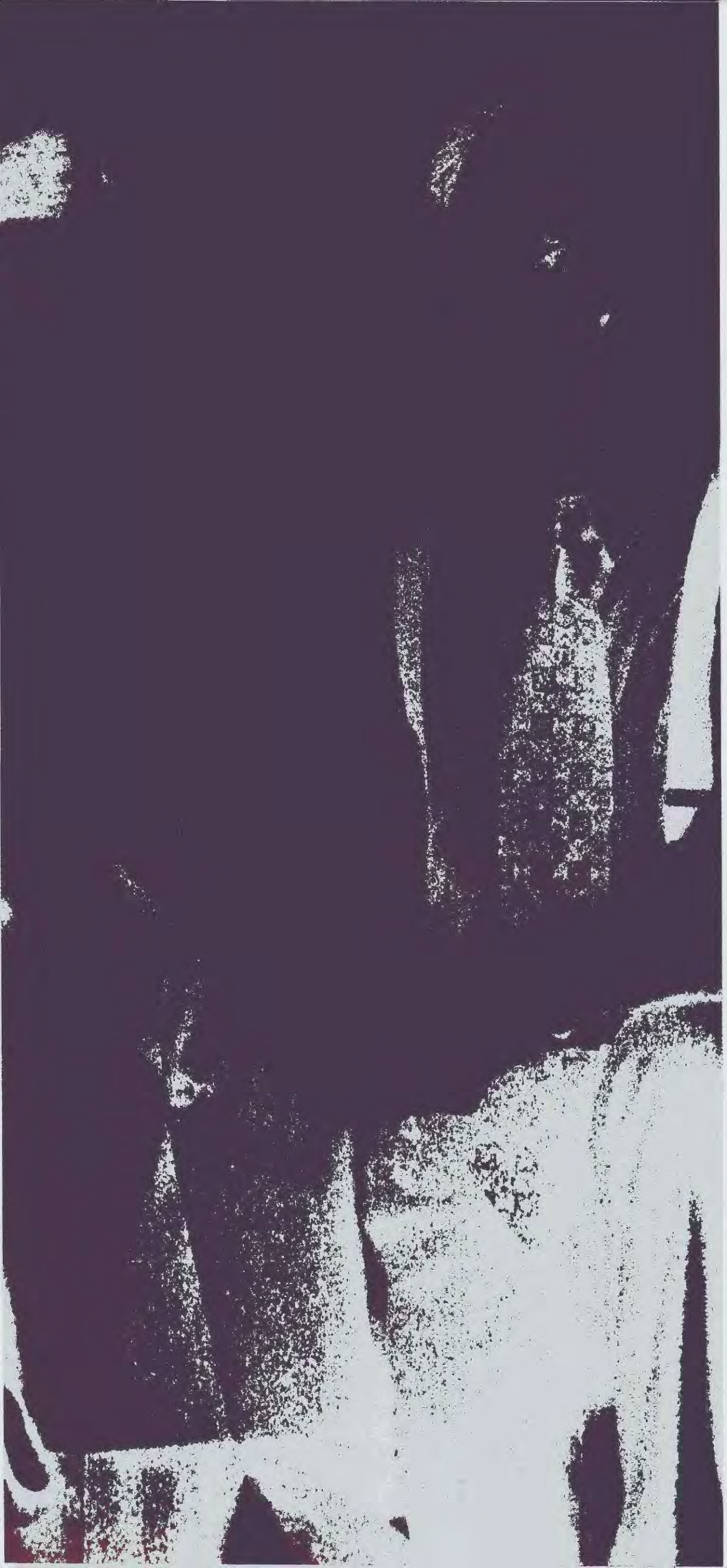
Others say newcomers won't have any trouble competing in the outsourcing arena because they can exploit the newest technologies.

"It is intriguing to see the ways

Continued on page 16

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Independent benefit consultants providing competition

Leaving big firms behind provides business advantages, personal satisfaction

By JERRY GEISEL

When it comes to employee benefit consulting, small can be beautiful.

Looking for more flexibility in their work and lifestyles, dozens—if not hundreds—of benefit consultants have left the ranks of the largest benefit consulting firms to form their own one- or two-person consulting businesses. They have been aided by the technology and communication revolutions that have made equipment like computers, faxes, voice mail and online services affordable, portable and accessible.

Working in a low-cost environment—typically their homes—these 1990s-style mom and pop firms often charge 20% to 50% less than the mega-consultants.

"We give the same or better quality of work at a fraction of the cost," said Glenn Bonci, who formed his own consulting business, Communications Resources in Seattle, after a 10-year consulting career with Towers Perrin, The Wyatt Co. and Price Waterhouse L.L.P.

Away from distractions, like innumerable internal meetings and office politics, these benefit consulting entrepreneurs say they can offer better service without burning themselves out.

"I can manage my time better. I'm not working as hard, but I'm getting more done. There aren't all those internal meetings," said Mr. Bonci.

At the large firms, "there is an awful lot of energy spent on unproductive things. Now, I can be more focused on the client and give better and faster service," said Sarah Plotkin, an independent health care actuary in Seattle who formed her own business 17 months ago after working for Towers Perrin and CIGNA Corp.

The low prices and high quality of services provided by small consultants are not going unnoticed by benefit managers seeking alternatives to the big benefit consultants.

Tired of paying for the "high overhead" of big consultants, Purchase, N.Y.-based PepsiCo Inc. looked around for less expensive consultants, said Bernadette Wade, Pepsi's manager of benefit communications.

It chose Dungan Communication Resources, a small Chevy Chase, Md.-based consultant, on a benefit plan enrollment project and paid at least 20% less compared to what a large firm would have charged. And, the quality of work was outstanding, Ms. Wade said.

While small consultants are carving out a niche for themselves, they do not yet pose a threat to the revenue bases of the big consultants.

In fact, the biggest consulting firms may generate more revenues in a few hours than a small consultant earns in a full year.

Clearly, some consulting projects, like 401(k) plan administration and flexible benefit plan enrollment, require massive investments in technology that put them beyond the reach of all but the largest consulting firms.

In addition, small consultants would be ill-equipped to take on labor-intensive projects, such as health care plan claims audits.

The big consulting firms, while

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Outsourcing

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technology has changed and revolutionized what you can do in the benefits administration area. It looks nothing like five years ago. It's been as dramatic as anything I've ever seen," Mr. Gifford said.

But it takes a lot of capital to harness that technology.

"Employers want the best possible deal. They want a long-term relationship with you investing on the front end and reaping dividends on the back end. That means a three- to seven-year relationship, and you have to spend $1 million up front," said Reed Keller, vice chairman of Coopers & Lybrand Human Resource Advisory Group in Atlanta.

Not everyone is interested in jumping on the outsourcing bandwagon.

"Outsourcing isn't a big push for us," commented Howard Fluhr, president and CEO of the Segal Co. in New York. "We think that long-term outsourcing isn't that great of a solution because I think employers do want and should have control" over their benefit administration. "On the administration side, we and some other firms believe in installing software that allows our clients to do the work in-house," he said.

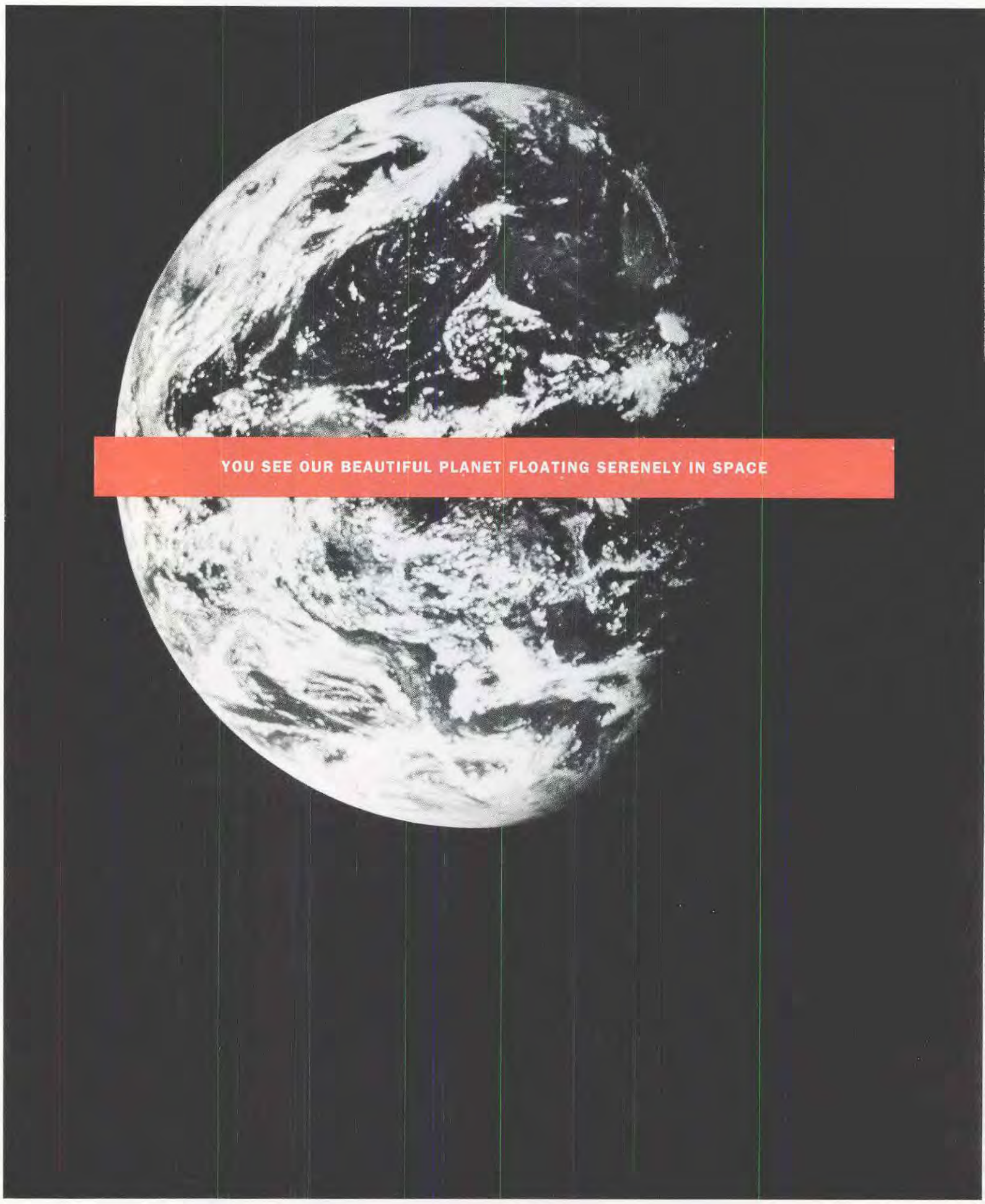
Sedgwick Noble Lowndes is another firm that doesn't believe in putting all of its eggs in the outsourcing basket.

"Some of our competitors have spent up to $25 million to develop defined contribution (administration) systems. But. . .you have to sell a lot of those services to make your money back," said Kenneth Martin, CEO of Sedgwick Noble Lowndes' North American operations in Memphis, Tenn.

Sedgwick Noble Lowndes does have outsourcing capabilities, however, including defined contribution record keeping and daily valuation services.

So does Alexander Consulting Services Inc., but ACG takes a different approach to outsourcing, according to President and CEO Donald Seeley. "We think the better approach to take is, when a client has an interest in outsourcing—and it's very fashionable right now—it's better to do a combination. Outsource part of the benefits program or do it seasonally, like for plan enrollments."

Outsourcing isn't an area ACG will make a "splash" in, he said. "We have taken a cautious approach and decided not to make such a huge investment. There are other ways to accomplish (clients') needs." BI



Continued from previous page
respecting the talents of some consultants who have gone out on their own, say the insular environments in which small consultants' work can affect the quality of services they deliver.

"How do you stay current" when you are on your own? asks Pamela Cook, a partner with Kwasha Lipton in Fort Lee, N.J. "You can lose the exchange of ideas among consultants that occurs at larger firms. You can get out of date very quickly," she said.

Similarly, big consultants say the diversity of services and talent they offer—often in a single location—cannot be matched by one- or two-person consulting firms.

"We have tremendous resources here. If I need benefit plan tax advice, I can simply walk three doors down the hall," said David Walker, Midwest health care benefits practice leader for KPMG Peat Marwick L.L.P. in Chicago.

Consultants who have worked for the largest firms, gone out on their own and then returned to a major firm, say both solo practices and working for a large firm have advantages and disadvantages.

Robert Coburn, now a principal and managed care consultant in the Washington office of A. Foster Higgins & Co. Inc., fondly recalls the "wonderful freedom and flexibility" of working on his own, but he also remembers the hassles of dealing with administrative chores, like going to the post office.

On the other hand, he said he missed the daily interaction with other colleagues.

Working at a big firm gives a consultant access to a greater range of potential clients as well as more administrative support and technical resources, Mr. Coburn said.

Individual consultants have to be their own one-person marketing departments to keep business coming in.

How many consultants successfully make the transition from large firms to individual practices isn't known. Undoubtedly, though, given the intense competition in the benefit consulting field, the mortality rate is high.

Kwasha Lipton's Ms. Cook notes that whenever she recruits for new talent, she receives dozens of resumes from consultants who have gone out on their own and now want to come back to a larger firm.

"They know they are getting out of date technically and know they need but can't afford support staff. Some also find out they are not that good and discover the difficulty of successfully marketing" their services, she said.

Solo practitioners acknowledge the difficulties of developing their own business. Banks, for example, may be reluctant to extend a line of credit, cash flow from projects may be erratic, and benefit managers may be reluctant to trust a project to a one-person practice.

At the same time, individual consultants now have to be their own one-person marketing departments to keep business coming in.

"There is a lot of cold-calling," Mr. Bonci said.

But they dismiss some of the criticisms of their large competitors.

While they may work alone, they say they still maintain a network of contacts. And, just like their big counterparts, when necessary they obtain the assistance of outside experts, such as law firms. "There is a whole network of consultants that keep in touch with one another," said Bill Nicholson, a communications consultant in Roswell, Ga.

Reasons vary why consultants go out on their own. Some do so because they have no choice—those who lost their jobs at a big firm, for example.

Others are looking for a change in lifestyle. Ms. Plotkin, the Seattle health care actuary, wanted the freedom to do more personal travel and have more time for herself.

"When I have a project, I can work full time. When that is done, I can have a block of free time for myself," she said.

Others say they felt they could do their best work in the comfort and casualness of their home.

"Creativity is important. You have to come up with ideas. My creativity is much greater when I'm in a comfortable, homey environment," Mr. Bonci said, whose office has a guitar on the wall and under whose desk his dog sometimes sleeps.

While a belief they could do their best work on their own has led some consultants to leave the big firms, they say an added bonus has been more involvement with their families.

"I made the decision to go on my own because it was right professionally," said Vicki Dungan, who left Towers Perrin in 1992 to form Dungan Communication Resources.

"It did not dawn on me at the time that it would also be a personal gain. My son is 6, and even though I work more than full time, I have more opportunities to see and be with him. There is a real balance of work and family," said Ms. Dungan, who works out of her home.

While the working environment and conditions may be more comfortable and the hours more flexible, independent consultants at times face the same deadline crunches as their larger counterparts.

Ms. Plotkin, for example, remembers receiving a call from a client on a Thursday asking her to develop COBRA rates by Monday.

"It meant working straight through the weekend," she said.

Independent consultants agree that their ability to work on their own has been aided enormously by modern technology, including powerful desk and laptop computers, modems, fax machines and online networks that enable them to be linked to their clients' computer systems, such as through electronic mail or commercial services.

Ms. Dungan, for example, recalls having only three face-to-face meetings in a seven-month communications project involving a Pepsi stock option plan.

"The rest was handled through faxes, phone calls, E-mail and Federal Express," she said.

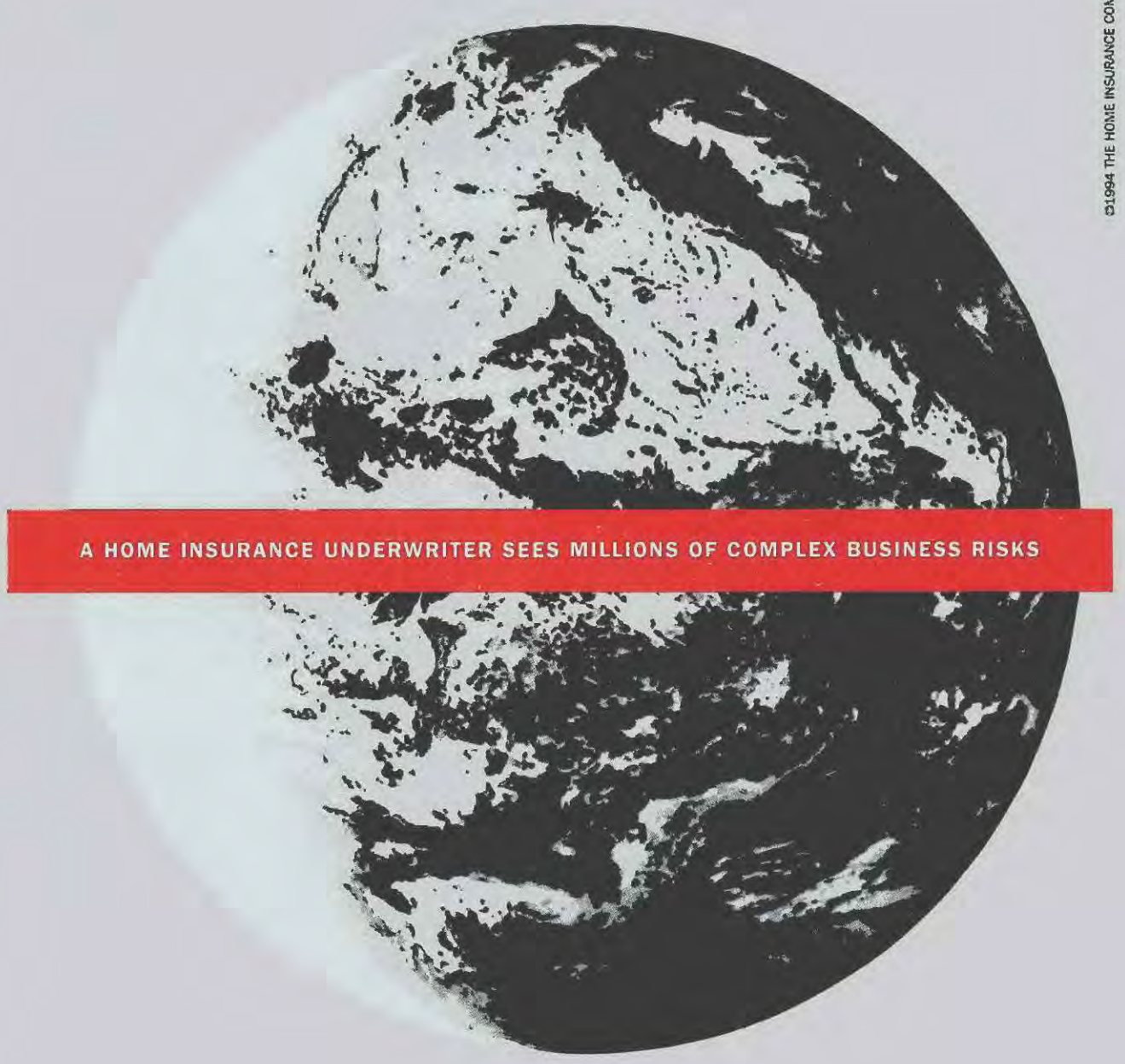
Going back to the ranks of the large consulting firms is something several solo consultants want to avoid.

"I hope I never have to go back," said Mr. Bonci.

Others say that working on their own has given them a sense of satisfaction they never could realize by working for a large firm.

"There is a deeper sense of satisfaction. This is your business and your life. It is wonderful if you can make it happen," said Mr. Nicholson, the Georgia communication consultant.

Ms. Dungan agrees: "Nothing is more attractive than having my own business and working with clients the way I feel is best." BI



Annual directory of employee benefit consultants

A

Actuarial Sciences Associates

270 Davidson Ave., 7th Floor, Somerset, N.J. 08873; 908-302-2100; fax: 908-356-0425

Benefit consulting since: 1985.
Parent: AT&T Corp.
Services: 60% of revenues from benefit consulting.
Retirement/savings plan consulting: 42% of revenues. Includes plan design consulting, defined benefit plan actuarial work, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.
Welfare plan consulting: 18% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Other services: Compensation consulting, claims administration.
Locations: Los Angeles; Boca Raton, Fla.
Staff: 129 benefit consulting employees; 94 professionals, including 18 FSAs, 29 ASAs, three CEBSs, one CLU, two CPAs, 16 attorneys, 32 EAs.
Clients: 90% corporations, 10% government agencies/entities. Minimum size client: 500 employees.
Compensation: By the project, by the hour: senior consultant, $235; consultant, $195; clerical, $65.
Gross revenues: $21.1 million total worldwide 1994 revenues.
Non-U.S. benefit consulting: Via correspondents, from the U.S.
Officers: Michael J. Gulotta, CEO; Frank B. Becker, CFO; Scott J. Macey, executive vp/general counsel; Chris Bone, chief actuary; Kal K. Basu, vp/managing actuary.
Contact: Susan M. Rees.

The Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250, Arlington Heights, Ill. 60004; 708-577-6000; fax: 708-870-9200

Benefit consulting since: 1982.
Services: 90% of revenues from benefit consulting.
Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined contribution record keeping, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, flexible benefits consulting.
Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefits consulting.
Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive retirement planning software.
Other services: Retirement planning software.
Staff: 90 total; 75 professionals, including two ASAs, two CPAs, one attorney, three EAs.
Clients: 350 total, all corporations.
Compensation: By the project, on retainer, by the hour: senior consultant, $250; consultant, $150; clerical, $40; systems consultant/development, $80-$120.
Officers: John Salajka, CEO; David Goldenberg, CFO.
Contact: Mark Tucker.

Aldrich & Cox Inc.

3075 Southwestern Blvd., Suite 202, Orchard Park, N.Y. 14127-1287; 716-675-6300; fax: 716-675-2098

Benefit consulting since: 1951.
Services: 30% of revenues from benefit consulting.
Welfare plan consulting: 28.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; ongoing plan supervision, including loss review and control, dealing with agent/brokers and annual plan review.
Benefit communications consulting: 1.5% of revenues. Includes communications consulting, benefit statement preparation.
Other services: Risk management consulting.
Staff: Four benefit consulting employees; three professionals, including one CLU, two attorneys.
Clients: 60 total; 80% corporations, 5% individuals, 15% government agencies/entities. No minimum size client.
Compensation: By the project, on retainer, by the hour: consultant, $70 to $125.
Officers: Herbert Cox, chairman; Charles H. Cox, president; James B. Hood, executive vp; Michael B. Coyle, Ernest A. Holfoth, vps.
Contact: Charles H. Cox.

The Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst, N.J. 07071; fax: 201-460-6677

Benefit consulting since: 1934.
Parent: Alexander & Alexander Services Inc.
Services: 87% of revenues from benefit consulting.
Retirement/savings plan consulting: 37% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, retirement planning, retirement-related software and systems consulting, audit and compliance, information technologies consulting.
Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible compensation, administration services, human resource systems consulting, international benefits consulting, employee research.
Benefit communications consulting: 15% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice response; multimedia, training design.
Other services: Compensation consulting, brokering, claims administration, human resource consulting, organizational effectiveness, information technologies consulting, international benefits/compensation.
Locations: Pasadena, San Francisco

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and San Jose, Calif.; Greenwich, Conn.; Washington D.C.; Tampa, Fla.; Atlanta; Chicago; Baltimore and Owings Mills, Md.; Boston and Newburyport, Mass.; Detroit; Minneapolis; St. Louis; Lyndhurst, N.J.; Buffalo and New York, N.Y.; Philadelphia; Pittsburgh; Dallas; Milwaukee; Adelaide, Brisbane, Melbourne and Sydney, Australia; Antwerp and Brussels, Belgium; Calgary, Edmonton, London, Montreal, Ottawa, Saskatoon, Toronto, Vancouver and Winnipeg, Canada; Paris; Frankfurt, Germany; Dublin, Ireland; Milan, Italy; Mexico City; Amsterdam, The Netherlands; Auckland and Wellington, New Zealand; Edinburgh and Glasgow, Scotland; Singapore; Madrid, Spain; Stockholm, Sweden; Geneva; Birmingham, Bristol, Leeds, London, Manchester, Potters Bar, Redhill, Southampton and Woking, United Kingdom.

Staff: 1,350 benefit consulting employees; 875 professionals, including 133 FSAs, 57 ASAs, 30 CEBSs, 71 CLUs, 1 CPCU, 13 CPAs, 20 attorneys, 63 EAs.

Clients: 21,000 total; 97% corporations, 0.5% multi employer plans, 0.5% MEWAs, 1% government agencies/entities, 1% associations and non-profit groups. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour.

Gross revenues: $205.7 million from worldwide benefit consulting in 1994 (62% from U.S. locations); $198.4 million in 1993 (62% from U.S.). $236.9 million total worldwide 1993 revenues (62% from U.S.).

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: Donald L. Seeley, president/CEO-worldwide; Neil A. Burger, chairman/CEO-U.S. consulting; John L. Goodyear, chairman/CEO-U.S. benefits brokerage; Brian E. Kennedy, chairman/CEO-U.K.; Robert K. Burden, chairman/CEO-Canada.

Contact: Claire E. Crawford, director-corporate information.

Altschuler, Melvoin & Glasser L.L.P.

30 S. Wacker Drive, Chicago, Ill. 60606-7494; 312-207-2800; fax: 312-207-2786

Benefit consulting since: 1978.

Services: 5% of revenues from benefit consulting.

Retirement/savings plan consulting: 3.25% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, litigation services, expert testimony, due diligence for mergers and acquisitions.

Welfare plan consulting: 1.25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, design and implementation of health care cost control systems for employers and government, managed care systems development.

Continued on next page

How to use directory

The annual directory of employee benefit consultants lists responses to a *Business Insurance* questionnaire.

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

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

Listings begin with the **name** and **address** of the company, followed by the year **benefit consulting began** and **parent** company, if any.

The **services** heading lists the percent of 1994 gross revenues the company derived from benefit consulting. This figure is broken down into the percent of gross revenues generated from **retirement and savings plan, welfare plan** and **employee benefit communication** consulting. Specific services provided in each area are listed as well as **other services** from non-benefit consulting activities.

Next are the **locations** of U.S. and foreign offices conducting benefit consulting. **Staff** information is provided on a full-time equivalent basis and includes benefit consulting staff, professional staff assigned to employee benefit consulting and professional designations held by the professional staff.

Descriptions of the designations refered to in the directory are provided at the end of the methodology.

The total number of **clients** in 1994 is given along with a breakout based on the clients type of business which usually includes of corporations, multi employer plans (pension or welfare plans jointly run by employers in the same industry and a labor union), MEWAs-multiple employer welfare arrangements (welfare plans covering a group of unrelated employers-usually small firms or individuals), individuals and government agencies/entities.

Methods of billing for services are provided under **compensation**.

When reported, estimated 1994 and 1993 benefit consulting **gross revenues** are listed along with the percent generated from U.S. offices.

Total estimated 1994 worldwide gross revenues may also be included. Following revenues, when applicable, is the method in which **non-U.S. benefit consulting** is provided.

Names and titles of principal **officers**, followed by the name of a **contact** for those wishing further information, complete the listings.

Although every effort is made to publish complete and accurate listings, *Business Insurance* is unable to verify all information provided by the companies.

The following are the full professional designations for those abbreviated under the staff heading:

ASA-Associate, Society of Actuaries; CEBS-Certified Employee Benefit Specialist; CLU-Chartered Life Underwriter; CPA-Certified Public Accountant; EA-Enrolled Actuary; FSA-Fellow, Society of Actuaries.



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American Excess Insurance Association

Continued from previous page

Benefit communications consulting: 0.5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, human resource outsourcing.

Staff: 11 benefit consulting employees including three CEBSs, CPAs, four attorneys.

Clients: 450 total; 89% corporations, 1% multi employer plans, 3% MEWAs, 3% individuals, 1% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $155 to $225; consultant, $70 to $150.

Gross revenues: $1.6 million from benefit consulting in 1994; $1.3 million in 1993. $50 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Howard Stone, managing partner; Harvey Gaffen, Mark Bloom, Glen Dalhart and Jordan Berger, partners.

Contact: Rosemarie M. Panico, national director-actuarial, benefits and compensation consulting; Terry B. Brauer, national director-health care consulting.

American Dental Examiners Inc.

370 Seventh Ave., Suite 1206, New York, N.Y. 10001-3900; 212-465-0900; fax: 212-465-8784

Benefit consulting since: 1976.

Services: 98% of revenues from benefit consulting.

Welfare plan consulting: 98% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment.

Other services: Management consulting, claims administration consulting.

Locations: Des Plaines, Ill.; Walnut Creek, Calif.

Staff: 75 total; 34 professionals.

Clients: 250 total; 20% corporations, 15% multi employer plans, 65% insurance companies. Minimum size client: 3,000 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, $275 to $325; consultant, $175; president, $400.

Officers: Dr. Robert J. Leaf, president; Brenda H. Prunty, vp-operations; Dr. Sanford E. Klein, vp; Dr. Geoffrey B. Morris, director-Mid-America region; Dr. Ronald G. Devincenzi, director-western region.

Contact: Gerard J. Vyskocil Jr., vp-marketing.

Arthur Andersen & Co.- Compensation & Benefits Practice

133 Peachtree Street N.E., Atlanta, Ga. 30303-1846; 404-658-1776; fax: 404-223-7155

Benefit consulting since: 1913.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 15% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting, ESOP consulting, compliance, executive plans.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cafeteria plans, plan compliance, executive plans.

Benefit communications consulting: 15% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, management consulting, merger and acquisitions consulting, actuarial services, pay surveys, incentive plan design, proxy disclosure assistance.

Locations: 22 offices worldwide.

Staff: 100 benefit consulting employees; 95 professionals.

Compensation: By the hour.

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: David M. Walker, partner.

Aurora National Corp.

45 Pond St., Norwell, Mass. 02061; 617-878-0085; fax: 617-878-8805

Benefit consulting since: 1971.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 95% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, actuarial valuations for self-funded welfare plans, documentation and disclosure reporting.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit booklet and audiovisual program preparation.

Locations: Erie, Pa.

Staff: Seven benefit consulting employees; four professionals, including one ASA, one CPA, one attorney.

Clients: 122 total; 99% corporations, 1% multi employer plans. Minimum size client: 50 employees.

Compensation: By the hour: senior consultant, $175 to $250; consultant, $125 to $175; clerical, $45.

Gross revenues: $860,000 from worldwide benefit consulting in 1994; $815,000 in 1993. $860,000 total worldwide 1994 revenues. (All revenues are from U.S. locations.)

Officers: G.A. Studer, president; H.J. Gorman, principal consultant; Hugh J. Gorman III, resident counsel; R.M. Luzader, group actuary; J.M. Welch, internal auditor.

Averbeck Co.

3380 Shelby St., Ontario, Calif. 91764; 909-941-6699; fax: 909-788-1549

Benefit consulting since: 1980.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 7.5% of revenues. Includes plan design consulting, investment manager selection consulting. asset/investment consulting.

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

Benefit communications consulting: 2.5% of revenues. Includes communications consulting, benefit booklet preparation.

Other services: Compensation consulting, brokering, claims administration.

Locations: Los Angeles and Riverside, Calif.

Staff: 15 benefit consulting employees; six professionals, including one CLU, two CPCUs, one attorney.

Clients: 185 total; 90% corporations, 10% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer.

Gross revenues: $1.8 million from benefit consulting in 1994 (100% from U.S. locations).

Officers: Robert E. Lancaster, president; Joy A. Ward, vp.

Contact: Robert E. Lancaster.

B

BPI Benefits Planning

101 Larkspur Landing Circle, Suite 120, Larkspur, Calif. 94939; 415-461-8383; fax: 415-925-2077

Benefit consulting since: 1978.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 9.6% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 62.4% of revenues. Includes plan design consulting, insurer selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual program preparation; enrollment and education.

Other services: Brokering.

Staff: 13 benefit consulting employees, four professionals.

Clients: 95% corporations, 3% MEWAs, 2% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer.

Gross revenues: $2 million from benefit consulting in 1994; $2.5 million total worldwide 1994 revenues. (All revenues are from U.S. locations.)

Non-U.S. benefit consulting: From the United States.

Officers: Robert J. Christadore, Michael D. Michalski and Victor Deksnys, principals.

Continued on page 24

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Spotlight report

Continued from page 21

Bain Hogg Robinson Inc./Hogg Robinson Consulting Group

800 Boylston St., Suite 4500, Boston, Mass. 02199; 617-236-8200; fax: 617-236-8282

Benefit consulting since: 1946.
Parent: Bain Hogg Group P.L.C.
Services: 28% of revenues from benefit consulting.
Retirement/savings plan consulting: 11.2% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, FAS 106, one-on-one retirement plan consulting, strategic benefit planning, executive benefits consulting, compensation consulting.
Welfare plan consulting: 14% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, actuarial review of pricing and contributions, strategic benefit planning.
Benefit communications consulting: 2.8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive software programs; investment literature; videos and slide shows; enrollment meetings.
Other services: Compensation consulting, brokering, claims administration.
Locations: Boca Raton, Fla.; Atlanta; Chicago; New York; Philadelphia; Irving, Texas.
Staff: 60 benefit consulting employees; 33 professionals, including one FSA, four ASAs, two CEBSs, one CLU, one CPA, three EAs.
Clients: 220 total.
Compensation: By the project, commissions, on retainer, by the hour.
Gross revenues: $5.1 million from benefit consulting in 1994; $4.5 million in 1993. $18.1 million total 1994 revenues. (All revenues are from U.S. locations.)
Non-U.S. benefit consulting: Via overseas branches, via correspondents.
Officers: Richard I. Citron, chairman; Gerard E. Desmend, president; Thomas Ucko, Steve Bryand, John Edelman, Tim Johnston, Gerry Logan, Jeff Malek, Barry Milberg, Jack Warshavchik, senior vps; Paul Robinson, chief actuary.
Contact: Thomas D. Ucko, 212-682-7500.

Edward R. Beil Associates Inc.

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

Benefit consulting since: 1974.
Services: 75% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.
Welfare plan consulting: 65% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible compensation plans.
Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit booklet and audiovisual preparation, employee meetings.
Other services: Brokering, financial and estate planning.
Staff: Seven benefit consulting employees, including three CLUs, two CPCUs.
Clients: 110 total; 80% corporations, 10% individuals, 10% partnerships. No minimum size client.
Compensation: Commissions, on retainer, by the hour: senior consultant, $225; consultant, $145; clerical, $50.
Officers: Edward R. Beil, president; Patrick A. Hehir, senior vp; John P. Indelli, treasurer.
Contact: Patrick A. Hehir.

BeneCom Associates L.L.C.

1 Sachems Trail, P.O. Box 118, West Simsbury, Conn. 06092-0118; 203-651-4989; fax: 203-651-4964

Benefit consulting since: 1992.
Services: 100% of revenues from benefit consulting.
Benefit communications consulting: 100% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; plan documents; summary plan descriptions; enrollment and claim kits; newsletters; payroll stuffers and educational materials.
Staff: Three benefit consulting employees.
Clients: 61 total; 92% corporations, 8% government agencies/entities. No minimum size client.
Compensation: By the project.
Officers: William E. Griffin and Kay M. Griffin, principals.
Contact: William E. Griffin.

Benefit Concepts Inc.

115 Glastonbury Blvd., Glastonbury, Conn. 06033; 203-633-5283; fax: 203-659-1673

Benefit consulting since: 1985.
Services: 98% of revenues from benefit consulting.
Retirement/savings plan consulting: 54% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, non-qualified plan consulting.
Welfare plan consulting: 34% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefit consulting, non-discrimination testing, FAS 106 and FAS 112 valuations, retiree medical plan design and funding.
Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; client training programs.
Other services: Compensation consulting, management consulting.
Staff: 50 benefit consulting employees; 44 professionals, including two FSAs, five ASAs, two CEBSs, two CLUs, two CPAs, two attorneys, one EA.
Clients: 86% corporations, 1% multi employer plans, 8% government agencies/entities, 5% employer associations. Minimum size client: 50 employees.
Compensation: By the project, on retainer, by the hour.
Officers: Brian Whitney, managing principal; Robert Plante, William Tremke, William Husic, Michael Ingenito, senior vps.

Benefit Consultants Inc.

14500 S. Outer Forty Road, Suite 502, Chesterfield, Mo. 63017; 314-434-4620; fax: 314-434-8335

Benefit consulting since: 1982.
Services: 53% of revenues from benefit consulting.
Welfare plan consulting: 50% of revenues. Includes plan design consulting, insurer selection consulting, evaluation of service providers, health care cost containment, claim audits, self-administration feasibility studies, self-administration implementation.
Benefit communications consulting: 3% of revenues. Includes communications consulting, benefit booklet preparation.
Other services: Brokering, claims administration.
Staff: Five benefit consulting employees; three professionals, including one CEBS, one CLU.
Clients: 30 total; 64% corporations, 33% multi employer plans, 3% MEWAs. No minimum size client.
Compensation: By the project, commissions, on retainer, by the hour.
Officers: Alan N. Lemley, president.

Benefit Controls Cos.

910 E. Washington St., Greenville, S.C. 29601; 803-242-9441; fax: 803-232-6655

Benefit consulting since: 1978.
Services: 82% of revenues from benefit consulting.
Retirement/savings plan consulting: 23.8% of revenues. Includes plan design consulting.
Welfare plan consulting: 56.6% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment and health promotion.
Benefit communications consulting: 1.6% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Other services: Brokering.
Locations: Atlanta; Charlotte, Hickory and High Point, N.C.; Columbia, S.C.
Staff: 20 benefit consulting employees;

Continued on next page

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Continued from previous page
all professionals, including two CLUs, one attorney.

Clients: 280 total; 94% corporations, 3% individuals, 3% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $175; consultant, $150; clerical, $50; administrative assistant, $100.

Gross revenues: $2.8 million from benefit consulting in 1994; $2.2 million in 1993. $3.4 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: William A. Gantt, Donald E. Ward, Edwin Icard, William P. Foster, Douglas Dellinger, Robert Lassiter, Carl Sharpe, Michael A. Hawkins, Richard A. Gantt, Laurence Provence, Thomas Emerson, principals.

Contact: T. Matthew Gantt, marketing director; Colleen Moring, director-health sciences.

Benefits Corp. of America

140 Sherman St., Fairfield, Conn. 06430; 203-256-1256; fax: 203-255-1269

Benefit consulting since: 1987.

Services: 95% of revenues from benefit consulting.

Retirement/savings plan consulting: 34% of revenues. Includes plan design consulting, defined benefit plan actuarial work, administration systems consulting, legal document drafting, plan administration consulting.

Welfare plan consulting: 51% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit booklet and audiovisual preparation.

Other services: Brokering, claims administration, flexible benefit plan design and administration.

Staff: Four benefit consulting employees; three professionals, including one FSA, one attorney.

Clients: 72 total; 75% corporations, 20% multi employer plans, 5% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $200; consultant, $150; clerical, $60.

Gross revenues: $356,000 from benefit consulting in 1994. $375,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Donald A. Walters, president; Carl S. Swope, vp/actuary; Thomas M. Maloof, vp-consulting services.

Contact: Thomas M. Maloof.

Benefits Plus Inc.

6001 Adams Road, Suite 125, Bloomfield Hills, Mich. 48304-1575; 810-258-0888; fax: 810-258-0890

Benefit consulting since: 1988.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting; investment manager selection consulting; asset/investment consulting; 401(k) plan design, implementation and communication; individual employee enrollments.

Welfare plan consulting: 20% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; Section 125 administration, implementation, communication and individual employee enrollments.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual program preparation; employee meetings conducted one-on-one with laptop computers.

Staff: 35 benefit consulting employees; 21 professionals, including one CEBS, one CLU, two CPAs.

Clients: 250 total; 100% corporations. Minimum size client: 25 employees.

Compensation: By the project, commissions.

Gross revenues: $5 million from benefit consulting in 1994; $4 million in 1993. $5 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Mark Wayne, president.

George Beram & Co. Inc.

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

Benefit consulting since: 1975.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, international benefits consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Staff: 60 total; 45 professionals, including three FSAs, six ASAs, two CEBSs, one CLU, one CPA, two attorneys, 10 EAs.

Clients: 95% corporations, 5% government agencies/entities. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $200; consultant, $150; associate consultant, $100 to $125; clerical, $55; analysts, $65 to $90.

Gross revenues: $5.6 million from benefit consulting in 1994; $5.6 million in 1993. (100% from U.S. locations.)

Officers: George Beram, president; Barry Cohen, COO; Philip Bruno, executive vp; Ruth Ryals, vp.

Contact: William Adams.

Berman & Berman Consultants

100 N. Madera St., Baltimore, Md. 21231; 410-276-5255; fax: 410-276-5355

Benefit consulting since: 1992.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, pension plan record keeping.

Welfare plan consulting: Includes plan design consulting, health care cost containment.

Benefit communications consulting: Includes benefit statement preparation.

Other services: Includes claims administration, employee assistance programs.

Staff: Two total, including one EA.

Clients: 25% corporations, 25% multi employer plans, 50% MEWAs.

Compensation: By the project, on retainer.

Officers: Daniel R. Berman.

Blomquist & Co.

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

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, defined benefit plan actuarial work, administration systems consulting, legal document drafting, plan administration consulting.

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

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

Staff: 11 benefit consulting employees; eight professionals, including FSAs.

Clients: 100% multi employer plans. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $185; consultant, $180; clerical, $55.

Officers: Jack A. Diem, president; Paul E. Hawkins, executive vp; Kurt S. Starbuck, vp; Jeffrey J. Smaha, senior consultant.

Contact: Jack A. Diem.

T.E. Brennan Co.

330 E. Kilbourn Ave., Suite 750, Milwaukee, Wis. 53202; 414-271-2232; fax: 414-271-0104

Benefit consulting since: 1985.

Services: 42% of revenues from benefit consulting.

Retirement/savings plan consulting: 7% of revenues. Includes plan design consulting.

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

Benefit communications consulting: 10% of revenues. Includes communica-

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Continued from previous page
tions consulting, benefit booklet preparation and employee communications.

Other services: Consulting to coalitions, alliances and health care systems.

Staff: Five benefit consulting employees; four professionals, including one CEBS, three CPCUs, one CPA, one attorney.

Clients: 51 total; 55% corporations, 35% government agencies/entities, 10% not-for-profit. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $175; consultant, $125.

Gross revenues: $725,000 from benefit consulting in 1994; $525,000 in 1993. $1,725,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: John Hayes, chairman; Thomas E. Gold, president; Arvid R. Tillmar, CEO; William Foran, secretary; William Siehr, executive vp.

Contact: Arvid R. Tillmar.

Directory terms and methodology explained on page 20.

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121-0047; 212-330-1000; fax: 212-695-4184

Benefit consulting since: 1916.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, pre-retirement and financial planning seminars, participant education, executive benefits consulting, outsourcing/reengineering.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, evaluation of post-retirement medical liabilities.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive communication (PC and voice).

Other services: Compensation consulting.

Locations: Los Angeles; San Francisco; Denver; Stamford, Conn.; Washington; Atlanta; Honolulu; Chicago; Fort Wayne, Ind.; Kansas City, Kan.; Boston; Detroit; Secaucus, N.J.; New York; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Dallas; Houston; Melbourne and Sydney, Australia; Brussels, Belgium; Calgary, Montreal, Ottawa and Toronto, Canada; Paris; Hong Kong; Dublin, Ireland; Mexico City; Rotterdam, Netherlands; Singapore; Barcelona and Madrid, Spain; Birmingham, Edinburgh, Leeds and London, United Kingdom.

Staff: 1,350 benefit consulting employees; 1,100 professionals, including 68 FSAs, 114 ASAs, 18 CEBSs, six CLUs, 12 CPAs, 41 attorneys, 148 EAs.

Clients: 2,000 total; 80% corporations, 20% non-profit organizations and government entities. No minimum size client.

Compensation: By the project, commissions, by the hour.

Gross revenues: $175 million from worldwide benefit consulting in 1994 (80% from U.S. locations); $165 million in 1993 (80% from U.S.). $175 million total worldwide 1994 revenues (80% from U.S.).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the U.S., special assignments.

Officers: William E. Giegerich, president/CEO.

Contact: Carolee P. Martin, 201-902-2555.

Buckman Van Buren Inc.

255 Business Center Drive, Suite 250, Horsham, Pa. 19044; 215-674-1200; fax: 215-674-3733

Benefit consulting since: 1971.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 18% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting, investment manager selection consulting.

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

Benefit communications consulting: 2% of revenues. Includes communications consulting, benefit booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, claims administration.

Staff: 24 benefit consulting employees; 10 professionals, including three CEBSs and three CLUs.

Clients: 165 total; 70% corporations, 30% nonprofit/professional firms. Minimum size client: 25 employees.

Compensation: By the project, commissions, by the hour: senior consultant, $140 to $250; consultant, $70 to $125; clerical, $45.

Officers: Walter H. Van Buren, president; Michael B. Good, vp/COO; Robin R. Widdis, Joseph Ellis and William Salmor, vps.

Contact: Michael B. Good.

Burke Group

10 Ontario St., Honeoye Falls, N.Y. 14472; 716-624-5500; fax: 716-624-2367

Benefit consulting since: 1989.

Services: 95% of revenues from benefit consulting.

Retirement/savings plan consulting: 80.8% of revenues.

Welfare plan consulting: 9.5% of revenues.

Benefit communications consulting: 4.8% of revenues.

Locations: Buffalo, N.Y.

Staff: 14 benefit consulting employees; 12 professionals, including one FSA, two EAs.

Clients: 165 total; 90% corporations, 7% multi employer plans, 3% government agencies/entities. Minimum size client: 75 employees.

Compensation: On retainer, by the hour: senior consultant, $150; consultant, $80; clerical, $40.

Gross revenues: $1.4 million from benefit consulting in 1994; $1.1 million in 1993. $ 1.45 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Patrick C. Burke, managing principal; Richard E. Burke, director-operations.

Contact: Patrick C. Burke.

R.J. Burns & Associates Inc.

1907 W. Sunnyside, Chicago, Ill., 60640; 312-907-9700; fax: 312-907-0560

Benefit consulting since: 1979.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit booklet preparation.

Staff: Two benefit consulting employees, both professionals.

Clients: 70% corporations, 15% MEWAs, 15% government agencies/entities. No minimum size client.

Compensation: By the hour: senior consultant, $210; consultant, $175; clerical, $25 to $75.

Gross revenues: $250,000 from benefit consulting in 1994; $215,000 in 1993. $250,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Richard J. Burns, president.

Byerly & Co. Inc.

7600 E. Orchard Road, Suite 250S, Englewood, Colo. 80111; 303-220-7575; fax: 303-220-7010

Benefit consulting since: 1959.

Services: 63% of revenues from benefit consulting.

Welfare plan consulting: 61.7% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, compliance services.

Benefit communications consulting: 1.3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, management consulting, claims administration, customer service,

Continued on page 30



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InsurerTopics

A special editorial section
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Investment funds help insurers meet need for more capital

By JUDY GREENWALD

Insurance investment funds are a good source of capital for insurers seeking financing in light of the stock market's current disenchantment with the industry, but such funds won't be around forever, an expert says.

Just as the stock market's interest in insurance is cyclical, so is the funds', says Ernest Asaff, a managing director at Canadian Imperial Bank of Commerce in New York who advises financial services companies looking for capital.

MERGERS & ACQUISITIONS

The Toronto-based bank is itself in the process of creating an insurance investment fund. Mr. Asaff would not provide details.

Various funds willing to invest in insurers or their subsidiaries now control an estimated $2.5 billion in capital. This figure triples to $7.5 billion, when leveraging—accomplished through borrowing—is considered, he said.

Among these funds are: Insurance Partners L.P., which among other things was involved in a deal with Continental Corp. that fell through due to CNA Financial Cos. bid (*BI*, Dec. 12); Trident Partnership L.P., which is among the investors in Home Holdings Inc.; and Head Insurance Investors L.P., run by John Head.

Rumors of the formation of other funds composed of so-called smart money circulate regularly.

Some funds have been around several years, but most only gathered momentum after the well-publicized 1992 buyout of American Re-Insurance Co. by Kohlberg, Kravis & Roberts Co.

Stock market investors snapped up new insurance company issues from 1991 through much of 1993.

"The equity markets were very interested in lots and lots of different kinds of insurance equity issues in the early '90s," said Mr. Asaff. "I think that helped people to focus on the industry as an industry where not only were you going to have investment opportunities, but there was a very receptive equity market as a way of recognizing those investment opportunities down the road."

By late 1993, though, the market for insurance stocks had cooled noticeably (*BI*, Dec. 27, 1993).

That continued climate will not discourage funds from investing in insurers, Mr. Asaff noted.

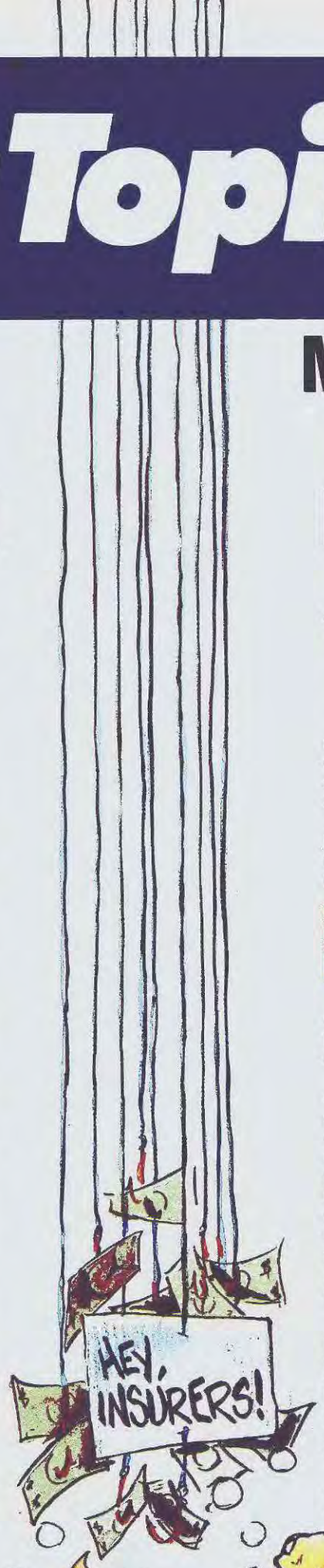
Fund investors recognize that the equity market is cyclical, and if their fund wants to buy a company today, they can be confident that within the next three to seven years they will have an attractive equity market to which that company can be sold. But, as an investor, "I've got to be quick on my feet and hit it at the right time," said Mr. Asaff.

Insurance investment funds will continue to form, he predicted, but growth will slow and that is something that "companies ought to be sensitive to and aware of if they're thinking about selling their companies."

Mr. Asaff advises insurance company managers to remember that the funds generally need higher rates of return on an investment than the equity markets would demand, "and that means purely in theory a company should get a higher valuation in a public market than it would from a fund."

But that is by no means always the case. The financial adviser explained that another insurer may

Continued on next page



Merger outlook bright on life/health side, but not for P/C firms

By MARK A. HOFMANN

While merger and acquisition activity in the property/casualty industry has been cool until recently, the drive toward consolidation among life/health insurers appears likely to continue for the foreseeable future.

That's the assessment of Wayne J. Sassano, assistant vp and managing editor at Conning & Co. in Hartford, Conn.

MERGERS & ACQUISITIONS

Conning & Co. is preparing a new study of merger and acquisition activity in the insurance market, which is scheduled for release early next year.

Although Mr. Sassano said it is still too early to tell whether all the specific 1993 trends that were evident in the firm's 1994 survey remained strong throughout this year, the "trend toward consolidation" is likely to continue, especially among life/health companies. That's because they are the industry segment most likely to be impacted by health care reform, whenever it happens, he said.

According to Conning's 1994 mergers and acquisition report, released in April, the volume of life/health insurance company mergers and acquisitions hit a record high of $6.46 billion in 1993, a jump of almost 242% from the $1.89 billion registered in 1992.

"A variety of factors contributed to the rise in life/health mergers and acquisitions last year," according to the report.

"Companies like Travelers were seeking to strengthen their capital positions; GE Capital was putting together a very strong entry into the growing bank and annuity field; UNUM advanced its strategy to strengthen its disability and life product line. Divestitures, restructurings, foreign market ventures and mutual company changes also contributed to the rise in life/health mergers and acquisitions last year."

Mr. Sassano said that the players will get "fewer and bigger" and that—as the Primerica/Travelers union exemplifies—future mergers will be among large companies.

He noted that the property/casualty market for mergers and acquisitions is "still somewhat depressed." He said there's a general ongoing lack of interest in these areas, in part because of the continuing soft market.

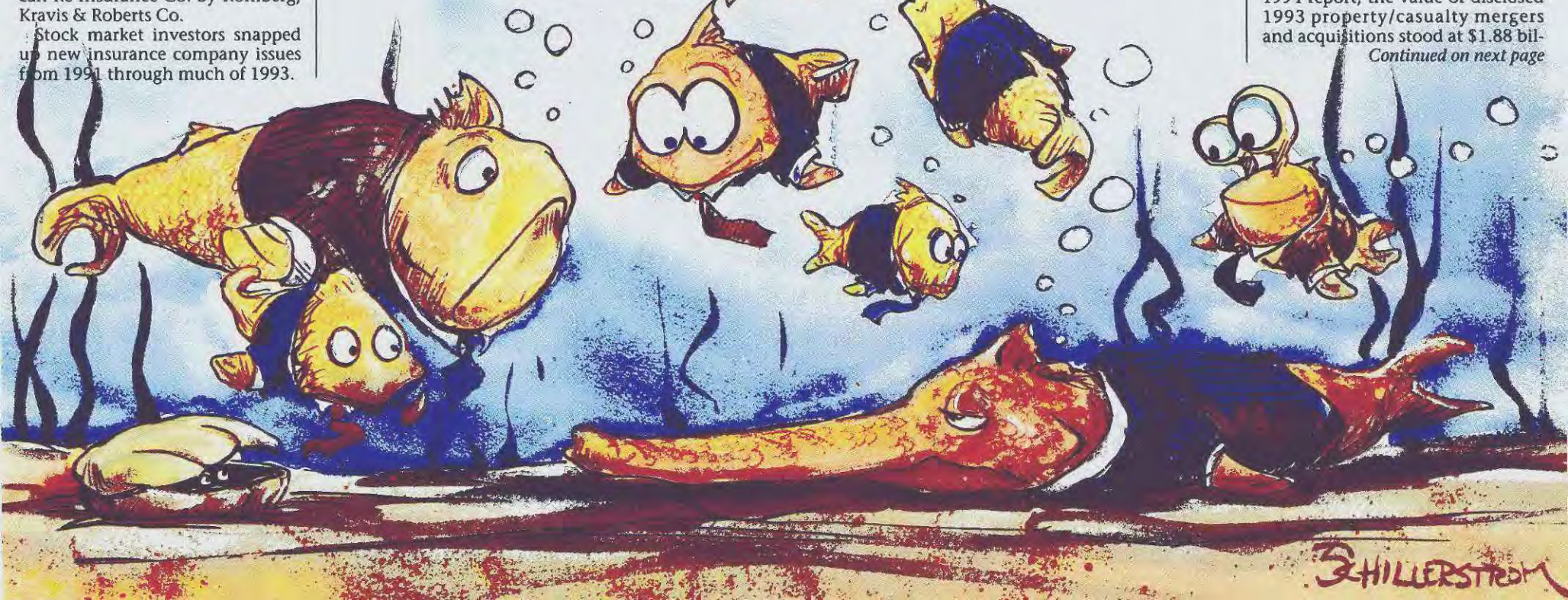
Mr. Sassano said two recent deals—in which CNA Financial Cos. acquired Continental Corp. and Fund American Enterprises Holdings Inc. pumped new capital into Home Holdings Inc. (*BI*, Dec. 12)—do not really signal a marketwide trend.

"On the life/health side, it's an open ball game and everyone's a player," he observed. "But, on the P/C side, the segments that are being bought off are the P/C operations of big wounded giants."

To the extent that there are other such "wounded giants" to be acquired, there is a trend, he said. But otherwise, the climate is not as favorable as on the life/health side.

Property/casualty insurance merger and acquisition activity had dropped sharply in 1993 from 1992. According to Conning's 1994 report, the value of disclosed 1993 property/casualty mergers and acquisitions stood at $1.88 bil-

Continued on next page



Funds

Continued from previous page
like a prospective target's book of business but not want, or be willing to pay for, its infrastructure. An investment group that does not already have an infrastructure in place, though, may be willing to pay for it.

Another potential drawback to dealing with the so-called smart money is loss of control. Such investors will often take board seats, which would not necessarily happen in a public offering. For example, the investment group that recently put $420 million into Home Holdings Inc. will take five of 11 board seats.

"Part of the strategy of the fund managers is to have an impact on improving the business they have invested in, so they could see change and improvement in a relatively short period," he said.

Another potential disadvantage is that they can overuse leverage to increase returns.

Mr. Asaff said he believes the advantages of fund involvement outweigh potential disadvantages.

One potential advantage is the connections of investors. For instance, participants in Insurance Partners include Centre Reinsurance Holdings Ltd., Keystone Inc.—one of the Bass brothers' entities—and Chase Manhattan Corp.

"You theoretically, at least, have access to the network that would be created not only by those three, but parents, subsidiaries and other investors in the fund, and that can be fairly powerful," he said.

Regardless of who the investor is, insurance companies always should maximize the value of a subsidiary or company when they sell it, Mr. Asaff advised.

"I think it is very important to get on the other side of the table and. . .look through buyers' eyes," he said. "Then look at each of the relevant markets where there may be interest in a subsidiary or company of that type and be sensitive to what the mindset is at any point in time."

Next, "If I were managing a multiline company with a non-core subsidiary, I would do the analysis I thought the funds would do," he said. "In that way, I think I would be much more prepared to talk to them about why they should own my subsidiary."

"You should pretty consistently and constantly have a view of what those markets think the value of your company is," Mr. Asaff suggested.

"The markets. . .have different ways of placing value on the companies, and it's absolutely critical to have a feel for how each values your company at a point in time."

That way, if you sense a change in the equity markets, "you're in a position to at least take advantage of it," Mr. Asaff explained.

Otherwise, he said, "you may have missed an opportunity to get significantly more out of the business than you otherwise would have, so having a feel for the business on an ongoing basis, I think, is important." BI

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M&A outlook

Continued from previous page
lion, an almost 23% drop from the nearly $2.44 billion generated in 1992. The 1992 figure represented an even greater drop from the value of 1991 mergers and acquisitions.

Fueled largely by the acquisition of Fireman's Fund Insurance Co. by German giant Allianz A.G. Holding, the value of mergers and acquisitions in 1991 reached nearly $5.14 billion.

Regarding 1993, the report notes that "the failure of Prudential Insurance to find a buyer for Prudential Reinsurance (at a reported $1.2 billion asking price) was indicative of the general relative lack of interest in property/casualty properties last year. Disappointing insurance markets and a rise in IPO financing also contributed to low M&A volume in this insurance sector."

Mr. Sassano said that the marketplace has been marked by fewer leveraged buyouts and a greater reliance on cash and stock buyouts. Investors are more conservative. With insurer stock prices down, many people are looking "to make deals on those depressed prices."

He added that companies appear likely to continue to shed unprofitable operations and seek to meet capital needs.

"Foreign interest in (U.S. insurance acquisitions) has certainly declined," said Mr. Sassano. In 1993, foreign buyers bought three U.S. property/casualty insurers and three brokerages. A year earlier, foreign buyers bought six U.S. property/casualty insurers, six brokers and four life/health companies.

But, U.S. insurers have increased their interest in overseas acquisitions, he said. In 1993, U.S. buyers bought six foreign property/casualty companies, five foreign life/health insurers and six foreign brokerages, compared to only eight 1992 acquisitions of foreign insurance entities—three property/casualty insurers and five brokers.

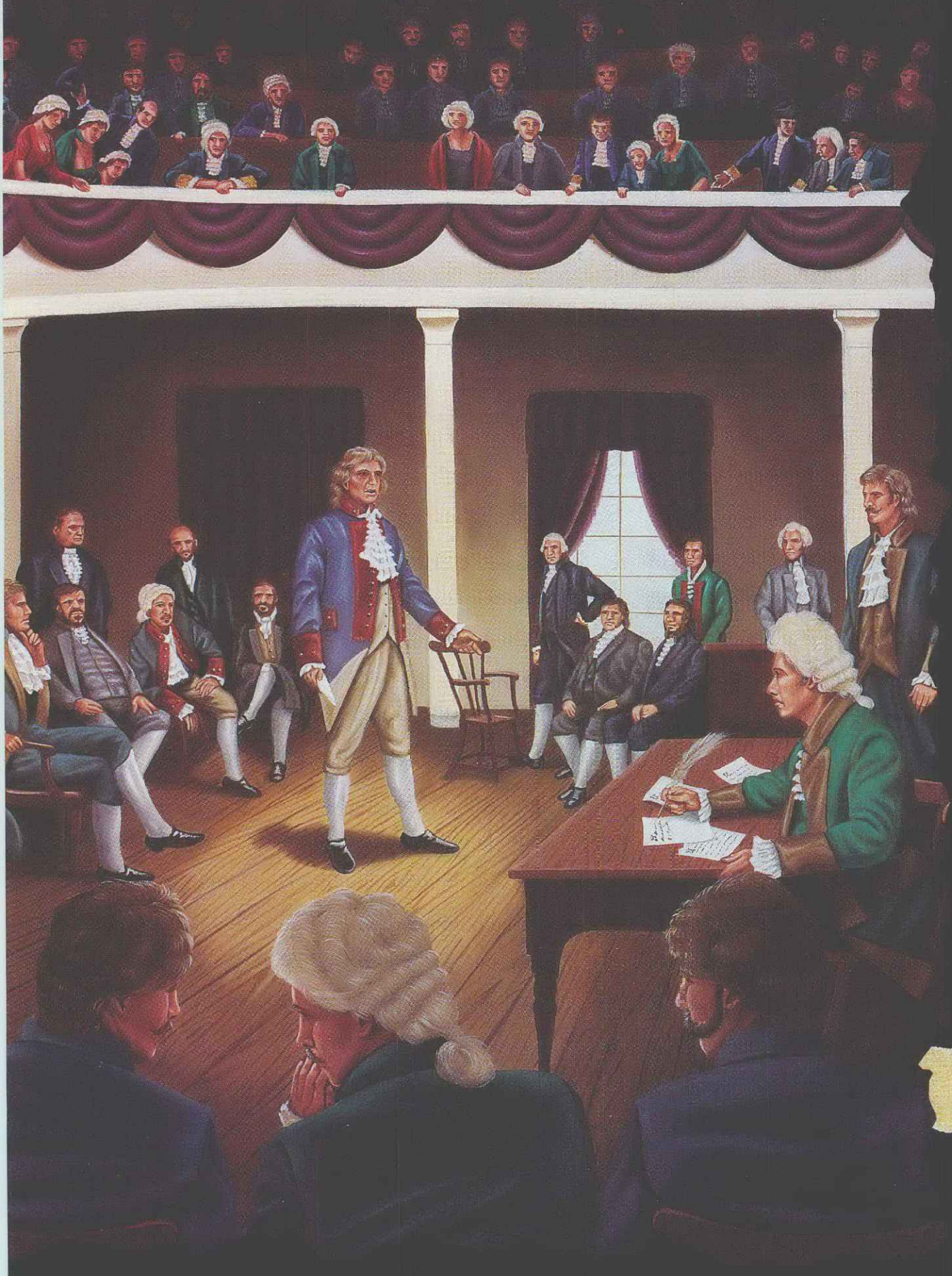
The interest of U.S. concerns in foreign acquisitions is simply more evidence of the globalization of the insurance business, he said.

For insurers in general, regardless of whether property/casualty or life/health, Mr. Sassano had one piece of advice: "If you're not a specialist, you'd better find a niche and get into it."

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Single copies of "Mergers & Acquisitions, 1994 Edition," cost $495. For further information, contact Laurie Ann Scotti, Conning & Co., CityPlace II, 185 Asylum St., Hartford, Conn. 06103-4105; 203-520-1521, fax: 203-520-1253.

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Insurer Topics

Preferred means of investing in insurers

Offering preferred stock for new capital a winner for both sides

By GAVIN SOUTER

While large long-tail liability and huge catastrophe losses have made the end of 1994 the worst of times for some insurers and brokers, it has been the best of times for investors looking for bargain deals.

In a flurry of activity in recent months, several ailing insurance companies have been propped up with much-needed new capital in exchange for preferred stock.

MERGERS & ACQUISITIONS

This type of security gives investors an unlimited benefit if the company they are investing in starts producing a profit but at the same time it limits their potential losses if the company still doesn't make it, analysts say.

And, by using preferred stock investments, investors can create innovative deals that might be curtailed if common stock investments were used instead.

The latest deal to feature preferred stock took the industry by storm earlier this month as Home Holdings Inc. received a huge infusion of capital from outside investors (*BI*, Dec. 12).

That investor group, led by John J. Byrne and his Fund American Enterprises Holdings Inc., will be injecting $420 million into The Home. About $320 million of the funds will buy the investor group 3.2 million shares of 13% cumulative preferred stock with a 15-year term.

"The Home deal is an excellent example of how preferred stock is used," said John L. Ward, chief executive officer of Ward Financial Group in Cincinnati.

The investment clearly favors the investors, he said.

"They are in the driver's seat. It gives them unlimited upside potential, it limits the downside potential and it is quite dilutive to the current owners of The Home," he said.

The Home deal is one of several high-profile preferred stock investments in recent months.

In June, American International Group Inc. invested $200 million in broker Alexander & Alexander Services Inc. in return for a new issue of preferred stock with an annual dividend of 8%. The dividend will be paid in kind through Dec. 15, 1996, and at A&A's option for an additional three years (*BI*, June 13).

AIG can convert the preferred stock to non-voting stock at $17 a share. Just before the deal was struck, A&A stock was trading at $16.38 a share and as of Dec. 9 had risen to $19 a share.

A&A has been plagued with problems in recent years, including having to shell out hundreds of millions of dollars to build up the long-tail liability reserves of its former insurance unit, Sphere Drake Ltd. A&A earlier this month completed a $20.9 million transaction ending certain indemnity obligations to Sphere Drake.

In September, AIG also used a preferred stock deal to bail out quake loss-riddled insurance holding company 20th Century Industries (*BI*, Oct. 3).

Under the deal, AIG could within one year control nearly 40% of 20th Century by investing $200 million in a new issue of 17.6 million shares of convertible preferred stock at $11.22 per share and exercising warrants for 16 million additional shares at $13.50 per share.

In October, Insurance Partners L.P. proposed a $200 million preferred stock investment in Continental Corp. But, before the deal was completed, Continental was bought by CNA Financial Corp.

The increase in deals using preferred stock is a sign of the times, said Stephen A. Gavios, insurance analyst at Kidder Peabody & Co. Inc. in New York.

"The increase in the number of preferred stock deals is indicative of the fact that the sellers needed to pay a significant return to get the capital," he said.

The troubled companies had to attract additional capital, and given their poor financial condition, the only way they could do that was to offer above-average yields through a preferred stock transaction, Mr. Gavios said.

The continued downturn in the property/casualty industry has pushed more insurance companies to the brink of financial disaster, so they have had to take what they can get from investors, agreed Jay Cohen, an insurance analyst at Salomon Brothers Inc. in New York.

"You have seen so many this year because there have been a number of companies that have got into trouble and need the capital," he said.

And, investors can get very attractive deals, he said. "It offers investors who do not want to take control of a company a way to invest and still get a good yield," Mr. Cohen said.

And by not taking control of the company, the investors can avoid taking on the liability of long-tail environmental and asbestos claims, he added.

Preferred stock investors also benefit by having higher priority than common stock holders if the company should go bust and enter bankruptcy, said Vanessa Wilson, equity analyst at CS First Boston Group Inc. in New York.

"People like to do preferred stock investments when there is concern about credit. Bondholders have a priority, preferred stockholders are next and common stock is last," she said.

At the same time, the preferred stock investors also get a share of the returns if the company does recover as well as limiting their own exposures to the downside, Ms. Wilson said.

"You don't take on an unlimited liability. Your exposure is your investment," she said.

Preferred stock investments can also be more flexible.

For example, the Securities and Exchange Commission has regulations that can restrict how different classes of stock are treated, she said.

"Preferred stock can be used when the investors want special conditions like a dividend above the common stock dividend," she said.

Preferred stock deals do allow for more creative investments, agreed Mr. Ward of Ward Financial. "You can make it look like debt or equity, depending on what you want."

For example, it can have features that resemble equity investments such as converting preferred shares into common stock. Or it can have interest payments that resemble debt issues, Mr. Ward said.

Some deals, such as the AIG investment in A&A, have both debt and equity features, he said.

"It has a lot of appeal to big investors involved in higher-than-average risk investment opportunities," Mr. Ward said.

And the conversion features themselves can also be diverse, he said.

"I've been involved in preferred stock investments that are convertible into the voting common stock of a company, the non-voting stock of a company or in to the stock of a subsidiary of the company," he said. BI

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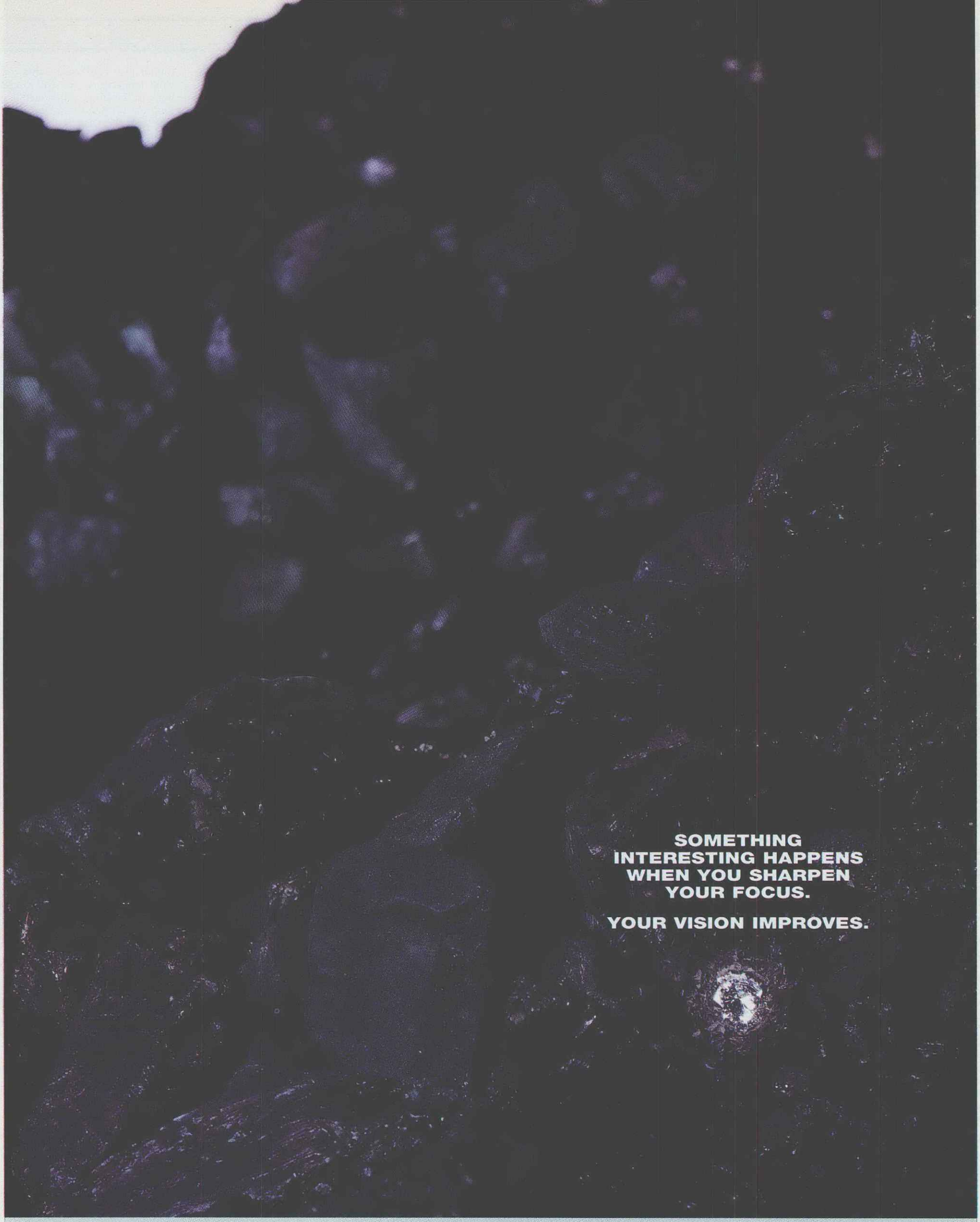
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Global Focus will appear six times in 1995 as a regular section distributed exclusively to non-U.S. subscribers. It will address the specific risk management and employee benefits concerns of executives in countries other than the United States.

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Insurer Topics

Women execs offer tips on success

By JUDY GREENWALD

Go out and find yourself a mentor to help you in your career. Don't sit around and wait for someone to pick you.

This was among the advice given by top women insurance industry executives to other women seeking to get ahead at a seminar called "The Road to the Top—Women in Insurance." It was held as part of the 46th Insurance Industry Day of the Golden Gate Chapter of the CPCU Society last month in San Francisco.

Among other issues that emerged during the session: Career advancement does not necessarily come without sacrifice. One woman executive who is married and has no children said she does not know how women with children manage. "You have to make certain choices along the way," said Jean M. Stalcup, senior vp at Employers Reinsurance Corp. in Overland Park, Kan.

The executives stressed it is necessary to actively look for a mentor to help a woman's career.

"You have to go seeking this person out. They don't appear on your doorstep," said Arlene Corsetti, who is one of nine women managing directors at Marsh & McLennan Cos. Inc. out of a total of 250 managing directors nationwide.

Ms. Corsetti, who is based in San Francisco, said she has had a champion in the company for the last 10 years, which has made her progress a lot easier.

Theresa Sealy, senior vp at Allianz Insurance Co., based in Burbank, Calif., said she also "always went and sought out mentoring input." Now, she said, "both men and women are coming to me for advice."

"You need to take charge of your career, too. You can't wait for a mentor," said Ms. Stalcup. She said she finds that male subordinates are more likely than women to seek her advice.

Paula A. Jagla, vp-major accounts underwriting for CNA Insurance Cos. in Chicago, said she is "not sure I really had a mentor per se" during her nine years at CNA. But, two executives with whom she developed friendships have helped her in her career.

"Both take a personal interest. They do give me advice and guidance whether I ask for it or not, and they probably have bigger ambitions for me than I do myself," said Ms. Jagla.

Discussing how they balance their business with their personal lives, Ms. Corsetti quipped, "I have a child, but I don't play golf." She added, more seriously, "it's a struggle, and I think it does take a lot of commitment."

Ms. Corsetti said she took off 2½ years from work when her daughter, who is now 15, was born, though she had been told at the time it would hurt her career at the insurance company where she worked.

When she first returned to the workplace, it was to a risk management job. Ms. Corsetti said because of its time demands, she would not have taken a brokerage job until her daughter was in regular school.

Ms. Sealy, who said she has been a single mother for 19 years, also said she worked 9 to 5 when her children were still at home.

Ms. Stalcup noted that Kaj Ahlmann, Employers Re's chairman, president and chief executive officer, has young children, and this is starting to change the company. "There's a different sense when you have someone who wants to get home early on Friday night."

The panelists also discussed how they establish credibility with the people with whom they work. Ms. Corsetti said it is always easiest to do this with your peer group. The second-hardest group is subordinates, and the most difficult are superiors.

The way to establish credibility is to earn the respect of all three groups, said Ms. Jagla. Once this respect is earned, it tends to stay in place, she added.

The easiest way to achieve credibility is "to do your job and do it well," said Ms. Stalcup. When you have opportunities, speak up, she urged. It is important "you have faith in your own ability" and display that.

In response to a question on how to be taken seriously, Ms. Corsetti said there is "no doubt you must be very good." Furthermore, you must ask, "What is it that makes money for the company?" Being the best accountant, for instance, is not adequate. You must add to the company's bottom line.

Answering a question on whether there is a "new girls' network" along with the traditional "old boys' network," Ms. Sealy said she believes there is now more networking across both sexes. Ms. Jagla also said she does not see an old boys' network. Networking is "very much gender-neutral."

The issue of women playing golf also emerged during the discussion. Many times, women have said they cannot play golf because they must work long hours, said Ms. Corsetti. But, just working hard enough is not sufficient because the person playing golf with the CEO is the one who "makes the deal."

You must look at your position and the area of the industry within which you work, advised Ms. Jagla, who works out of CNA's home office in Chicago. Golfing is less important, for instance, if you work out of the home office and there is no direct customer relationship, she said.

"You must have a sense of humor about these things," said Ms. Stalcup, referring to the emphasis on athleticism. Although she does not play golf, "I don't put down the people who do."

The women also discussed how their management styles compare to their male counterparts'. Ms. Jagla said she would characterize herself as "someone who listens more than some of my male counterparts." She said she also takes more time than her peers to explain why things are being done differently, rather than "just assigning tasks or giving orders."

Ms. Stalcup believes she is more direct than her male counterparts. She says she also spends a lot of time with performance reviews and staff development and consistently schedules hours of time to do evaluations and sit down with the people involved. BI

Big stock companies face hard times ahead: Exec

By JUDY GREENWALD

Big national insurers could end up the dinosaurs of the future, the chairman and chief executive officer of TIG Reinsurance Co. says.

William G. Clark, who referred to these companies as "superstocks," said he is "not sure God could run a superstock" and make money. The big national stock companies end up with the "big, bad, tough business and national accounts," he said.

It is reasonable to estimate that by the turn of the century these generalists must either radically redesign what they do "or simply disappear under the weight of their liabilities," Mr. Clark said.

He made his prediction as a member of a panel of industry experts during a general session called "Will the Future Work?" at the 46th Annual Insurance Industry Day held last month in San Francisco by the Golden Gate Chapter of the CPCU Society.

Mr. Clark also discussed the globalization of the business. He said he is not sure the opportunities in the international marketplace are as great as has been perceived. Furthermore, he said, outside the United States much of the business written is quota-share catastrophe business, which U.S. reinsurers avoid writing.

Also speaking at the session was Vickie F. Kartchner, president and chief operating officer of Scottsdale, Ariz.-based Scottsdale Insurance Co., who said, "I think the industry is going to be very much driven by technology" over the next 10 years.

The way business is conducted today will be very different in the future, she said. Already, the personal computer has changed the way people work, and by the end of the decade it will replace the phone, performing audio and visual functions as well as providing instant access to data, Ms. Kartchner said.

Technology will also allow those in the insurance industry to conduct their business differently. For instance, it will permit conferences in which several participants can work together on line through their personal computers, she said.

When it comes to technology's impact on submissions and claims handling, "I think the possibilities are endless," and more will be done at professionals' desks than ever before, Ms. Kartchner suggested.

It also "stands to reason" that over time the insurance industry will take on some of the characteristics of the diverse U.S. workforce, she said.

There are serious issues regarding diversity, however, that the industry must come to terms with, Ms. Kartchner said. It must attract and retain a diverse working group, and "so far we have not done well on this." The insurance industry's growth in hiring minorities has lagged behind other industries' record in this area, she said. It is also lagging in hiring women, she said. "We're not breaking through the glass ceiling to management."

"As a consumer issue, diversity will be enormous in the next decade," said Ms. Kartchner. If the industry wants to gain and attract the brightest of that population, it must start now.

"It's a business issue, and it's going to be a tough one to tackle," she warned.

And, the global economy will be very important as well. There was a time when insurers could view themselves as domestic only, she noted. But today, if you do not have ways to address this issue of the global economy, you will lose market share, Ms. Kartchner said.

Ms. Kartchner pointed to the alternative market. "I think it will give us some incredible new opportunities in the future," she said. "I think it will provide greater opportunities for those companies that know how to deal in that market," she said. BI

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A ❑ Mfg/Svcs B ❑ Association C ❑ Union D ❑ Government E ❑ Educational Inst F ❑ Ins Agent G ❑ Ins Broker H ❑ Ins/Reins Co I ❑ Actry/Conslt J ❑ Attorney K ❑ Adj/Apprs L ❑ TPA M ❑ Health care Inst N ❑ Other ____

2. Number of employees:
1 ❑ 150 or less 2 ❑ 151 - 499 3 ❑ 500 - 999 4 ❑ 1,000 - 4,999 5 ❑ 5,000 or more 6 ❑ Unknown

3. My title is best defined as:
A ❑ Administrative Mgt B ❑ Financial Mgt C ❑ Risk Mgt D ❑ Benefits Mgt E ❑ Loss Prevention Mgt F ❑ Other_____

4. My purchasing involvement for the requested products is to :
1 ❑ recommend only 2 ❑ specify 3 ❑ approve

5. Do you now receive a personally addressed copy of *Business Insurance*?
A ❑ Yes B ❑ No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **December 19, 1994** issue. Cards with more than 20 items circled will not be processed. This card expires **February 13, 1995.**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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Company _____
Address _____
City _____ State _____ Zip _____
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There are two things you need to make the right healthcare decisions. Information. And more information. At Intracorp, our Focused Data Analysis is composed of everything we've learned from the 800,000 admissions we review each year. Valuable information that can be invaluable to you and your employees. For example, it can work as a scorecard to show you how much our utilization and case management programs are saving you in unnecessary bed days avoided or appropriate alternative settings arranged. It can be used for comparison, to show you how your utilization program is doing compared to other companies in your industry. And it can give you a basis for making decisions about benefit plan changes or enhancements. To learn more, call us at 1-800-345-1075. The call, of course, is free. The information, though, is priceless. **INTRACORP** THE HEALTH **CARE** MANAGEMENT COMPANY.

Making the most of cover

Book provides valuable insights for risk managers

"Maximizing Coverage, Minimizing Costs"
By Richard G. Clarke
Published by the CPCU Society, 720 Providence Road, Malvern, Pa. 19355; 215-251-2743
$19.95

By Kevin M. Quinley

NOTICE HOW THE VISE HAS tightened during these tense '90s? During tough economic times, everyone—the risk manager included—feels squeezed. Pressure to trim costs, or to obtain better service at the same cost, increases. Faced with exhortations from upper management, smaller staffs, leaner budgets and tougher goals, risk managers may scratch their heads and wonder, "How do I do more with less?" How do they trim their insurance costs and/or improve on their firms' insurance protection? How do they square the proverbial circle?

How? One step is to read "Maximizing Coverage, Minimizing Costs" written by Richard Clarke and published by the CPCU Society. Normally taking a back seat in the publishing realm to its sister organization, the Insurance Institute of America, the CPCU Society has delivered a little blockbuster of a book that should find its way into the hands of any risk manager struggling with the modern problems of cost and coverage.

The author is an experienced broker and risk management consultant who conducts seminars with the same title for the CPCU Society. As an authority, Mr. Clarke is the real McCoy.

Indeed, this monograph should be required reading for all risk managers. It will be handy for both veteran and neophyte professionals. Nor is its market limited

Books & Ideas

to those with this corporate title. After reading it, risk managers should lend a copy to their brokers and require them to read and heed.

Mr. Clarke makes clear in the introduction that his emphasis is on broadening coverage—not as much on pinching pennies or trimming premiums. Most of his advice is on how to get more without paying more.

A prime theme in this book is the premise that everything is negotiable. Risk managers and the brokers who represent them should be negotiators, willing to get into the fray and fight a little bit for the best deal. Quoting from an in-flight airline magazine advertisement for a negotiating seminar, he paraphrases the philosophy that "in business as in life, you don't get what you deserve—you get what you negotiate!"

The book's chapters highlight, in order: negotiation, property coverages, CGL, commercial auto, workers compensation, umbrella/excess, D&O, ERISA and fiduciary exposures, and organizing an effective coverage program.

Among the interesting nuggets found in this gold mine are:

- Situations where you should use two brokers instead of one.
- When you should invest in an in-person visit with an insurance underwriter.
- The wisdom of picking oddball insurance renewal dates such as Feb. 6 or Oct. 17.
- Which broadening endorsements are usually available for the asking, often at no additional premium charge.
- Why it pays to read loss runs—and how doing so can save you money.

Academicians seeking a theoretical approach will be disappointed with this book, which offers a very practical, down-to-earth approach.

Helpfully, the end of each chapter includes a summary of points for risk managers to use in trimming costs and broadening coverage. Let's face it, most risk managers are too busy to read textbooks on risk management and are ill-disposed to do so. On the other hand, an hour invested in closely reading and implementing Mr. Clarke's suggestions in this book may prove to be the best 60 minutes a risk manager ever spends.

In a risk management tour de force, Mr. Clarke stuffs loads of practical tips into a pithy presentation. Veteran or neophyte risk managers will find this publication a terrific template for giving their own risk management and coverage programs a multipoint tune-up.

The booklet delivers maximum benefits in a minimum amount of time! Maximize your effectiveness and minimize your learning curve by adding this volume to your risk management resource library. BI



Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

Court upholds group disability policy clause

The Supreme Court of Iowa upheld the constitutionality of a clause in a group disability policy starting accrual of benefits no earlier than six months preceding the time that written proof of a claim was furnished to the insurer.

Principal Mutual Life Insurance Co. issued a group LTD policy to a school district in 1973. David DeVetter was employed by the district for the 1979-1980 school year and became insured under the policy. He left his job Jan. 18, 1980, at which time he was totally disabled due to a mental ailment.

About 7½ years later, on July 22, 1987, he filed a group disability claim with Principal. The policy provided that benefits could accrue no earlie · than six months preceding the date written proof of disability was furnished. Principal determined that Mr. DeVetter's benefits commenced Jan. 22, 1987, six months before he filed his claim. He said his benefits should have begun May 24, 1980. He sued but lost in the trial court. But, the appeals court ruled in his favor.

On appeal to the state Supreme Court, he argued that the six months retroactive provision violated public policy.

To strike down a contract on those grounds, the court said it must conclude that the preservation of the general public welfare must outweigh society's interest in the freedom of contract.

The court upheld the clause, concluding that public policy favors providing low-cost group disability insurance

Legal Briefs

through predictable underwriting and premium structures. The court said the clause allowed such predictability and afforded even-handed coverage to all persons and all claims. The appeals court decision was vacated and the trial court judgment affirmed.

DeVetter vs. Principal Mutual Life Insurance Co., Supreme Court of Iowa, May 25, 1994 (*BI*/01/J.-$10).

Commercial umbrella policy

A North Carolina appeals court ruled a commercial umbrella insurance policy did not require an excess liability insurer to drop down and provide coverage after a primary insurer became insolvent.

Long Manufacturing N.C. Inc. was covered under a CGL policy issued by American Mutual Liability Insurance Co. with limits of $1 million. Century Indemnity Co. also insured Long under a commercial umbrella liability policy with limits of $5 million.

As a result of an auto accident, William and Betty Brooks sued Long in 1985. In March 1989, AMLIC was declared insolvent by a Massachusetts court. Thus, the North Carolina Insurance Guaranty Assn. was activated. A dispute developed as to whether Century's policy was required to drop down and become primary liability insurance for Long as a result of AMLIC's insolvency. Century denied liability.

The Brookses settled their suit for $400,000, of which Century paid $200,000 and the association paid $200,000. This suit was then brought by the association against Century, seeking recovery of the $200,000 plus about $60,000 in expenses. Century filed a counterclaim for $100,000. The trial court ruled in Century's favor.

The appellate court said that the fundamental purpose of excess liability insurance is to protect the insured against excess liability claims, not to insure against the underlying insurer's insolvency. The court found no ambiguity in the term "amount recoverable" in Century's policy or as to the scope of coverage. The court said the primary insurer's insolvency did not constitute an "occurrence" as that term was defined in the policy. The court also observed that most jurisdictions facing the same issue have rejected the so-called drop-down theory. The trial court decision was affirmed.

North Carolina Insurance Guaranty Assn. vs. Century Indemnity Co., Court of Appeals of North Carolina, June 21, 1994 (*BI*/02/J.-$10).

Death benefits denied

The Workers Compensation Act did not provide a stepchild automatically with the status of child and the presumption of being wholly dependent, the Court of Appeals of South Carolina ruled.

Following the death of William J. Adams in a work-related accident, his widow, Rosita, his minor adopted daughter, Ji Hai, and his minor stepdaughter, Martina Marie McKeown, sought compensation benefits. The commissioner awarded each benefits, including one-quarter benefits to Martina. The full commission amended the order, holding that Martina was not entitled to benefits.

Mr. Adams and Rosita had been married eight months before his death. During the time Martina lived with her mother and Mr. Adams, her biological father was paying support of $50 per week. Rosita was earning $20,000 per year and owned the house in which they lived. Martina appealed the denial of benefits.

The appellate court said state law indicated a stepchild must be dependent upon the deceased before she may be considered a child of the deceased to recover death benefits.

Adams vs. Texfi Industries, Court of Appeals of South Carolina, April 25, 1994, *rehearing denied* June 16, 1994 (*BI*/04/J.-$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Spotlight report

Continued from page 26

flexible spending and COBRA administration, premium administration.

Locations: Sacramento, Calif.; Chicago; Overland Park, Kan.; Baton Rouge and Metairie, La.; Omaha, Neb.

Staff: 35 benefit consulting employees; 21 professionals, including seven CEBSs, two CLUs, one CPA.

Clients: 520 total; 85% corporations, 2% multi employer plans, 4% MEWAs, 9% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $150 to $250; consultant, $100 to $150; clerical, $30 to $50.

Gross revenues: $4,773,346 from benefit consulting in 1994; $5,124,993 in 1993. $7,576,740 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Robert N. Morehead, president; Mark E. Hogan, senior vp; Gerald Peters, Jane Gruhl, David F. Uppinghouse, vps.

C

Century Financial Services

185 N.W. Spanish River Blvd., Suite 170, Boca Raton, Fla. 33431; 407-362-0111; fax: 407-362-0133

Benefit consulting since: 1985.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting, investment manager selection consulting, evaluation service providers.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, flexible benefit design/administration, HMO analysis/negotiation, EAP vendor evaluation, managed mental health strategies, financial monitoring, ERISA compliance, negotiations with insurers and service organizations, preparation of utilization review studies, general plan administration/claims settlement assistance, surveys, general research on benefits, update state/federal legislative developments.

Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit booklet preparation, welfare plan document and summary plan description preparation.

Other services: Brokering, claims administration, seminars on money management/estate planning and development of managed care workers compensation programs.

Staff: Nine benefit consulting employees; seven professionals.

Clients: 88% corporations, 7% individuals, 5% government agencies/entities. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $110 to $135; consultant, $70 to $110; personal computer programming assistant, $60.

Gross revenues: $850,000 from benefit consulting in 1994; $836,000 in 1993. $1,062,500 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Ronald Reshefsky, president; Richard J. Leonard, president-benefits consulting division; Gary H. Morris, vp-risk management services; Ellen R. Segal, manager-marketing; Mitchell L. McEwen, manager-benefits consulting division.

Contact: Richard J. Leonard.

Chicago Consulting Actuaries Inc.

216 S. Jefferson, Suite 600, Chicago, Ill. 60661; 312-454-3222; fax: 312-454-1213

Benefit consulting since: 1991.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 80% of revenues. Includes plan design consulting, defined benefit plan actuarial work, plan administration consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, health care cost containment, actuarial valuations for post-retirement welfare plans.

Staff: Nine benefit consulting employees; eight professionals, including four FSAs, three ASAs, three EAs.

Clients: 50 total; 100% corporations. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $240 to $290; consultant, $180; clerical, $60.

Officers: Thomas S. Terry, president; James G. Peard, Harold S. Cooper, Lina Flores Hilko, principals.

Contact: Thomas S. Terry.

Chiusano & Co.

10 Thacher St., Boston, Mass. 02113; 617-248-1920; fax: 617-248-1915

Benefit consulting since: 1988.

Services: 65% of revenues from benefit consulting.

Retirement/savings plan consulting: 65% of revenues. 401(k) plan consulting including investment manager selection consulting, asset/investment consulting focusing on guaranteed investment contract's credit quality and daily rates of return.

Other services: Monthly credit reporting to trustees on insurance company credit ratings.

Staff: Two total; one professional.

Clients: Five total; 80% corporations, 20% investment managers. Minimum size client: 250 employees.

Compensation: By the project, commissions, on retainer.

Officers: Michael J. Chiusano, president.

CODA Inc.

900 Roosevelt Parkway, Suite 640, Chesterfield, Mo. 63017; 314-537-0224; fax: 314-537-2854

Benefit consulting since: 1987.

Services: 35% of revenues from benefit consulting.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, telephone enrollment, billing reconciliation, evaluation and of managed care programs.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement and booklet preparation.

Other services: Administration of managed care programs; administration and implementation services to health care purchasing cooperatives.

Locations: Los Angeles, Atlanta, Chicago.

Staff: 36 benefit consulting employees; 26 professionals, including four CEBSs, two CLUs, one CPA, one attorney.

Clients: 47 total; 100% corporations.

Compensation: By the project, commissions, on retainer.

Gross revenues: $1.26 million from benefit consulting in 1994; $3.6 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Michael A. Benoit; R. Jeffrey Davis; Howard C. Klepser.

Contact: Howard C. Klepser.

COHO Benefits Group Inc.

11499 Chester Road, Suite 2601, Cincinnati, Ohio 45246; 513-772-8622; fax: 513-772-9111

Benefit consulting since: 1993.

Services: 35% of revenues from benefit consulting.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, managed care provider arrangement evaluation.

Benefit communications consulting: 5% of revenues. Includes benefit booklet preparation.

Other services: Brokering.

Staff: Two benefit consulting employees; both professionals, including one CLU, one attorney.

Clients: 15 total; 80% corporations, 10% multi employer plans, 10% MEWAs.

Compensation: By the project, on retainer, by the hour: senior consultant, $125; clerical, $35.

Officers: Thomas Colvin, president; Vincent Homan, vp.

Contact: Thomas Colvin.

Compensation Resource Group Inc.

199 S. Los Robles Ave., Suite 600, Pasadena, Calif. 91101; 818-405-0911; fax: 818-405-0390

Benefit consulting since: 1990.

Services: 8.4% of revenues from benefit consulting.

Retirement/savings plan consulting: 3.4% of revenues. Includes plan design consulting, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Benefit communications consulting: 5% of revenues. Includes benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering.

Locations: Phoenix; San Francisco; Stamford, Conn.; Washington; Atlanta; Chicago; Boston; Cleveland; Houston; Seattle.

Staff: 38 benefit consulting employees; 25 professionals, including nine CLUs, four CPAs, one attorney.

Clients: 73 total; 100% corporations. No minimum size client.

Compensation: By the project, commissions, by the hour: senior consultant, $250 to $375; consultant, $150 to $250; clerical, $50 to $100.

Gross revenues*: $1,157,154 from benefit consulting in 1995; $761,497 in 1994. $13,333,121 total 1995 revenues. (All revenues are from U.S. locations.)

Officers: William L. MacDonald, president/CEO; William V. Forrest, Keith A. Tobias, David M. Leach, executive vps; Richard C. Callister, senior vp.

Contact: William L. MacDonald, president/CEO.

** Estimated revenue for fiscal year ending June 30.*

Comprehensive Benefit Services Inc.

1014 Vine St., Suite 1100, Cincinnati, Ohio 45202-1195; 513-333-0909; fax: 513-333-2093

Benefit consulting since: 1988.

Parent: Acordia/Rauh.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, budget accounting.

Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit booklet preparation.

Staff: Three professionals, including one CLU, one CPA.

Clients: 95% corporations, 5% multi employer plans.

Compensation: By the project, commissions, by the hour.

Officers: Eugene A. Brown, Frank A. Fiore, Mark A. Stoeber, principals.

Contact: Mark A. Stoeber.

Consolidated Benefit Services

1400 Lake Hearn Drive, Suite 300, Atlanta, Ga. 30319; 404-843-5566; fax: 404-843-5455

Benefit consulting since: 1959.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting.

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

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement and booklet preparation, employee meetings.

Other services: Brokering, claims administration.

Locations: Birmingham, Ala.

Staff: 25 benefit consulting employees.

Clients: 86 total; 64% corporations, 25% multi employer plans, 11% government agencies/entities.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $250; consultant, $100 to $125; clerical, $35 to $50; data processing, $65 to $100.

Gross revenues: $1.05 million from benefit consulting in 1994; $1.3 million in 1993. $3.5 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Troy E. Hardin Jr., president/CEO; Judy Heilman, executive vp/COO; Charlie Hill, vp.

Consulting Group Inc.

200 Chester Field Parkway, Malvern, Pa. 19355; 610-889-9100; fax: 610-889-9128

Benefit consulting since: 1973.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

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

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, strategic human resources.

Staff: 58 total, including one CLU.

Clients: 90% corporations, 8% multi employer plans, 2% MEWAs. Minimum size client: 250 employees.

Compensation: On retainer.

Gross revenues: $3.6 million from worldwide benefit consulting in 1994 (95% from U.S. locations); $3.6 million in 1993 (95% from U.S). $4 million total worldwide 1994 revenues.

Officers: Alex Johns, chairman; Harriet Hankin, president; David Banet, senior vp; Ruth Ringwood, executive vp; Tamra Walton, vp.

Contact: Thomas M. Ringwood, director-new business development.

Consulting Managers of California

1633 Old Bayshore, Suite 230, Burlingame, Calif. 94010; 415-692-1414; fax: 415-692-1416

Benefit consulting since: 1975.

Services: 90% of revenues from benefit consulting.

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

Benefit communications consulting: 10% of revenues. Includes benefit booklet preparation, plan document drafting.

Staff: Two total; one professional.

Clients: 16 total; 10% corporations, 20% MEWAs, 70% trade association plans. Minimum size client: 100 employees.

Compensation: By the hour: senior consultant, $160 to $200; clerical, $40.

Gross revenues: $350,000 from benefit consulting in 1994; $300,000 in 1993. (All revenues are from U.S. locations.)

Officers: Larry D. Felion, president/owner.

Coopers & Lybrand L.L.P., Human Resource Advisory Group

1301 Ave. of the Americas, New York, N.Y. 10019; 800-232-2717; fax: 212-259-2625

Benefit consulting since: 1898.

Services: 88% of revenues from benefit consulting.

Retirement/savings plan consulting: 48% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, compliance audits.

Welfare plan consulting: 37% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, satisfaction surveys, feasibility studies, alliance and network creation, risk management.

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice response and employee service center.

Other services: Compensation consulting, management consulting, claims administration, organizational effectiveness and development, diversity.

Locations: Los Angeles; San Francisco; Stamford, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Louisville, Ky.; Baltimore; Boston; Detroit; Minneapolis; Parsippany, N.J.; Albany, New York and Syracuse, N.Y.; Cleveland and Columbus, Ohio; Dallas; Houston; Philadelphia; Pittsburgh; Seattle; Buenos Aires, Argentina; Melbourne and Sydney, Australia; Vienna, Austria; Antwerp and Brussels, Belgium; Hamilton, Bermuda; Sao Paulo, Brazil; Calgary, Fredericton, Halifax, London, Montreal, Ottawa, St. John's, Toronto and Vancouver, Canada; Beijing; Prague, Czech Republic; Paris; Berlin, Cologne, Dusseldorf, Essen, Frankfurt, Hamburg, Karlsruhe and Munich, Germany; Hong Kong; Budapest, Hungary; Bombay, India; Jakarta, Indonesia; Dublin, Ireland; Milan, Italy; Tokyo; Kuala Lumpur, Malaysia; Mexico City; Amsterdam and Utrecht, Netherlands; Auckland, New Zealand; Warsaw, Poland; Lisbon, Portugal; Johannesburg, South Africa; Barcelona and Madrid, Spain; Basel, Lausanne and Zurich, Switzerland; Taipei, Taiwan; Bangkok, Thailand; Aberdeen, Belfast, Birmingham, Bristol, Edinburgh, Leeds, Liverpool, London, Manchester, Norwich, Nottingham, Reading, Sheffield and Southhampton, United Kingdom; Caracas, Venezuela.

Staff: 2,575 benefit consulting employees; 2,063 professionals, including 121 FSAs, 129 ASAs, 27 CEBSs, 129 CPAs, 40 attorneys, 82 EAs.

Clients: 90% corporations, 5% MEWAs, 5% government agencies/entities.

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

Gross revenues: $271.2 million from worldwide benefit consulting in 1994 (54.2% from U.S. locations); $234.8 million in 1993 (55% from U.S. locations). $305.7 million total worldwide 1994 revenues (57.5% from U.S.).

Non-U.S. benefit consulting: Associates and members.

Officers: Reed Keller, vice chairman; Iris Goldfein, Frank Raiti, managing principals.

Contact: Mary Ellen Bianco, director-marketing.

Corporate Benefit Consultants Inc.

300 Cahaba Park Circle, Suite 206, Birmingham, Ala. 35242; 205-991-2817; fax: 205-995-0418

Benefit consulting since: 1989.

Services: 90% of revenues from benefit consulting.

Welfare plan consulting: 90% of revenues. Includes development of managed care arrangements.

Other services: Claims administration.

Staff: 15 benefit consulting employees; five professionals, including one CLU, one CPA, one attorney.

Clients: 50% corporations, 5% multi employer plans, 10% MEWAs, 25% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $175; consultant, $125; clerical, $50.

Gross revenues: $710,000 from benefit consulting in 1994; $635,000 in 1993. (All revenues are from U.S. locations.)

Officers: W.H. Shepherd; Timothy Hawk; Dudley Albright; Dr. Allan Carter; Sanford Mullins.

Corporate Benefits Resource Inc.

7000 Fitzwater Road, Brecksville, Ohio 44141; 216-838-8644; fax: 216-838-1311

Benefit consulting since: 1989.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 20% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting.

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

Benefit communications consulting: 30% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; employee newsletters, summary plan descriptions.

Other services: Compensation consulting, workers compensation consulting.

Staff: Four total, all professionals, including one CEBS, one CPA.

Clients: 23 total; 100% corporations.

Compensation: By the project.

Officers: John J. Lakner, president.

Corporate Communicators Inc.

P.O. Box 321, Riverton, Conn. 06065; 203-738-0033; fax: 203-738-3456

Benefit consulting since: 1983.

Services: 95% of revenues from benefit consulting.

Benefit communications consulting: 95% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; payroll stuffers; posters; benefit letters and employee newsletters.

Staff: Five benefit consulting employees; three professionals.

Clients: 60 total; 80% corporations, 20% non-profit organizations. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $100; consultant, $75; clerical, $35.

Officers: Freeman M. Butland, president.

Corporate Dynamics

100 Atrium Way, Suite 202, Mt. Laurel, N.J. 08054; 609-778-4600; fax: 609-778-5962

Benefit consulting since: 1967.

Services: 95% of revenues from benefit

Continued on next page

Continued from previous page

consulting.

Retirement/savings plan consulting: 9.5% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 80.75% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, benefit cost reduction.

Benefit communications consulting: 4.75% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation, employee meetings.

Other services: Compensation consulting, brokering, management consulting, claims administration, insurer negotiations.

Staff: 27 benefit consulting employees; 14 professionals, including one FSA, three CEBSs, three CLUs, one CPCU.

Clients: 400 total; 94% corporations, 5% multi employer plans, 1% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer.

Gross revenues: $4.1 million from benefit consulting in 1994. (Revenues are from U.S. locations.)

Officers: Richard G. Seidenberg, chairman; Eric Raymond, president.

W.F. Corroon/Willis Corroon

26 Century Blvd., Nashville, Tenn. 37214; 615-872-3900

Benefit consulting since: 1905.

Parent: Willis Corroon Group P.L.C.

Services: 49% of revenues from benefit consulting.

Retirement/savings plan consulting: 31% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

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

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, management consulting, claims administration.

Locations: Birmingham and Mobile, Ala.; Anchorage and Fairbanks, Alaska; Phoenix; Los Angeles, Pasadena, Sacramento, San Diego, San Francisco and San Jose, Calif; Stamford, Conn.; Atlanta; Chicago; Wichita, Kan.; New Orleans; Baltimore, Bethesda and Hunt Valley, Md.; Boston; Grand Rapids and Livonia, Mich.; Minneapolis; Kansas City and St. Louis, Mo.; New York and Rochester, N.Y.; Cleveland and Columbus, Ohio; Eugene and Portland, Ore.; Media and Pittsburgh, Pa.; Greenville and Columbus, S.C.; Chattanooga, Knoxville and Nashville, Tenn.; Dallas, Fort Worth and Houston, Texas; Salt Lake City;, Seattle; Milwaukee; Edmonton, Montreal, Toronto and Vancouver, Canada; Belfast, Ireland; Glasgow, Scotland; Bristol, Birmingham, Hemel Hempstead, Ipswich, Kingston, London, Maidstone, Manchester, Reading and Thatcham, United Kingdom.

Compensation: By the project, commissions, on retainer, by the hour.

Gross revenues: $60.05 million from worldwide benefit consulting in 1994 (69% from U.S. locations); $70.7 million in 1993 (69% from U.S.). $123.8 million total worldwide 1994 revenues (85% from U.S.).

Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the U.S.

Officers: Ken Pinkston, Donald Payne, Richard Dalzell, Max Taylor, George Nixon, Brian Johnson, executive directors.

Contact: Brian Johnson, CEO.

Frank Crystal & Co. Inc./ Frank Crystal Benefits

40 Broad St., New York, N.Y. 10004; 212-344-2444; fax: 212-269-6612

Benefit consulting since: 1982.

Services: 70% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, defined benefit plan actuarial work.

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

Benefit communications consulting: 5% of revenues. Includes benefit booklet preparation.

Other services: Brokering, FSA administration.

Locations: Fort Lauderdale, Fla.; Houston.

Staff: 18 benefit consulting employees; 15 professionals, including one CEBS, two CLUs.

Clients: 250 total; 70% corporations, 20% individuals. Minimum size client: 10 not-for-profit organizations.

Compensation: By the project, commissions.

Gross revenues: $2.4 million from benefit consulting in 1994; $2.75 million in 1993. 2.4 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: James W. Crystal, chairman/CEO; Andrew W. Potash, president; Vincent J. Gandolfo Jr., senior vp; Arthur Littmann, CFO.

Contact: Vincent J. Gandolfo Jr.

D

Deloitte & Touche Human Resource Consulting Group

10 Westport Road, P.O. Box 820; Wilton, Conn. 06897-0820; 203-761-3000; fax: 203-834-2246

Benefit consulting since: 1973.

Parent: Deloitte & Touche.

Services: 43% of revenues from benefit consulting.

Retirement/savings plan consulting: 24% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting; investment manager selection consulting; asset/investment consulting; litigation support; ESOPs; operational reviews; outsourcing; early retirement windows; FAS 106 and FAS 112 consulting, requirements and compliance, valuations, financial statement disclosures.

Welfare plan consulting: 16% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, managed care consulting, claims and utilization review audits, network development, health reform strategy.

Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; communication audits; customized computer communications; diagnostic surveys/focus groups; interactive voice response systems.

Other services: Compensation consulting; management consulting, human resources consulting, including core competency studies, strategy development, organizational design, benchmarking best practices, benchmarking costs, management change; insurance actuarial consulting and compliance, human resource information systems consulting.

Locations: Numerous offices including Los Angeles; San Francisco; Hartford and Stamford, Conn.; Chicago; Detroit; Washington; Minneapolis; New York; Dallas; Houston; Canada; Australia; France; Indonesia; Japan; Luxembourg; South Africa.

Staff: 483 benefit consulting professionals, including FSAs, ASAs, CEBSs, CLUs, CPAs, attorneys, EAs.

Compensation: By the project, by the hour.

Gross revenues: $91,893,000 from worldwide benefit consulting in 1994 (83% from U.S. locations); $81,895,000 in 1993 (83% from U.S. locations). $210,072,000 total worldwide 1994 revenues (62% from U.S.).

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: Maurice M. Smith, national director; Richard J. Berens, partner in charge-Minneapolis; Susan A. Achenbach, partner in charge-Chicago; Ainar D. Ayala, partner in charge-New York; Tim Phoenix, partner in charge-Texas.

Contact: Maurice M. Smith, 213-688-5373.

E

EBS/Atlanta Risk Management

3340 Peachtree Road N.E., Suite 710; Atlanta, Ga. 30326; 800-647-3709; fax: 404-231-5646

Benefit consulting since: 1982.

Parent: First Benecorp (USA) Inc.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 2% of revenues. Includes plan administration consulting.

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

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokering, claims administration.

Staff: Nine benefit consulting employees, four professionals.

Clients: 15% corporations, 85% government agencies/entities. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer.

Continued on next page

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Continued from previous page

Officers: B. Richard Cooper, president/CEO; Wayne C. Wong, executive vp/CFO.

Contact: Dale K. Darracott, director-business development/client relations.

Empire Professional Services Inc.

77 Sully's Trail, Pittsford, N.Y. 14534; 716-264-4400; fax: 716-264-4450

Benefit consulting since: 1974.

Parent: Blue Cross & Blue Shield of the Rochester area.

Services: 86% of revenues from benefit consulting.

Retirement/savings plan consulting: 53% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting.

Welfare plan consulting: 28% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cafeteria plan design communications implementation.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; cafeteria plan communications.

Other services: FSA claims administration.

Locations: Rochester, N.Y.

Staff: 14 benefit consulting employees; three professionals, including one ASA, one CEBS, one EA.

Clients: 725 total; 97% corporations, 1% individuals, 1% government agencies/entities, 1% school districts. No minimum size client.

Compensation: By the project.

Gross revenues: $1,126,000 from worldwide benefit consulting in 1994 (99% from U.S. locations); $1,062,000 in 1993 (99% from U.S.). $1,299,000 total worldwide 1994 revenues (99% from U.S.).

Non-U.S. benefit consulting: From the United States.

Officers: Gus A. Platas, vp/general manager; Paula Moran, director-retirement plan services; Judy Brennan, manager-compliance services; Michael D. Tucci, enrolled actuary; Linde Northrup, manager-business development.

Contact: Gus A. Platas.

Employee Benefit Specialists Inc.

1633 Bayshore Highway, Suite 360, Burlingame, Calif. 94010; 415-788-7683; fax: 415-788-7846

Benefit consulting since: 1988.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers.

Benefit communications consulting: 10% of revenues.

Other services: Brokering.

Staff: 12 benefit consulting employees; seven professionals, including one CLU, one attorney.

Clients: 80% corporations, 20% government agencies/entities. No minimum size client.

Compensation: By the project.

Officers: Joan Rhodes; Beth Juen; Chimane Rhodes.

The Epler Co.

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

Benefit consulting since: 1971.

Services: 93% of revenues from benefit consulting.

Retirement/savings plan consulting: 60% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting, investment manager selection consulting, early retirement program consulting.

Welfare plan consulting: 26% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefits design.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; summary plan descriptions; employee handbooks.

Other services: Compensation consulting, brokering.

Locations: Los Angeles.

Staff: 16 benefit consulting employees; 13 professionals, including one FSA, one ASA, one attorney, two EAs.

Clients: 50 total; 45% corporations, 40% government agencies/entities, 15% churches. Minimum size client: 50 employees.

Compensation: By the project, by the hour: senior consultant, $110 to $175; clerical, $40 to $60.

Gross revenues: $1.5 million from benefit consulting in 1994; $1.4 million in 1993. (All revenues are from U.S. locations.).

Officers: Jane Barry, president; Lee Hindenach, executive vp; Lin Ball, Elaine Kalin, Lou Filliger, vps.

Contact: Jane Barry or Lin Ball.

Ernst & Young L.L.P. Actuarial, Benefits & Compensation Consulting Services

277 Park Ave., New York, N.Y. 10172; 212-773-6166; fax: 212-773-5986

Benefit consulting since: 1987.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 40% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, claim audits, managed care studies, flexible benefits plan design and implementation, workers compensation consulting.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice communications; strategic employee communications.

Other services: Compensation consulting, management consulting, international compensation and benefits consulting, personal financial consulting, tax planning

Locations: 100 offices nationwide; 600 international offices serving 100 countries.

Staff: 1,000 benefit consulting employees; 825 professionals, including 60 FSAs, 70 ASAs, 6 CEBSs, 3 CLUs, 38 CPAs, 60 attorneys, 37 EAs.

Clients: 2,000 total; 90% corporations, 10% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour.

Gross revenues: $100 million from worldwide benefit consulting in 1994 (50% from U.S. locations); $90 million in 1993 (50% from U.S.). $125 million total worldwide 1994 revenues (50% from U.S.).

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: Albert J. Kleinberg Jr., national director-actuarial/benefits/compensation consulting services.

F

FST Associates

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

Benefit consulting since: 1992.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

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

Benefit communications consulting: 10% of revenues. Includes general communications consulting.

Staff: Six benefit consulting employees; four professionals.

Clients: 20 total; 95% corporations, 5% charitable organizations. Minimum size client: 150 employees.

Compensation: Commissions, on retainer.

Gross revenues: $710,000 from benefit consulting in 1994; $449,000 in 1993. $710,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Peter F. Anderson, president; William E. Racine, Barry D. Cohen, principals; Jill M. Winterhalter, account manager.

Contact: Peter F. Anderson.

Findley, Davies & Co.

300 Macison Ave., Suite 1000, Toledo, Ohio 43604; 419-255-1360; fax: 419-259-5685

Benefit consulting since: 1969.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting.

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

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; focus groups; attitude surveys.

Other services: Compensation consulting, management consulting.

Locations: Cleveland; Charlotte, N.C.

Staff: 56 benefit consulting employees; 46 professionals, including one FSA, two ASAs, three CEBSs, two CLUs, four CPAs, two attorneys, one EA.

Clients: 600 total; 94% corporations, 1% multi employer plans, 5% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour.

Gross revenues: $4.5 million from benefit consulting in 1994; $3.8 million in 1993. (All revenues are from U.S. locations.)

Officers: Robert J. Rogers, president; Brian C. Hubbell, Marc E. Stockwell, Gary P. Thieman, Scott E. Hamner, vps.

Contact: Robert J. Rogers.

The First Consulting Group-Health Care

7705 Tobemory Court, Suite 100, Ada, Mich. 49301-9362; 616-676-3258; fax: 616-676-8884

Benefit consulting since: 1989.

Services: 50% of revenues from benefit consulting.

Welfare plan consulting: 50% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, direct contracting with health care providers.

Other services: Management consulting, claims administration, direct contracting.

Locations: Detroit and Grand Rapids, Mich.

Staff: Four benefit consulting employees, including one CPA.

Clients: 10 total; 40% corporations, 10% multi employer plans, 10% government agencies/entities, 40% health care providers.

Compensation: By the project, on retainer, by the hour: senior consultant, $125 to $150; consultant, $75 to $100; clerical, $20.

Officers: Norman J. Bandemer, managing partner.

Flexible Benefit Associates

4740 Folsom Blvd., Suite B, Sacramento, Calif. 95819; 916-455-3539; fax: 916-454-5614

Benefit consulting since: 1990.

Parent: Chatham & Fear Insurance Services Inc.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues.

Other services: Brokering; health insurance purchasing cooperative design implementation, management and negotiation.

Locations: Denver; Austin, Texas.

Staff: Nine benefit consulting employees; three professionals, including one CEBS, one CLU, one CPCU.

Clients: 26 total; 70% corporations, 4% MEWAs, 15% government agencies/entities; 11% health insurance purchasing cooperatives/administrators. Minimum size client: 100 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, $225.

Gross revenues: $475,000 from benefit consulting in 1994.

Officers: David L. Fear, William T. Chatham, partners; Fred J. Besana, Steven J. Lindsay, Pauline Elrod, associates.

Contact: David L. Fear.

G

Arthur J. Gallagher & Co. dba Gallagher Benefit Services

2 Pierce Place, Itasca, Ill. 60143; 708-773-3800; fax: 708-285-4000

Benefit consulting since: 1975.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

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

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, claims administration.

Locations: Los Angeles and San Francisco, Calif.; Denver; Boca Raton and Tampa, Fla.; Chicago, Downers Grove and Schaumburg, Ill.; Boston; Troy, Mich.; Kansas City and St. Louis, Mo.; Valhalla and Yonkers, N.Y.; Dallas and Houston, Texas.

Staff: 117 benefit consulting employees, including two ASAs, seven CEBSs, four CLUs, three CPAs.

Clients: 60% corporations, 20% government agencies/entities, 20% other.

Compensation: By the project, commissions, on retainer, by the hour.

Officers: James W. Durkin Jr., vp/president-Gallagher Benefit Services; J. Patrick Gallagher Jr., president/COO; Robert E. Gallagher, CEO/chairman; John P. Gallagher, vice chairman; Michael J. Cloherty, vp-finance.

Contact: James W. Durkin Jr.

Gallagher, Flynn & Co.

77 College St., Burlington, Vt. 05401; 802-863-1331; fax: 802-865-4446

Benefit consulting since: 1993.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 30% of revenues. Includes plan design consulting, defined benefit plan actuarial work, administration systems consulting, plan administration consulting, investment manager selection consulting, plan terminations consulting.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefits, electronic interface with claims administrator, audits.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; plan documents and summary plan descriptions.

Other services: Deferred compensation consulting.

Staff: Two benefit consulting professionals, including one CEBS, one CLU.

Clients: 57 total; 72% corporations, 1% individuals, 4% government agencies/entities, 23% non-profit organization. Minimum size client: 50 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, $150; consultant, $100; clerical, $30 to $40; administrators, $50 to $75.

Gross revenues: $278,000 from benefit consulting in 1994; $165,000 in 1993. $278,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Edward Gallagher, Michael Flynn, partners.

Contact: James E. Bushnell, director-employee benefits division.

Garner Consulting

199 S. Los Robles Ave., Suite 560, Pasadena, Calif. 91101; 818-440-0399; fax: 818-440-0496

Benefit consulting since: 1987.

Services: 72% of revenues from benefit consulting.

Welfare plan consulting: 69% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 3% of revenues. Includes benefit statement and booklet preparation.

Other services: Brokering.

Staff: Seven benefit consulting employees; five professionals, including one CEBS, one CLU, one CPA.

Clients: 50 total; 80% corporations, 8% multi employer plans, 2% MEWAs, 4% individuals, 6% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $110 to $200; consultant, $60 to $110; clerical, $45 to $65.

Officers: John C. Garner, president; Gerti Reagan, vp; Roberta Hoffman, secretary.

Contact: Gerti Reagan.

Gladstone Managed Care Inc.

183 Route 206, Flanders, N.J. 07836; 201-691-4411; fax: 201-691-9441

Benefit consulting since: 1991.

Parent: Gladstone Consulting Group.

Services: 86% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan administration consulting.

Welfare plan consulting: Includes plan design consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: Includes communications consulting; benefit statement.

Other services: Compensation consulting, brokering, management consulting, claims administration.

Staff: 32 total.

Clients: 60% corporations, 10% multi employer plans, 20% MEWAs, 10% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour.

Gross revenues: $1.2 million from benefit consulting in 1994; $756,000 in 1993. $1.4 million total 1994 revenues.

Officers: Gary Sekulski, president-partner; Richard Dunn, partner.

Continued on next page

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Continued from previous page

Godwins International

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4800; fax: 312-701-2313

Benefit consulting since: 1988.
Parent: Aon Corp.
Services: 86% of revenues from benefit consulting.
Retirement/savings plan consulting: 53% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, investment and tax planning for employees and dependents.
Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, COBRA record keeping.
Benefit communications consulting: 3% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation, structured technology consulting.
Other services: Compensation consulting, brokering, claims administration, benefit program management.
Locations: Los Angeles, Palo Alto and San Francisco, Calif.; Coral Gables, Jacksonville and Tampa, Fla.; Atlanta; Cedar Rapids, Iowa; Chicago; Boston; Detroit and Grand Rapids, Mich.; Minneapolis; St. Louis; Parsippany, N.J.; Briarcliff and New York, N.Y.; Winston-Salem, N.C.; Columbus, Ohio; Portland, Ore.; Conshohocken and Pittsburgh, Pa.; Providence, R.I.; Houston; Seattle; Melbourne and Sydney, Australia; Rotterdam, Netherlands; Aberdeen, Belfast, Birmingham, Bristol, Cardiff, Chelmsford, Exeter, Edinburgh, Farnborough, Glasgow, Harlow, Harrogate, Ipswich, Kendal, Leeds, London, Manchester, Newcastle, Northampton, Nottingham, Plymouth, Portsmouth, Sevenoaks, St. Albans, Swindon and Truro, United Kingdom.
Staff: 1,673 benefit consulting employees; 1,109 professionals, including 25 FSAs, 32 ASAs, 55 CEBSs, 23 CLUs, 24 CPAs, 15 attorneys, 49 EAs.
Compensation: By the project, commissions, on retainer, by the hour.
Gross revenues: $143,635,000 from worldwide benefit consulting in 1994 (72% from U.S. locations); $140,000,000 in 1993 (65% from U.S.). $167,018,000 total worldwide 1994 revenues (68% from U.S.).
Non-U.S. benefit consulting: Via overseas branches, from the U.S.
Officers: Daniel T. Cox, chairman/CEO-Godwins International; Donald C. Ingram, chairman-Godwins Booke & Dickenson; J. Hunter Devine, chairman-Godwins Ltd.
Contact: Donald C. Ingram.

H

HPL&S Inc.

125 S. Wilke Road, Suite 300, Arlington Heights, Ill. 60005; 708-392-2999; fax: 708-392-1053

Benefit consulting since: 1977.
Services: 90% of revenues from benefit consulting.
Retirement/savings plan consulting: 75% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting.
Welfare plan consulting: 5% of revenues. Includes plan design consulting.
Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement and booklet preparation.
Other services: Claims administration.
Staff: 22 professional benefit consulting employees, including seven CPAs, three attorneys, three EAs.
Clients: 700 total; 90% corporations, 10% individuals. No minimum size client.
Compensation: By the project, by the hour: senior consultant, $125 to $200; consultant, $60 to $120; clerical, $45 to $55.
Gross revenues: $2.25 million from benefit consulting in 1994; $2.23 million in 1993. $2.62 total 1994 revenues.
Officers: Mark Schwartz, president; George F. Castillo, vp; William C. Ludwig, treasurer; Ira A. Post, secretary; Thomas Doherty.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-893-0270; fax: 215-875-2833

Benefit consulting since: 1911.
Parent: Hay Group.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 50% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.
Welfare plan consulting: 40% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefits consulting, competitive analysis, executive benefits consulting.
Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Other services*: Compensation consulting, management consulting, total reward analysis.
Locations: Los Angeles and Walnut Creek, Calif.; Washington; Atlanta; Chicago; Boston; New York; Brussels, Belgium; Toronto; Paris; Utrecht, Netherlands; London.
Staff: 110 benefit consulting employees; 90 professionals, including 30 FSAs, 15 ASAs, 15 CEBSs, five CLUs, five CPAs, five attorneys, 70 EAs.
Clients: 1,000 total; 70% corporations, 10% multi employer plans, 10% government agencies/entities; 10% other. No minimum size client.
Compensation: By the project, by the hour.
Officers: Kenneth Shapiro, president; Mike Cotter, Marie Dufresne, Kurt Fichthorn, Ed Hustead, Don Samples, senior vps.
Contact: Kenneth Shapiro.
** Services offered through sister companies.*

Health Information Management

355 Oak Trail Drive, Lewisville, Texas 75067; 817-491-3593; fax: 817-491-3593

Benefit consulting since: 1986.
Services: 60% of revenues from benefit consulting.
Welfare plan consulting: 50% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, provider reimbursement and contracting.
Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement preparation.
Other services: Management consulting, claims administration, contracting with pharmaceutical companies, health care professional education.
Staff: Two professional benefit consulting employee, including one CEBS.
Clients: Eight total; 100% corporations. No minimum size client.
Compensation: By the project, on retainer, by the hour: senior consultant, $100 to $145; clerical, $25 to $45.
Gross revenues: 100% from U.S. locations.
Officers: Frederic R. Curtiss, president.

Health Systems Management

2840 W. River Parkway, Minneapolis, Minn. 55406; 612-729-1733; fax: 612-724-9586

Benefit consulting since: 1986.
Services: 100% of revenues from benefit consulting.
Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement and booklet preparation.
Other services: Management consulting.
Clients: 100% corporations. No minimum size client.
Compensation: By the project, on retainer, by the hour.
Officers: Laird L. Miller, president; Joanne E. Miller, partner.
Contact: Laird Miller.

Directory terms and methodology explained on page 20.

HealthPlan Management Services

2 Paces W., 2727 Paces Ferry Road N.W., Atlanta, Ga. 30339; 404-433-4160; fax: 404-434-6043

Benefit consulting since: 1986.
Parent: John Hancock Financial Services Inc.
Services: 75% of revenues from benefit consulting.
Welfare plan consulting: 56.25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 18.75% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; enrollment services, including telephone assistance.
Other services: Management consulting, claims administration, managed care consulting.
Staff: 20 benefit consulting employees.
Clients: 40 total; 100% corporations. Minimum size client: 5,000 employees.
Compensation: By the project, on retainer, by the hour: senior consultant, $200 to $350; consultant, $150 to $200; clerical, $45 to $60.
Officers: Joseph Zupec, COO; Thomas Blunk, vp; Karen Richardson, director-client services; Diana Wietecha, director-health services; Perry Cannon, director-finance; Lisa Porter, director-administration.
Contact: Virgil Williams, regional sales manager.

Hewitt Associates L.L.C.

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Benefit consulting since: 1940.
Services: 85% of revenues from benefit consulting.
Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.
Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; investment education.
Other services: Compensation consulting, claims administration.
Locations: Phoenix; Los Angeles, Newport Beach, San Francisco and Walnut Creek, Calif.; Denver; Rowayton, Conn.; Washington; Tampa, Fla.; Atlanta; Chicago; Boston; Detroit; Minneapolis; St. Louis; Bedminster, N.J.; New York; Charlotte, N.C.; Dayton and Cleveland, Ohio; Philadelphia; Pittsburgh; Dallas, Houston, San Antonio and The Woodlands, Texas; Richmond, Va.; Seattle; Milwaukee; Buenos Aires, Argentina; Adelaide, Brisbane, Melbourne, Perth and Sydney, Australia; Brussels, Belgium; Montreal; Toronto; Paris; Wiesbaden, Germany; Dublin, Ireland; Milan, Italy; Tokyo; Mexico City; Amsterdam, Eindhoven, Rotterdam and Utrecht, Netherlands; Auckland, Christchurch and Wellington, New Zealand; San Juan, Puerto Rico; Singapore; Madrid, Spain; Stockholm, Sweden; Geneva, Neuchatel and Zurich, Switzerland; Bangkok, Thailand; St. Albans, United Kingdom.
Staff: 3,728 total, including 155 FSAs, 134 ASAs, 35 CEBSs, four CLUs, 79 CPAs, 51 attorneys, 149 EAs.
Clients: 2,500 total. No minimum size client.
Compensation: By the project, by the hour.
Gross revenues: $337 million from worldwide benefit consulting in 1994; $303 million in 1993. $396.4 million total worldwide 1994 revenues. (92% of revenues are from U.S. locations).
Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the U.S.
Officers: Dale L. Gifford, CEO.

A. Foster Higgins & Co. Inc.

125 Broad St., New York, N.Y. 10004-2424; 212-574-9000; fax: 212-574-9100

Benefit consulting since: 1927.
Parent: Johnson & Higgins.
Services: 72% of revenues from benefit consulting.
Retirement/savings plan consulting: 28% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, administrative consulting, outsourcing retiree health care.
Welfare plan consulting: 39% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible compensation, managed care, workers compensation, outsourcing.
Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice response.
Locations: 51 offices nationwide and 82 worldwide locations, including Costa Mesa, Los Angeles and San Francisco, Calif.; Hartford and Stamford, Conn.; Washington; Miami; Atlanta; Chicago; Minneapolis; Princeton, N.J.; Philadelphia; Dallas; Richmond, Va.; Seattle; London, Montreal, Toronto, Vancouver and Winnipeg. Canada.
Staff: 1,268 benefit consulting employees including 51 FSAs, 54 ASAs, 40 CEBSs, seven CPAs, 22 attorneys, 69 EAs.
Compensation: By the project, commissions, on retainer, by the hour: $40 to $375.
Gross revenues: $169 million from worldwide benefit consulting in 1994 (79% from U.S. locations); $164 million in 1993 (79% from U.S.). $234 million total worldwide 1994 revenues (85% from U.S.).
Non-U.S. benefit consulting: Via overseas branches, via correspondents, from the U.S.
Officers: Robert F. Powell, chairman/CEO; John N. Feldtmose, president.
Contact: John N. Feldtmose.

Hunter & Associates

R.R. 1, Box 169-E, Derby, Vt. 05829; 802-766-4717

Benefit consulting since: 1984.
Services: 95% of revenues from benefit consulting.
Retirement/savings plan consulting: 2% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting.
Welfare plan consulting: 63% of revenues. Includes plan design consulting, drafting plan documents.
Benefit communications consulting: 30% of revenues. Includes communications consulting, benefit booklet preparation, drafting summary plan descriptions.
Other services: Management consulting, claims administration, claims policy manual drafting/consulting.
Staff: Three benefit consulting employees; two professionals.
Clients: 130 total; 98% corporations, 1% multi employer plans, 1% government agencies/entities. Minimum size client: 25 employees.
Compensation: By the project, by the hour: senior consultant, $160; consultant, $80.
Officers: David H. Gluck, president; Susan L. Waybourn, vp; D. Bentley, director-operations.
Contact: David H. Gluck.

I

Insurance Consulting Associates

155 Polifly Road, Hackensack, N.J. 07601; 210-343-8300; fax: 201-343-0357

Benefit consulting since: 1956.
Services: 40% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting.
Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, negotiation and implementation of programs.
Locations: Clark, Hasbrouck Heights and Wyckoff, N.J.
Staff: 18 benefit consulting employees; 10 professionals, including four CPAs, two attorneys.
Clients: 300 total; 97% corporations, 1% multi employer plans, 1% government agencies/entities, 1% associations. No minimum size client.
Compensation: By the project, on retainer, by the hour: senior consultant, $195 to $275; consultant, $150; auditor, $75; clerical, $45.
Officers: Barron S. Wall, managing associate.

Insurance Management & Planning

608 E. Bauer Road, Naperville, Ill. 60563-2820; 708-369-7870; fax: 708-369-7982

Benefit consulting since: 1988.
Services: 50% of revenues from benefit consulting.

Continued on next page

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Spotlight report

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Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 20% of revenues. Includes benefit statement and booklet preparation.

Staff: One benefit consulting employee.

Clients: 34 total; 35% corporations, 65% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $195; clerical, $55.

Officers: James F. Goodman, managing director.

Isenberg & Associates Inc.

1316 Rockbridge Road, Suite J, Stone Mountain, Ga. 30087; 404-381-0359; fax: 404-381-5226

Benefit consulting since: 1983.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 55% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 25% of revenues. Includes open enrollment assistance lines.

Other services: Claims administration.

Staff: 10 benefit consulting employees; four professionals, including one CEBS, one CPCU.

Clients: 12 total; 100% corporations. Minimum size client: 500 employees.

Compensation: By the project, by the hour: senior consultant, $125; consultant, $100; clerical, $45; case manager, $85 to $100.

Gross revenues: $734,400 from benefit consulting in 1994; $867,000 in 1993. $918,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Walter G. Isenberg, president; John Kibbe, vp; Nancy Durden, vps; Lois Parrott, treasurer; Donna Katona, program director.

Contact: John Kibbe.

J

Howard Johnson & Co.

375 Park Ave., New York, N.Y. 10152; 212-758-5900; fax: 212-758-3625

Benefit consulting since: 1965.

Services: 96% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting.

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

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, flex plan administration, benefit plan administration, international benefit and compensation consulting.

Locations: Los Angeles; San Francisco; Washington; Chicago; Portland, Ore.; Seattle and Spokane, Wash.; London.

Staff: 235 total.

Clients: 97% corporations, 3% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: $336 principal consultant; senior consultant, $316; associate/assistant consultant $156-$260; assistant consultant, $112; clerical, $68.

Non-U.S. benefit consulting: Via overseas branches.

Officers: Howard J. Johnson, chairman/CEO; Nancy B. Greer, CFO/executive vp; Charles R. Southall, executive vp; John R. Claus, executive vp/director-client information services; Brenan O'Farrell, executive vp-international.

Contact: Nancy M. Rizzuto.

K

KBC Inc.

919 Third Ave., New York, N.Y. 10022; 212-688-9700; fax: 212-319-7509

Benefit consulting since: 1983.

Parent: NIA/Kornreich.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 6% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, financial consulting and negotiation, availability of managed care provider network analysis.

Benefit communications consulting: 4% of revenues. Includes communications consulting, benefit statement preparation.

Other services: Brokering, claims administration.

Locations: West Palm Beach, Fla.

Staff: 14 benefit consulting employees; nine professionals, including two CEBSs, two CLUs, one CPA, one attorney.

Clients: 205 total; 95% corporations, 5% multi employer plans. Minimum size client: 75 employees.

Compensation: By the project, commissions, on retainer.

Gross revenues: $800,000 from benefit consulting in 1994; $695,000 in 1993. $2.65 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Philip Ruggieri, senior vp; Steven Grossberg, executive vp/COO; Paul Gross, president/CEO; James Kornreich, Thomas Kornreich, William Kornreich, executive vps.

Contact: Philip Ruggieri.

KPMG Peat Marwick L.L.P.

767 Fifth Ave., New York, N.Y. 10153; 212-909-5000; fax: 212-909-5299

Benefit consulting since: 1961.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 75% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, tax consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, managed care analysis.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting.

Locations: Los Angeles; San Francisco; Washington; Atlanta; Chicago; Boston; New York; Cleveland; Dallas; Houston.

Staff: 315 professional benefit consulting employees including 20 FSAs, 20 ASAs, 12 CEBSs, 12 CPAs, 13 attorneys, 25 EAs.

Clients: 3,000 total.

Compensation: By the hour.

Officers: R.K. Decelles, tax services partner in charge; J.T. Colburn, actuarial practice leader; C.E. Humphrey, DCS practice leader; J.E. Buckley, group benefits practice leader; L.L. Oliver, national partner in charge.

Contact: Lester L. (Roy) Oliver, 213-955-8837.

Keenan & Associates

P.O. Box 4328, 2355 Crenshaw Blvd., Suite 200, Torrance, Calif. 90510; 310-212-3344; fax: 310-328-6793

Benefit consulting since: 1972.

Services: 32% of revenues from benefit consulting.

Welfare plan consulting: 32% of revenues.

Other services: Brokering, claims administration, adjusting, risk management, insurance pools administration.

Locations: Campbell, Emeryville, Fresno, Riverside, Sacramento, San Diego, Santa Ana and Westlake Village, Calif.

Staff: 85 benefit consulting employees; 58 professionals, including four CEBSs, five CLUs, five CPCUs, four CPAs, two attorneys.

Clients: 9% corporations and hospitals, 91% public sector. Minimum size client: 100 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $175; consultant, $150; clerical, $40.

Continued on next page



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Continued from previous page

Gross revenues: $11.45 million from benefit consulting in 1994; $11.18 million in 1993. $35 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: John R. Keenan, CEO/president; Harwood J. Bren, executive vp/COO; David J. De Wenter, executive vp/chief administrative officer; Keith R. Pippard, CFO; Sean K. Smith, executive vp.

Contact: Sean K. Smith.

Kennedy Consulting Group

1460 Renaissance Drive, Suite 310, Park Ridge, Ill. 60068; 708-299-7000; fax: 708-299-7071

Benefit consulting since: 1990.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, PPO network development, HMO rate negotiation.

Benefit communications consulting: 5% of revenues. Includes communications consulting, medical plan open enrollment, flexible benefits.

Staff: Three benefit consulting employees; all professionals, including one CLU, one attorney.

Clients: 65 total. 85% corporations; 5% multi employer plans; 2% government agencies/entities; 8% schools, municipalities and professional associations. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $175; consultant, $130; plan documents and summary plan descriptions, $150.

Gross revenues: $450,000 from benefit consulting in 1994; $475,000 in 1993. $450,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: James P. Kennedy, president.

Kimball Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154-1439; 617-894-2111; fax: 617-894-3781

Benefit consulting since: 1970.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 85% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefits consulting, COBRA compliance, post retirement benefits design measurement (FAS106).

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation, flex benefit enrollment forms.

Other services: Introduction to other professional service consultants for those services which are not provided by KAB.

Staff: 25 benefit consulting employees; 22 professionals, including four ASAs, one CLU, one CPA, one attorney, four EAs.

Clients: 80% corporations, 20% multi employer plans. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $165; consultant, $140; clerical, $60 to $90.

Gross revenues: $1.5 million total 1994 revenue, all from benefit consulting; $1.5 million in 1993. (All revenues are from U.S. locations.)

Officers: C. Charles Akins Jr., president; Joanne O'Donnell, Emmet M. Bonner, Richard S. Fitts, vps.

Contact: Richard S. Fitts.

The Kooper Group

770 Lexington Ave., New York, N.Y. 10021; 212-755-0800; fax: 212-755-0831

Benefit consulting since: 1966.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 75% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 5% of revenues. Includes communications consulting, computer services.

Other services: Brokering.

Staff: 30 total; 18 professionals.

Clients: 600 total; 95% corporations, 5% government agencies/entities.

Compensation: By the project, commissions, on retainer, by the hour.

Gross revenues: $4.5 million total 1994 revenues; $4.4 million total 1993 revenues. (All revenues are from U.S. locations.)

Officers: Michael Kooper, president; Susan Crocker, executive vp.

Joseph G. Kozlowski Consultant

JGK Associates, 14464 Kerner Drive, Sterling Heights, Mich. 48313; 810-247-9055

Benefit consulting since: 1986.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, direct contracting, managed care program development.

Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement and booklet preparation, employee training.

Clients: 10 total; 80% corporations, 20% multi employer plans. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $95; consultant, $75; clerical, $20.

Officers: Joseph G. Kozlowski, principal.

Kral Goodenough Kral

1250 W. Northwest Highway, Suite 400, Palatine, Ill. 60067-1894; 708-934-1104; fax: 708-934-3157

Benefit consulting since: 1991.

Services: 68% of revenues from benefit consulting.

Retirement/savings plan consulting: 27% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 36% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, provider network negotiations and development.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement preparation.

Other services: Compensation consulting, brokering, Section 125 administration.

Staff: Eight benefit consulting employees; four professionals, including one ASA, one CEBS, two CLUs, one CPA.

Clients: 92% corporations, 6% individuals, 2% government agencies/entities.

Compensation: By the project, commissions, by the hour: senior consultant, $150 to $250; consultant, $75 to $100; clerical, $28 to $35.

Gross revenues: $510,000 from benefit consulting in 1994; $330,000 in 1993. $750,000 total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Marianne T. Kral, Larry R. Goodenough, Terry H. Kral.

Contact: Mrs. Lee Lemmer, manager-administrative systems.

Kushner & Co.

141 E. Michigan Ave., Suite 400, Kalamazoo, Mich. 49007; 616-342-1700; fax: 616-342-1606

Benefit consulting since: 1982.

Services: 67% of revenues from benefit consulting.

Retirement/savings plan consulting: 16% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting.

Welfare plan consulting: 41% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefit plan consulting.

Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, management consulting, claims administration.

Locations: Washington; Grand Rapids, Mich.

Staff: Five benefit consulting employees, all professionals.

Clients: 480 total; 85% corporations, 15% government agencies/entities. No minimum size client.

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Continued from previous page

Officers: Marvin A. Scherb, president/actuary; Stephen Dolce, vp/actuary; Daniel Perrine, vp/managing actuary.
Contact: Marvin Scherb.

P

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Benefit consulting since: 1976.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 55% of revenues. Includes plan design consulting, defined benefit plan actuarial work, defined contribution plan services and record keeping, administration systems consulting, plan administration consulting.
Welfare plan consulting: 20% of revenues. Includes plan design consulting, flexible benefits consulting.
Benefit communications consulting: 25% of revenues. Includes communications consulting, benefit statement and booklet preparation, interactive PC/touchscreen communications, interactive voice response telephone system.
Locations: Charlotte, N.C.
Staff: 25 total; 20 professionals, including three attorneys, three EAs.
Clients: 90% corporations, 10% multi employer plans.
Compensation: By the project, by the hour: senior consultant, $200; consultant, $120; clerical, $50.
Gross revenues: $1.7 million from benefit consulting in 1994; $1.5 million in 1993. $1.7 million total 1994 revenues. (All revenues are from U.S. locations.)
Officers: John R. Parsons, chairman; Mark S. Sommers, president; Annette Abramczyk, Richard S. Wargo, principals.
Contact: John R. Parsons.

Pension Resources

401 N. Michigan Ave., Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423

Benefit consulting since: 1972.
Parent: Friedman, Eisenstein, Raemer & Schwartz.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 95% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting.
Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement and booklet preparation.
Staff: 24 benefit consulting employees; 20 professionals, including one ASA, two CPAs, one EA.
Clients: 700 total; 98% corporations, 2% sole proprietorships and partnerships. No minimum size client.
Compensation: By the project, by the hour: senior consultant, $210; consultant, $145; clerical, $62; plan administrators, $105.
Gross revenues: $1.8 million from benefit consulting in 1994; $1.7 million in 1993. (All revenues are from U.S. locations.)
Officers: Michael Schwartz, principal; Irwin Steinberg, managing partner; Irwin Friedman, chairman.
Contact: Michael Schwartz.

Pension Review Services

45 Executive Drive, Plainview, N.Y. 11803; 516-349-0505; fax: 516-349-0015

Benefit consulting since: 1975.
Services: 99% of revenues from benefit consulting.
Retirement/savings plan consulting: 90% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting.
Welfare plan consulting: 5% of revenues. Includes plan design consulting, health care cost containment (flexible spending accounts).
Benefit communications consulting: 5% of revenues. Includes benefit statement, booklet and audiovisual preparation.
Other services: Claims administration for flexible spending accounts.
Staff: 9.5 benefit consulting employees; 5.5 professionals, including one FSA, one ASA, one attorney, two EAs.
Clients: 450 total; 60% corporations, 40% individuals. No minimum size client.
Compensation: By the project, on retainer.
Officers: Benjamin E. Feller, president; Martin A. Einhorn, director-technical services; M. Edward Chale, manager-compliance services.

Pharmaceutical Horizons Inc.

1580 Fishinger Road, Columbus, Ohio 43221; 614-442-3080; fax: 614-442-3070

Benefit consulting since: 1989.
Services: 30% of revenues from benefit consulting.
Welfare plan consulting: 27% of revenues.
Benefit communications consulting: 3% of revenues.
Other services: Claims administration.
Staff: Three total; one professional.
Clients: 20 total; 40% corporations, 20% multi employer plans, 40% MEWAs. No minimum size client.
Compensation: By the project, on retainer, by the hour: senior consultant, $100.
Officers: Allan F. Zaenger, president.

Post & Kurtz Inc.

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

Benefit consulting since: 1932.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting.
Welfare plan consulting: 85% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, association plans.
Benefit communications consulting: 10% of revenues. Includes communications consulting, benefit statement and booklet preparation.
Staff: 10 total; nine professionals, including four CLUs.
Clients: 35% corporations, 5% MEWAs, 10% individuals, 50% partnerships. No minimum size client.
Compensation: By the project, commissions.
Gross revenues: All revenues are from U.S. locations.
Officers: W.J. Kuhn Jr., executive vp/CFO; W.H. Agnew, G. LaGrassa, executive vps; P.T. Agnew, executive vp/secretary.

R

RWL Benefits Inc.

101 W. Renner Road, Suite 240, Richardson, Texas 75082-2003; 214-907-9095; fax: 214-907-9198

Benefit consulting since: 1989.
Parent: RWL Group.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.
Welfare plan consulting: 90% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cash flow projecting, employee benefit plan surveys.
Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit statement and booklet preparation assistance, benefit audiovisual preparation.
Staff: Four benefit consulting employees; three professionals, including two CPCUs, one CPA.
Clients: 16 total; 44% corporations, 56% government agencies/entities. No minimum size client.
Compensation: By the project, on retainer, by the hour: $170.
Officers: Robert W. Lazarus, president; Roberta A. Lazarus, corporate secretary; Kenneth D. Wethe, principal/senior consultant.
Contact: Robert W. Lazarus.

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Green is an important color to us.

Green means go, full speed ahead.
Green is the color of things growing. It's the color of money.

THE

Green is also the corporate color at Hilb, Rogal and Hamilton Company, where we're building the unique and rapidly growing HRH American insurance system which gives new life to top insurance professionals and new value to their clients.

GREENING

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OF AMERICA'S

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Retirement Plans of America-Division of Benefit Dynamics Inc.

10 Grove St., Cherry Hill, N.J. 08002; 609-662-7100; fax: 609-662-7228

Benefit consulting since: 1977.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 49% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, legal document drafting, plan administration consulting.
Welfare plan consulting: 47% of revenues. Includes plan design consulting, Section 125 administration.
Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Staff: 35 benefit consulting employees; 14 professionals, including one CEBS, one CLU, one EA.
Clients: 2,200 total; 88% corporations, 12% individuals.
Compensation: By the project, by the hour: senior consultant, $225; consultant, $125; clerical, $75.
Officers: Jo-Ann Massanova, president/secretary; Carmen LaVerghetta, vp/treasurer.
Contact: Jo-Ann Massanova or Mark E. Moran.

Risk Analysis & Management Corp.

11457 Olde Cabin Road, St. Louis, Mo. 63141-7139; 314-692-2133; fax: 314-692-2533

Benefit consulting since: 1984.
Services: 55% of revenues from benefit consulting.
Retirement/savings plan consulting: 25% of revenues.
Welfare plan consulting: 25% of revenues.
Benefit communications consulting: 5% of revenues.
Other services: Brokering, claims administration.
Locations: Minneapolis.
Staff: Nine benefit consulting employees, including two CLUs.
Clients: 40% corporations, 25% government agencies/entities, 35% other.
Compensation: By the project, commissions, on retainer, by the hour.
Officers: J. William Rush, president; Steven W. Haskins, executive vp; Wes Sir, Field D. Olson, vps; Bradley C. Clement, consultant.
Contact: Wes Sir.

Risk Control Inc.

216 Water St., Excelsior, Minn. 55331; 612-474-5204

Benefit consulting since: 1989.
Services: 100% of revenues from benefit consulting.
Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 75% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, wellness seminars, health fairs.
Benefit communications consulting: 15% of revenues. Includes communications consulting, benefit booklet preparation.
Staff: Two benefit consulting employees; one professional.
Clients: 80% corporations, 10% MEWAs, 10% government agencies/entities.
Compensation: By the project, on retainer, by the hour.
Officers: Jerry L. Brecke, president.

Risk Management Consulting Associates

400 W. Main St., P.O. Box 39, Wyckoff, N.J. 07481; 201-847-0200; fax: 201-847-9244

Benefit consulting since: 1990.
Services: 40% of revenues from benefit consulting.
Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting.
Welfare plan consulting: 35% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, program implementation.
Staff: Three benefit consulting employees, all professionals.
Clients: 95% corporations, 3% multi employer plans, 2% MEWAs.
Compensation: By the project, on retainer.
Officers: Gary D. Salt, president.

Risk Management Group Inc.

940 W. Valley Road, Suite 1203, Wayne, Pa. 19087; 610-971-1776; fax: 610-971-0218

Benefit consulting since: 1984.
Services: 80% of revenues from benefit consulting.
Retirement/savings plan consulting: 20% of revenues. Includes plan design consulting, administration systems consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.
Welfare plan consulting: 50% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; disability management programs; pre-retirement care, eldercare and long term care plan consulting.
Benefit communications consulting: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.
Other services: Brokering, management consulting, claims administration.
Staff: Nine total.
Clients: 100% corporations.
Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $165; consultant, $95; clerical, $45.
Officers: Jerald D. Adair, president/CEO; Don V. Barbuto, executive vp.

S

San Diego Associates Inc.

3550 Camino Del Rio N., Suite 206, San Diego, Calif. 92108; 619-283-7800; fax: 619-283-8686

Benefit consulting since: 1984.
Services: 40% of revenues from benefit consulting.
Retirement/savings plan consulting: 23% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, custom administration software.
Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, custom administration software.
Benefit communications consulting: 2% of revenues. Includes communications consulting, benefit statement and audiovisual preparation.
Other services: Brokering, claims administration.
Staff: Six benefit consulting employees; four professionals, including one CLU.
Clients: 95% corporations, 5% individuals.
Compensation: By the project, commissions, on retainer, by the hour: $100 to $200.
Gross revenues: $400,000 from benefit consulting in 1994; $390,000 in 1993. $995,000 total 1994 revenues. (All revenues are from U.S. locations.)
Officers: David N. Peterson, president; Bruce N. Kesler, Director.
Contact: Bruce N. Kesler.

Schmidt, Long & Associates Inc.

4 Seagate, 5th floor, Toledo, Ohio 43604; 419-249-7220; fax: 419-249-7221

Benefit consulting since: 1984.
Services: 80% of revenues from benefit consulting.
Retirement/savings plan consulting: 4% of revenues. Includes plan design consulting, pension plan record keeping, administration systems consulting, plan administration consulting.
Welfare plan consulting: 65% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 11% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive PC and telephone benefit plan enrollment; recordkeeping and data management.
Other services: Claims administration, health care claims auditing.
Staff: 10 benefit consulting employees; six professionals.
Clients: 16 total; 82% corporations, 12% multi employer plans, 6% government agencies/entities. Minimum size client: 500 employees.
Compensation: By the project, on retainer, by the hour: senior consultant, $200; consultant, $125 to $175; clerical, $35 to $50.
Gross revenues: $1.5 million from benefit consulting in 1994. $1.8 million total 1994 revenues. (All revenues are from U.S. locations.)
Officers: Timothy Schmidt, COO/president; James Mauntler, Deb Grenlund, vps; Tedd Long, president-Digital Horizons.
Contact: Timothy Schmidt.

Sedgwick Noble Lowndes

5350 Poplar Ave., Memphis, Tenn. 58115; 901-761-1550; fax: 901-684-4075

Benefit consulting since: 1934.
Parent: Sedgwick Group P.L.C.
Services: 84% of revenues from benefit consulting.
Retirement/savings plan consulting: 68% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting, executive benefit consulting, employee stock ownership plan consulting, financial planning.
Welfare plan consulting: 15% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, life and executive benefits.
Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice technology; individual retirement benefit projections.
Other services: Compensation consulting, brokering, claims administration, personal financial planning, voluntary benefit schemes, workers compensation claims consulting and administration.
Locations: Phoenix; Irvine and San Francisco, Calif.; Denver; Washington; Dover, Del.; Fort Lauderdale, Fort Meyers, Naples, Orlando and West Palm Beach, Fla.; Atlanta; Boise, Idaho; Chicago; Portland, Maine; Boston; Minneapolis; Kansas City and St. Louis, Mo.; Las Vegas and Reno, Nev.; Roseland, N.J.; Garden City, New York and Rochester, N.Y.; Charlotte, N.C.; Oklahoma City; Portland, Ore.; Harrisburg, Newton, Philadelphia and Pittsburgh, Pa.; Memphis, Tenn.; Dallas; Seattle, Spokane and Yakima, Wash.; Adelaide, Brisbane, Melbourne, Perth and Sydney, Australia; Antwerp and Brussels, Belgium; Montreal, Toronto and Vancouver, Canada; Santiago, Chile; Paris, France; Frankfurt and Munich, Germany; Budapest, Hungary; Cork, Dublin and Galway, Ireland; Amsterdam, Netherlands; Auckland, Wellington, Christchurch and Dunedin, New Zealand; Hato Rey, Puerto Rico; Madrid, Spain; United Kingdom: Aberdeen, Belfast, Birmingham, Bristol, Cambridge, Cardiff, Croydon, Edinburgh, Glasgow, Guildford, Leeds, Leicester, Liverpool, London, Manchester, Newcastle Upon Tyna, Northampton, Norwich, Nottingham, Reading, Redditch, Redhill (Surrey), Sheffield, Slough, Solihull, Southampton, Tonbridge, Watford and Witham (Essex), United Kingdom.
Staff: 3,689 benefit consulting employees; 1,701 professionals, including 115 FSAs, 102 ASAs, 44 CEBSs, seven CLUs, eight CPAs, 16 attorneys, 32 EAs.
Clients: 16,752 total; 80% corporations, 6% multi employer plans, 2% MEWAs, 6% individuals, 6% government agencies/entities. No minimum size client.
Compensation: By the project, commissions, on retainer, by the hour.
Gross revenues: $272.6 million from worldwide benefit consulting in 1994 (27% from U.S. locations); $282.4 million in 1993 (27% from U.S. locations). $322.6 million total worldwide 1994 revenues (27% from U.S.).
Non-U.S. benefit consulting: From the U.S. and other Sedgwick Noble Lowndes Group Cos.
Officers: Rob White-Cooper, executive chairman; David F. Strauss, group managing director-Europe; Peter R. Brew, group managing director-Americas and Asia/Pacific; John A.Y. Montague, group finance director; Kenneth G. Martin, chief executive-North America.
Contact: Kenneth G. Martin.

The Segal Co.

1 Park Ave., New York, N.Y. 10016-5895; 212-251-5057; fax: 212-251-5490

Benefit consulting since: 1939.
Services: 96% of revenues from benefit consulting.
Retirement/savings plan consulting: 47% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, plan administration consulting, investment manager selection consulting, investment performance services.
Welfare plan consulting: 43% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 6% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; automated telephone system.
Other services: Compensation consulting, brokering, computer and management consulting, flex administration software.
Locations: Phoenix; Los Angeles and San Francisco, Calif.; Denver; Hartford, Conn.; District of Columbia; West Palm Beach, Fla.; Atlanta; Chicago; New Orleans, La.; Boston; Minneapolis; New York; Cleveland; Houston; Seattle; Edmonton, Alberta; Toronto, Ontario.
Staff: 536 professional benefit consulting employees, including 19 FSAs, 33 ASAs, 50 EAs.
Clients: 3,000 total; 48% corporations, 52% multiemployer plans.
Compensation: By the project, on retainer, by the hour.
Non-U.S. benefit consulting: Via Canadian branches, via Multinational Group of Actuaries and Consultants (MGAC) in Europe, Mexico and Australia.
Officers: Robert D. Krinsky, chairman; Dale B. Grant, vice chairman; Howard Fluhr, president/CEO; Richard M. Frenzel, executive vp.
Contact: Mary L. Feldman, vp-public affairs, 212-251-5029.

E.W. Siver & Associates Inc. dba Siver Insurance Management Consultants

9400 Fourth St. N., Suite 119, St. Petersburg, Fla. 33702; 813-577-2780; fax: 813-579-8692

Benefit consulting since: 1970.
Services: 30% of revenues from benefit consulting.
Retirement/savings plan consulting: 1.5% of revenues. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 27% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Benefit communications consulting: 1.5% of revenues. Includes communications consulting, benefit audiovisual preparation.
Other services: Management consulting, claims administration.
Staff: Three benefit consulting employees including one CLU, CPCUs, two attorneys.
Clients: 41 total; 20% corporations, 80% government agencies/entities.
Compensation: On retainer, by the hour: senior consultant, $175 to $200; consultant, $125 to $175; clerical, $35 to $45.
Officers: Edward W. Siver, president; James Marshall, executive vp; Robert F. McBurney, senior vp. Stephanie Barnhill, secretary.
Contact: Robert F. McBurney.

Donald F. Smith & Associates

3120 Princeton Pike, Lawrenceville, N.J. 08648-0509; 609-895-1616; fax: 609-895-1511

Benefit consulting since: 1961.
Services: 41.5% of revenues from benefit consulting.
Welfare plan consulting: 41.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.
Other services: Brokering, management consulting, claims administration.
Locations: Wallingford, Conn.; New York; Richmond, Va.
Staff: Six benefit consulting employees; four professionals.
Clients: Eight total; 88% corporations, 12% church groups. No minimum size client.
Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $200 to $250; consultant, $100 to $200; clerical, $40.
Officers: Donald F. Smith, chairman; William B. Stephenson, president; Robert M. Neumann, executive vp; Robert B. Bainbridge, senior vp; Ronald G. Keefe, vp.
Contact: R.M. Neumann.

Stasica Associates

603 E. Prospect Ave., Mount Prospect, Ill. 60056; 708-255-8207

Benefit consulting since: 1986.
Services: 100% of revenues from benefit consulting.
Welfare plan consulting: 80% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; wellness program planning, design and evaluation.

Continued on next page

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CICA...For A Better Industry

Spotlight report

Continued from previous page

Benefit communications consulting: 20% of revenues. Includes communications consulting, benefit audiovisual preparation, health consumerism, health care quality issues.

Staff: 1.5 benefit consulting employees; all professionals.

Clients: 150 total; 70% corporations, 20% government agencies/entities, 10% non-profit organizations. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, $95 to $150.

Gross revenues: 100% from U.S. locations.

Officers: Edward R. Stasica, president/owner.

J.E. Stone & Associates Inc.

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

Benefit consulting since: 1987.

Services: 74.4% of revenues from benefit consulting.

Retirement/savings plan consulting: 31.1% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 39.1% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 4.2% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, benefit management services.

Staff: 22 benefit consulting employees; 16 professionals, including three ASAs, three CEBSs, two EAs.

Clients: 95% corporations, 2% government agencies/entities, 3% school districts. Minimum size client: 100 employees.

Compensation: By the project, commissions, by the hour: senior consultant, $210; consultant, $165; clerical, $40.

Officers: J.E. Stone, managing principal; J.E. Ford, managing director; K.L. Haynes, T.F. McCord, C.P. Peters, C.R. Rennpage, E.B. Sanborn, principals.

Contact: Phil Peters.

Strategic Recovery Partnership Inc.

275 Commerce Drive, Suite 230, Fort Washington, Pa. 19034-2409; 215-653-0706 or 800-968-7927; fax: 215-653-0253

Benefit consulting since: 1992.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes health care cost containment.

Staff: Eight benefit consulting employees, including four attorneys.

Clients: 19 total; 20% corporations, 80% TPA's. Minimum size client: 100 employees.

Compensation: By the project, by the hour.

Officers: Russell D. Bowman Jr., president; Robert A. Marcino, executive vp.

T

Towers Perrin

245 Park Ave., New York, N.Y. 10167; 212-309-3400; fax: 212-309-0950

Benefit consulting since: 1934.

Services: 65% of revenues from benefit consulting.

Retirement/savings plan consulting: 45% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 12% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, management consulting.

Locations: Irvine, Los Angeles, San Diego and San Francisco, Calif.; Denver; Hartford and Stamford, Conn.; District of Columbia; Fort Lauderdale, Jacksonville and Tampa, Fla.; Atlanta; Chicago; Overland Park, Kan.; Detroit; Boston; Minneapolis; St. Louis; Saddle Brook, N.J.; New York and Valhalla, N.Y.; Charlotte, N.C.; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Providence, R.I.; Nashville, Tenn.; Austin, Dallas, Houston and San Antonio, Texas; Arlington, Va.; Seattle; Milwaukee; Buenos Aires, Argentina; Brisbane, Melbourne, Perth and Sydney, Australia; Brussels, Belgium; Hamilton, Bermuda; Rio de Janeiro and Sao Paulo, Brazil; Calgary, Montreal, Toronto and Vancouver, Canada; Paris; Cologne and Frankfurt, Germany; Hong Kong; Milan, Italy; Tokyo; Seoul, Korea; Mexico City; Amsterdam and Rotterdam, Netherlands; Wellington, New Zealand; Lisbon, Portugal; San Juan, Puerto Rico; Singapore; Johannesburg, South Africa; Madrid, Spain; Stockholm, Sweden; Bern and Geneva, Switzerland; London, Newbury, St. Albans and Woking, United Kingdom; Caracas, Venezuela.

Staff: 3,387 benefit consulting employees; 2,645 professionals, including 291 FSAs, 287 ASAs, 71 CEBSs, 10 CLUs, 26 CPCUs, 22 CPAs, 33 attorneys, 206 EAs.

Clients: 93% corporations, 7% government agencies/entities.

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

Gross revenues: $466 million from worldwide benefit consulting in 1994 (75% from U.S. locations); $443 million in 1993 (75% from U.S. locations). $712 million total worldwide 1994 revenues (75% from U.S.).

Non-U.S. benefit consulting: Via overseas branches.

Officers: John Lynch, chairman/CEO; Marvin Greene, Russ Southworth, managing directors-retirement; Alan Dugan, managing director-health/welfare; John Von Hagen, managing director-compensation; Rollie Stichweh, managing director-human resources/communication; Bruce Pittenger, managing director-general management; John Kneen, managing director-worldwide geographic operations.

V

VJT Associates Inc.

2182 E. Fifth St., Brooklyn, N.Y. 11223-4827; 718-627-0700; fax: 718-375-3389

Benefit consulting since: 1991.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 45% of revenues. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 50% of revenues. Includes plan design consulting, insurer/broker selection consulting, health care cost containment.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit booklet preparation.

Staff: One total.

Clients: 19 total, all corporations. No minimum size client.

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

Gross revenues: 100% of revenues are from U.S. locations.

Officers: Vincent J. Tomo, president.

W

Walston & Addicks, Benefit Division

1640 Powers Ferry Road, Building 28, Suite 200, Marietta, Ga. 30067; 404-980-9423; fax: 404-980-1181

Benefit consulting since: 1986.

Parent: Walston & Associates Inc.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 15% of revenues. Includes plan design consulting, administration systems consulting, plan administration consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, TPA audits for self-insured.

Benefit communications consulting: 5% of revenues. Includes communications consulting, benefit booklet preparation.

Staff: Two benefit consulting employees; one professional, a CPCU.

Clients: 11 total; 70% corporations, 30% government agencies/entities.

Compensation: By the project, by the hour: senior consultant, $145; consultant, $125; clerical, $36.

Officers: Thomas F. Walston II, president; Ray Addicks Jr.

Contact: Thomas F. Walston II.

J.B. Walton Co. Inc.

Chesley Office Campus, 108 Chesley Drive, Media, Pa. 19063-1712; 610-566-8001; fax: 610-566-7998

Benefit consulting since: 1990.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 1.5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 42.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cafeteria plan design, communication and implementation of self-funding analysis and implementation, employee voluntary plans administration, long term care plan analysis, strategic benefit planning.

Benefit communications consulting: 6% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; conducting and analysis of employee surveys.

Other services: Brokering, design of executive benefit plans.

Staff: One benefit consulting employee, a CLU.

Clients: 88% corporations, 8% multi employer plans, 4% individuals. Minimum size client: 35 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $165 to $185.

Officers: John B. Walton, president.

Williams Thacher & Rand*

630 Third Ave., New York, N.Y. 10017; 212-949-1344; fax: 212-682-0024

Benefit consulting since: 1975.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 52% of revenues. Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, flexible benefit plan design and administration.

Benefit communications consulting: 8% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, management consulting.

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2. Number of employees:
1 ❑ 150 or less 2 ❑ 151 - 499 3 ❑ 500 - 999 4 ❑ 1,000 - 4,999 5 ❑ 5,000 or more 6 ❑ Unknown

3. My title is best defined as:
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Please print clearly

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone ( ) _____

Continued from previous page

Locations: Indianapolis; Baltimore and Bethesda, Md.; Philadelphia; Richmond, Va.

Staff: 165 benefit consulting employees; 138 professionals, including three FSAs, 13 ASAs, three CEBSs, two CLUs, one attorney, 16 EAs.

Clients: 67% corporations, 5% multi employer plans, 10% government agencies/entities, 18% partnerships. Minimum size client: 50 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, $210 to $310; consultant, $150 to $200; clerical, $35 to $55; administrator, $50 to $125.

Gross revenues: $17 million from benefit consulting in 1994; $16 million in 1993. $18.5 million total 1994 revenues. (All revenues are from U.S. locations.)

Officers: Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes, Jeffrey Levy, principals.

Contact: Charles Thacher.

** Effective Jan. 1, 1995, Williams Thacher & Rand will be part of ADP Benefit Services, a division of Automatic Data Processing Inc.*

W.R. Wood & Co.

5605 Glenwood Road, Bethesda, Md. 20817; 301-907-0170; fax: 301-907-0172

Benefit consulting since: 1992.

Services: 95% of revenues from benefit consulting.

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

Staff: One benefit consulting employee.

Clients: 30% corporations, 60% MEWAs, 10% government agencies/entities. No minimum size client.

Compensation: By the project, by the hour: senior consultant, $100 to $180.

Gross revenues: $184,800 from benefit consulting in 1994; $139,000 in 1993 (All revenues are from U.S. locations.)

Officers: Walter R. Wood, president.

The Wyatt Co.

601 13th St. N.W., Suite 1000, Washington, D.C. 20005; 202-508-4600; fax: 202-508-4688

Benefit consulting since: 1946.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting, defined benefit plan actuarial work, pension plan record keeping, administration systems consulting, legal document drafting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, health care and managed care consulting.

Benefit communications consulting: Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, surveys, risk management, organizational research, software development/implementation.

Locations: Anchorage, Alaska; Phoenix; Irvine, Los Angeles, San Diego, San Francisco and Santa Clara, Calif.; Denver; Stamford, Conn.; District of Columbia; Miami; Atlanta; Honolulu; Chicago; Boston; Detroit and Grand Rapids, Mich.; Minneapolis; Little Falls and Rochelle Park, N.J.; New York; Cleveland and Columbus, Ohio; Lake Oswego and Portland, Ore.; Philadelphia; Memphis, Tenn.; Dallas; Houston; Richmond, Va.; Seattle; Milwaukee; Buenos Aires, Argentina; Melbourne and Sydney, Australia; Barbados; Brussels, Belgium; Calgary, Montreal, Ottawa, Toronto and Vancouver, Canada; Bogota, Columbia; Paris; Dusseldorf and Munich, Germany; Hong Kong; Jakarta, Indonesia; Milan, Italy; Tokyo; Kuala Lumpur, Malaysia; Mexico City; Amsterdam, Netherlands; Auckland and Wellington, New Zealand; Oslo, Norway; Manila, Philippines; San Juan, Puerto Rico; Singapore; Barcelona and Madrid, Spain; Stockholm, Sweden; Geneva; Taipei, Taiwan; Edinburgh, Glasgow, Guildford, London, Manchester and Warwick, United Kingdom.

Staff: 2,800 professional benefit consulting employees, including 200 FSAs, 300 ASAs, CEBSs, CLUs, CPAs, attorneys, EAs.

Clients: 12,000 total.

Compensation: By the hour.

Gross revenues*: $368.4 million from worldwide benefit consulting in 1994; $348.6 million in 1993. $433.4 million total worldwide 1994 revenues.

Non-U.S. benefit consulting: Via overseas branches, from the U.S.

Officers: A.W. (Pete) Smith Jr., president/CEO; Paul R. Daoust, executive vp/COO.

** Fiscal year ending June 30.*

David K. Young, Consulting

12500 San Pedro, Suite 655, San Antonio, Texas 78216; 800-221-5138; fax: 210-494-9967

Benefit consulting since: 1992.

Services: 60% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 25% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, Section 125, non-subscribers to worker's compensation plan development.

Benefit communications consulting: 25% of revenues. Includes communications consulting, benefit statement and booklet preparation, pre-retirement counseling seminars.

Other services: Compensation consulting, brokering, management consulting, claims administration, human resource compliance issues.

Staff: Two benefit consulting employees; one professional.

Clients: 60% corporations, 40% government agencies/entities. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, $85; clerical, $25.

Gross revenues: 100% from U.S. locations.

Officers: David K. Young, owner.

Addendum

Minet Insurance Services Inc./Employee Benefits Division

1530 Page Mill Road, Palo Alto, Calif. 94304; 415-843-3800; fax: 415-843-6484

Benefit consulting since: 1987.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 15% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

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

Other services*: Brokering.

Staff: 13 benefit consulting employees; 12 professionals, including 5 CEBSs.

Clients: 25 total; 95% corporations, 5% individuals.

Compensation: By the project, commissions.

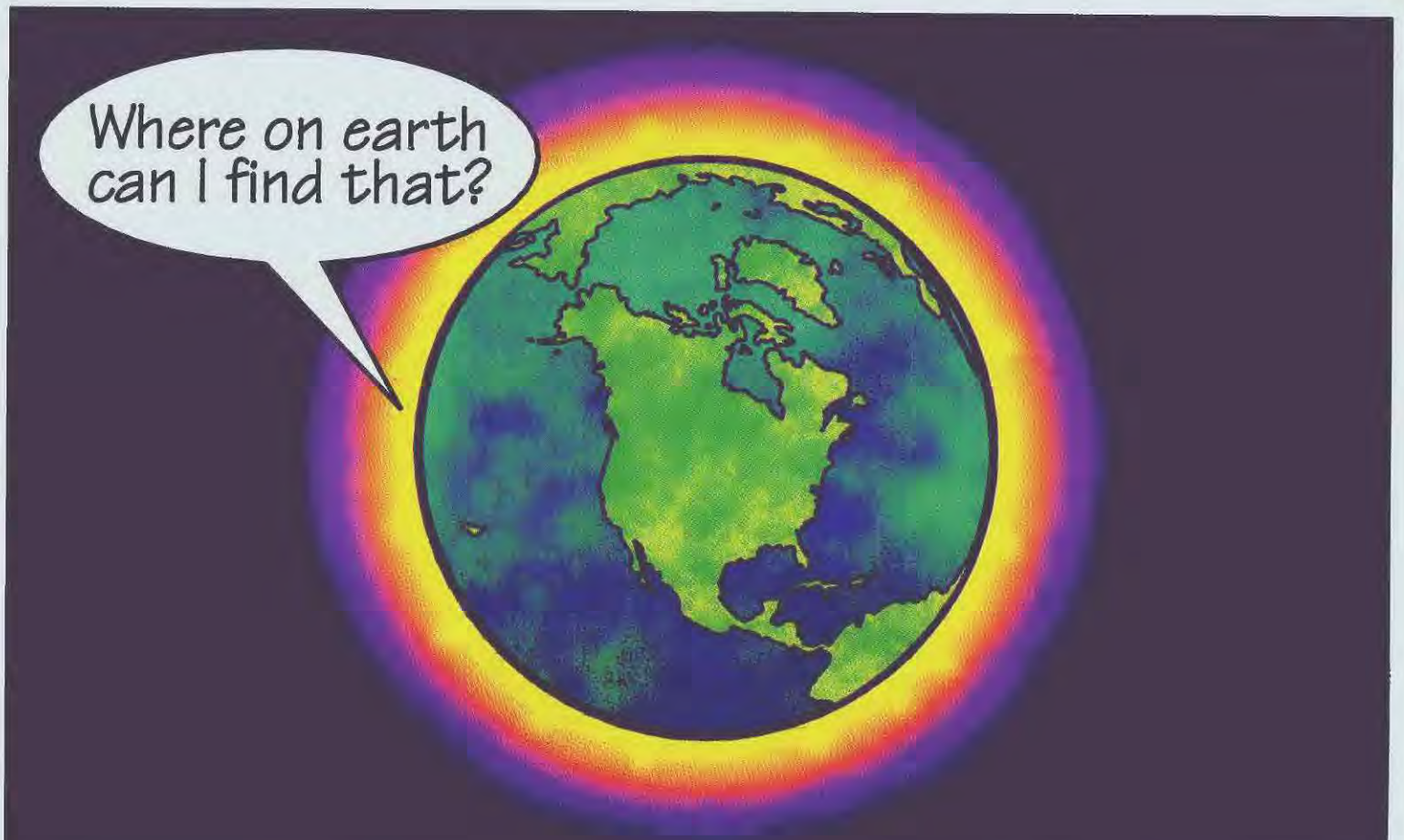
Gross revenues: $1.4 million from worldwide benefit consulting in 1994; $1.3 million in 1993 (100% from U.S. locations).

Non-U.S. benefit consulting: From the United States.

Officers: J. Bernard Friemann, CEO-Minet Risk Services; Michael Dangelo, executive vp; Ware Preston, Debora Karstetter, senior vps.

Contact: Debora Karstetter, 415-843-6322.

** Revenues from brokerage related to employee benefits is included in the consulting figures for this listing.* BI



1994 DIRECTORIES

Issue Date	Directory
Feb 7	Third-Party Administrators
Feb 21	Utilization Review Providers
Mar 7	Risk Management Consultants
Mar 21	Employee Benefits Information Systems
Apr 18	Captive Managers
Jun 6	Property Loss Control Consultants
Jun 27	EAPs & Mental Health Networks
Jul 4	Alternative Risk Financing Facilities
Jul 18	Agents & Brokers
Jul 25	Dependent Care Resource & Referral Services
Aug 1	Risk Management Information Systems
Aug 15	Benefit Communication Systems
Aug 29	Leading Reinsurers Worldwide
Sep 5	401(k) Plan Administrators
Sep 26	Surplus Lines Insurers & Wholesalers
Oct 17	Safety Consultants & Rehabilitation Services
Oct 31	Reinsurance Brokers
Nov 21	Environmental Risk Management Consultants
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Apr 3	Prescription Benefit Managers
Apr 24	Captive Managers
May 29	Alternative Facilities
Jun 12	Property Loss Control Consultants
Jun 26	EAPs & Mental Health Networks
Jul 17	Agents & Brokers
Jul 31	Dependent Care Resource & Referral Services
Aug 14	401(k) Plan Administrators
Aug 28	Leading Reinsurers Worldwide
Sep 11	Surplus Lines Insurers & Wholesalers
Oct 2	Environmental Risk Management Consultants
Oct 9	Safety Consultants & Rehabilitation Services
Oct 23	Reinsurance Brokers
Nov 6	International Insurers & Benefit Networks
Nov 20	Benefit Communication Systems
Dec 4	Risk Management Information Systems
Dec 11	Employee Benefit Consultants
Dec '95	Managed Care Providers

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Top 10 general service HMO/POS plans

Ranked by number of employees and dependents in employer groups as of June 30, 1994

Plan Headquarters	Employees and dependents in employer groups	Total enrollment[1]	Participating employer/payer groups	% of HMOs NCQA accredited[2]
Kaiser Permanente Oakland, Calif.	5,860,815	6,620,811	53,113	17%
Prudential Health Care Plan Inc.[3] Roseland, N.J.	3,530,570	3,606,273	16,840	94%
CIGNA Corp./CIGNA HealthCare Inc.[3] Hartford, Conn.	3,114,219	3,288,717	N/A	13%
United HealthCare Corp.[4] Minneapolis	2,665,200	3,159,100	19,495	15%
FHP Health Care Fountain Valley, Calif.	1,342,674	1,725,000	6,500	31%
U.S. Healthcare Inc.[3] Blue Bell, Pa.	1,623,000	1,682,000	N/A	75%
MetLife HealthCare Management Corp./ MetLife HealthCare Network Inc.[3] Westport, Conn.	1,403,107	1,403,107	9,413	23%
Health Systems International Inc. Woodland Hills, Calif.	1,222,337	1,414,775	5,893	17%
Humana Inc. Louisville, Ky.	1,127,640	1,973,323	12,600	29%
Aetna Health Plans Middletown, Conn.	1,071,852	1,101,479	N/A	19%

Blue Cross & Blue Shield Assn. is not ranked because network members are independently owned and operated [1] Total enrollment includes group contracts, Medicare and individual enrollment [2] NCQA accreditation includes full, one-year and provisional status to date [3] Figures combine HMO and POS plan totals
[4] Figures include HMO/POS plans managed
Source: *BI* survey

GRAPHIC BY JOHN HALL

Incorrect enrollment figures supplied by Aetna Health Plans distorted the ranking of the nation's largest HMOs that appears in the Dec. 20 Managed Care Market report. Above is the corrected version of that ranking.

P/C insurer directory addition

The following listing was not received in time to be included in the Directory of International Property/Casualty Insurers, published on Dec. 5.

Reliance National

77 Water St., New York, N.Y. 10005;
212-858-3600; fax: 212-858-6595

	1993	1992
Int'l premiums	$109,557,000	$49,000,000
U.S.	12%	16%
Non-U.S.	88%	84%
Offices: Claims	2	2
Underwriting	3	3
Employees	67	45
U.S.	12	11
Non-U.S.	55	34
Foreign countries	10	8
Owned offices	4	3
Combined ratio	90.8%	119.0%

Intl. P/C operations began: 1990.

Parent: Reliance Group Holdings Inc.

Specialties: Casualty, including primary/excess general liability, employees liability, medical malpractice, property, directors and officers, professional liability, fidelity, contingent liabilities, aviation, bankers blanket bonds.

Services: Captive programs, loss control services for all lines, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Canada, Mexico, Netherlands, Spain, United Kingdom, United States, European Union member countries.

Officers: Joseph A. Graziano, senior vp; Christopher Cron, vp-international finance; Ed Taylor, vp-international property; William J. Parisi, vp/international chief underwriting officer.

U.S. contact: William J. Parisi, 212-858-3673. BI

Lawyer warns of outsourcing risk

By DEBORAH SHALOWITZ COWANS

CHICAGO—The increased popularity of outsourcing risk management functions could lead to additional litigation and liability for employers, warns an attorney who specializes in insurance.

"Outsourcing sounds like it costs less on the liability side, but it doesn't," stated David H. Leavitt, a partner in the Chicago office of Hinshaw & Culbertson. "Outsourcing is a danger because there is less control."

Furthermore, "with the increased transfer of responsibility away from the risk management department to outside contractors, the potential for disputes and litigation among those entities becomes even more real," he said. As a result, "litigation is beginning which never happened before."

Basically, three risk management functions are being outsourced, he said: risk financing, loss control and claims handling.

Speaking at the firm's sixth annual insurance symposium in Chicago last month, Mr. Leavitt said outsourcing loss control efforts is particularly dangerous.

"Outsourcing of loss control has significant consequences later on when the lawsuit hits," he stated.

In the event of a lawsuit due to improper loss control efforts, the first issue is whether the outside company that agreed to perform loss control functions is liable.

The second issue is whether an outside firm can adequately provide proper loss control services because it has less knowledge about an organization than the organization itself.

While risk financing decisions traditionally have been handled as a kind of partnership between an employer and its insurance broker, complete outsourcing of these decisions is more complex, Mr. Leavitt said.

For example, different companies have different desires for risk aversion, he noted. With less knowledge about the company and its loss experience than in-house staffers might have, an outside firm may make the wrong risk financing decision. This could lead to a lawsuit between the employer and the outside firm.

Claims handling services are the most commonly outsourced risk management activity.

However, there are situations in which problems do arise from using a third-party administrator, Mr. Leavitt cautioned.

To avoid problems with a TPA, "start dealing with problems in communications before they come up," Mr. Leavitt advised.

For example, in the event of a dispute between a policyholder and an insurer, the question arises as to which party a TPA should listen to, he said. Several answers are possible, including whomever the TPA has its contract with or whoever bears the risk.

At least one major employer—Armonk, N.Y.-based International Business Machines Corp.—is outsourcing all its worldwide risk management functions to brokers Marsh & McLennan Cos. Inc. and Johnson & Higgins (*BI*, Aug. 15). BI

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Keys to avoid conflict with self-insured risks

By DEBORAH SHALOWITZ COWANS

CHICAGO—There are many ways for self-insured companies to avoid conflicts with insurers that cover part of their risk, two insurance lawyers say.

Generally, an active approach to minimizing conflict and good communication can help prevent and resolve potential problems between policyholders and insurers, recommended John McCoy, a partner with Hinshaw & Culbertson in Brookfield, Wis.

Conflicts can arise between a policyholder and an excess or umbrella insurer in areas such as selecting defense counsel, sharing defense costs, notice of claims or lawsuits and settlements of claims, Mr. McCoy and Julian Campbell, a Hinshaw partner in Chicago, noted at the firm's sixth annual insurance symposium last month.

"It is important at the outset. . .that you recognize that selection of counsel can be an area of conflict," Mr. McCoy noted.

Even if a policyholder has a self-insured retention of $1 million or $2 million, an insurer sometimes has the right to select defense counsel, he said. If possible, work together to select counsel that is acceptable to both parties, he suggested.

If the insurer has the right to select counsel and does not confer with the policyholder, the policyholder should investigate the insurer's choice promptly and notify the insurer of any objections.

If the policyholder has the right to select defense counsel, the policyholder should choose attorneys who are familiar with the type of claim involved in the lawsuit and who are approved by the insurer.

Messrs. McCoy and Campbell also recommended that policyholders obtain written fee schedules from attorneys, agree on billing frequency and invoice format and notify insurers about this information.

To avoid conflicts relating to notice of claims or lawsuits, Mr. McCoy suggested that policyholders send notice of potential claims to all insurers that may be responsible for any portion of the claim. "Don't be selective about whom you give notice to," he advised.

Excess insurers are concerned about claims that fall within a policyholder's self-insured retention because if the claim is not of the type that is covered by the excess insurance policy, it may not reduce the retention, he said. Therefore, policyholders should discuss with their excess insurers exactly what is included in a covered claim, he said.

A conflict can arise over sharing defense expenses if a policyholder agrees to unusual investigation, reporting or defense costs without prior approval of the insurer, the attorneys noted. In these cases an insurer could claim that the policyholder is agreeing to unusual activities in an effort to improperly reduce its self-insurance obligation.

Conflicts relating to claim settlement can arise if a policyholder rejects a settlement demand that could be paid within the retention. But, many insurance policies address whether the policyholder has the right to approve or veto settlement offers, Mr. McCoy said.

One of the most important things to remember is that policyholders and insurers have a common goal—to fight lawsuits, he said.

Relationships between policyholders and insurers do not have to be adversarial, Mr. Campbell agreed.

"Although the function of the insurance industry may have changed" due to the popularity of self-insurance, "it has not—and I emphasize not—created an adversarial relationship between the insured and the insurer."

Fighting for their share

Members groups arguing over who's first in line for cash

By STACY SHAPIRO

LONDON—Disgruntled Lloyd's of London members are fighting among themselves in court to try to get their hands on underwriting agents' errors and omissions coverage.

Two members action groups, the Gooda Walker Action Group and the Feltrim Names Assn., agree with E&O underwriters that members who are "first past the post" in getting damage judgments against the underwriting agents should be paid first.

The Gooda Walker members already have their judgment—possibly worth more than 500 million pounds ($780 million)—though they are waiting for the actual damages to be assessed in a separate trial next year. The first of several Feltrim members' trials is coming to its conclusion in the High Court of England and Wales.

A slew of other action groups, however, would like the court to place all money that is awarded to Lloyd's members into a trust fund until all the trials are completed.

This would mean that Gooda Walker and Feltrim members would not be paid until all litigation is resolved.

These action groups—including those on long-tail liability syndicates—are concerned that they will be left out in the cold if agents are insolvent and their E&O coverage depleted.

Last week, about 40 lawyers representing E&O underwriters, action groups, individual members and agents were present in Justice Phillips' courtroom for three days of hearings on this and other issues. A ruling is expected in January.

The judge must first decide what payments E&O underwriters are bound to make, to whom and when, said Jonathon Sumption, barrister for the underwriters.

E&O underwriters believe that based on the policy wording and British law, they are obligated to pay an agent only when liability damages are agreed upon or awarded by the court, said Mr. Sumption. Therefore, members who are "first past the post" in getting their damage judgments should be paid first, said Mr. Sumption. "Anything else other

Continued on next page

Dec. 1993: Lloyd's offers $1.35 billion to settle all member suits, which sought total of $5 billion in damages.

Jan. 1994: Rejection by Gooda Walker names sinks Lloyd's marketwide settlement offer.

April 1994: Opening of Gooda Walker trial, the first of the Lloyd's negligence trials.

Oct. 1994: Justice Phillips rules underwriters on Gooda Walker-managed syndicates were negligent.
Feltrim trial opens.

Dec. 1994: Lloyd's announces it will try to broker new settlement.
Hearing held on E&O coverage.

Cash calls could sink ailing names, Chatset says

By ADRIAN LADBURY

LONDON—Lloyd's of London is underreserved by up to 10.2 billion pounds ($15.91 billion) but will only dig itself deeper into a hole if it attempts to call that cash, independent Lloyd's analyst Chatset Ltd. warns.

Unveiling the annual "Chatset Guide to Run-Offs" last week, Editor Charles Sturge said Lloyd's syndicates now have a total of 476 open years and, if they were forced to call all claims now, would face outstanding and unreported claims totaling about 18.4 billion pounds ($28.86 billion).

The 309 syndicates with open years already hold reserves of about 8.7 billion pounds ($13.57 billion) to cover potential losses.

Mr. Sturge called on managers of syndicates with open years to place a moratorium on all cash calls for old-year deteriorations until Lloyd's sets up Equitas, its planned reinsurer of all pre-1986 liabilities (*BI*, Oct. 31; Aug. 29).

Over the last two years, syndicate managers have called a total of 2.3 billion pounds ($3.59 billion) for old-year deteriorations on open years in addition to newly reported losses. Chatset fears that a further call of more than 1 billion pounds ($1.56 billion) for old-year claims on the 1992 underwriting year next July could prove disastrous for cash-strapped members.

Each time the syndicate managers make their annual call on the members' depleting resources, they are simply hastening progress toward "the chasm of insolvency," Mr. Sturge said.

He called on Heidi Hutter, Equitas' project director, to speed up the reinsurer's creation so that the 8.7 billion pounds of reserves already set aside by the syndicates can be used to build up investment income and discount the future losses, thus staving off the predicted insolvency.

Chatset also said that, if properly managed, the 10.2 billion pounds of underreserving need not topple the market.

Mr. Sturge and co-editor John Rew, who is also chairman of the Sturge Names Action Group, said

Continued on next page

Australian risk manager honored

Communication key to success of risk manager from diversified company

By KATE TILLEY

SYDNEY, Australia—Good communication takes on special significance for the risk manager of a company with many diverse operations.

Successfully stressing risk management goals to managers of divisions that range from plastics packaging to meat processing to steel production helped Ian Wildish win Australasia's Risk Manager of the Year honors.

Mr. Wildish, risk manager for Melbourne-based Smorgon Consolidated Industries Pty. Ltd., a family-owned diversified company, received the award last month at the Assn. of Risk & Insurance Managers of Australasia's annual conference in Sydney.

Announcing the award, Tony Hackett, global business center manager for CIGNA Insurance Aust. Ltd. in Sydney, said Mr. Wildish had radically changed the culture of his organization through effective risk management.

Mr. Wildish said he received the award on behalf of a team that includes the nine people in his department, his insurers and brokers and Smorgon's 4,500 employees.

"They are all involved in risk management and doing a very good job of it," he said.

Mr. Wildish joined Melbourne-based Smorgon in February 1991. He previously worked for Australian Defence Industries, a federal government body, and Hughes-ARC, a steel company that Smorgon acquired.

Smorgon's key divisions are steel, plastic packaging and meatpacking. It has minor property and forestry divisions and owns a tissue plant in Chicago. It is one of Australia's five largest companies based on estimated net revenues.

Mr. Wildish said Smorgon had occupational health and safety and claims management programs in place when he joined, but it had no risk management policy. Implementing a risk management strategy included giving the divisions more autonomy for managing their own exposures.

"I provide policy direction and procedural advice," he said. Divisional managers take a greater interest in risk management when they are "responsible for the dollars."

The biggest change has been a realization by managers that they can help solve what they previously perceived as insurance problems, Mr. Wildish said. "We've changed from the view that it's OK, everything is insured, to finding ways we can stop needing insurance. We're proactive

Continued on next page

Public risk manager recognized by ARIMA

SYDNEY, Australia—For the first time, a public-sector risk manager was named Risk Manager of the Year by the Assn. of Risk & Insurance Managers of Australasia: Frank Breckenridge, risk manager for the South-West Sydney Area Health Service, based in Liverpool, New South Wales, Australia, received the award last month.

Mr. Breckenridge is responsible for developing risk financing strategies for seven public hospitals. The Health Service has a 5,770-member staff, 500 vehicles and a $300 million Australian ($232.6 million) annual budget.

As part of the award, he will receive an expense-paid trip to the next Public Risk Management Assn. conference to be held in Seattle in June 1995.

The award was sponsored by Sydney-based Am-Re Managers, a unit of the American Re-Insurance Co. of Princeton, N.J.

ARIMA President Kevin Mutch said public-sector risk managers represent 35% of ARIMA's membership and that the ARIMA board felt that warranted a separate award.

—By Kate Tilley

Gleaning lessons from a factory disaster

By KATE TILLEY

SYDNEY, Australia—A 1993 toy factory fire in Thailand illustrates the need to choose a joint venture partner carefully and clearly spell out each party's responsibilities, an investigator says.

The Kader toy factory fire last year also provides an example of how not to handle a major loss in an Asian country, he adds.

The May 10, 1993, factory fire near Bangkok, which killed 188 people and injured 450—one of the worst factory fires on record—is "the archetypal example of what can go wrong in Asia," says Simon Goddard, associate director of Kroll Associates (Asia) Ltd., the Hong Kong-based arm of corporate investigation firm Kroll Associates. Mr. Goddard spoke at the Assn. of Risk & Insurance Managers of Australasia conference held last month in Sydney, Australia.

The factory, a joint venture owned by three companies, including Kader Industrial (Thailand) Co. Ltd., was insured and reinsured in the Thai market (*BI*, May 24, 1993).

Kader Holdings Ltd., a Hong Kong-based company with a 40% stake in the venture, engaged Kroll to investigate the cause of the fire. Mr. Goddard said Kader Holdings denied responsibility for managing or operating the factory, saying that was the responsibility of its joint venture partner, the CP Group, a major Thailand-based corporation that also had a 40% stake in the venture. The remaining 20% of the venture was owned by Taiwanese investors.

Mr. Goddard said the Kader fire demonstrates the need to choose a joint venture partner carefully and to clearly define each company's role.

The day after the disaster, Kader Holdings, a publicly traded Hong Kong company, was required to make a statement to shareholders but said only that no substantial financial impact was expected from the fire.

The statement was seen as callous, and upset both Kader workers and Hong Kong trade unions. Boycotts were organized in Thailand, Hong Kong and the United States against Kader products, which include Cabbage Patch and Bart Simpson dolls. "That the announcement was a statutory requirement was lost in the emotion of the times," Mr. Goddard observed.

Compensation payments to victims and their families were considered inadequate and the company's explanation that its money was tied up—because the Thailand government had frozen the company's accounts—were seen as delaying tactics. Kader drew criticism from labor unions as well as Thailand's government.

Kader Holdings continued to stress its role as a passive investor, but there was a public outcry against the company, including calls for the death penalty for executives found to have caused employee deaths through negligence. A fire escape door at the factory apparently had been locked to prevent employee theft.

Kader Holdings could have done many things to avoid the problems, Mr. Goddard said.

For instance, it could have elected not to use its name on a factory over which it had minimal control, or it could have been more actively involved with the venture's operations. It also could have developed better relationships with its joint venture partner, the business community, the media and government authorities.

The company also should have checked building construction standards before agreeing to fund the factory, he said.

And, Kader Holdings would have benefited from a crisis management plan that could be used when an incident occurred. "Do not simply deny responsibility, do not blame anyone. Communicate with the media and local officials and appoint a spokesman," Mr. Goddard advised.

Litigation

Continued from previous page
than what the law says is impossible and unappealing."

If the court waits until all members' litigation is done, there would be "extraordinary interference" by the court, said Mr. Sumption.

At the end of the hearing, Justice Phillips ordered that the Gooda Walker quantum case be heard on March 27.

The long-tail action groups, however, are calling for Justice Phillips to assign a receiver to collect all money that is awarded and stick it into a trust fund until all litigation is completed, said barrister Edward Nugee. Mr. Nugee represents the Cuthbert Heath Names Assn.; Janson Green Action Group; Wellington Names Assn.; Secretan Names Assn.; and Sturge Names Action Group.

This has never been done, but "this is a novel case (and) novel cases call for novel remedies," he said. "It's certainly not beyond the wit of the court to (figure out) procedures."

The current situation was manufactured by the court and therefore should be remedied by it, said Mr. Nugee. Justice Saville and Justice Phillips decided which cases should be heard first under court management procedures, he said.

"One can see a monstrous injustice if the Gooda Walker names walk off with the whole pot," he said.

Justice Phillips suggested that maybe all damage cases should be postponed and heard all at the same time until after all the liability issues were decided. That would be one way to do it, though it might postpone payment for one or two years, said Mr. Nugee.

"That's optimistic," said the judge.

"Well, four or five years then," said Mr. Nugee. But a trust fund would be preferable so the E&O money would be in the hands of the court earning interest for the members instead of for the underwriters, he said.

The Gooda Walker Action Group's barrister, Geoffrey Vos, and the Feltrim Names Assn.'s barrister, Christopher Bathurst, agreed with Mr. Sumption, however, that there is no justification in law for awards to be put in a trust fund and "first past the post" should apply. "The real post is when the assured gets a judgment. . .against the E&O underwriter," Mr. Vos said.

It is unusual for people who have the same grievances as others to be "prejudiced" because they are last in line, noted Justice Phillips.

But the long-tail action groups have only just filed writs and their issues are "totally unconnected" to those of Gooda Walker, said Mr. Vos. Also, some of the long-tail syndicates wrote E&O cover, so it's in their interest for claims to be delayed, he said.

The only reason Gooda Walker and Feltrim were heard first was because their writs were filed long before anyone else's and they were ready for trial, said Mr. Vos.

The court can postpone damage cases until all liability issues are heard, he agreed. But that would put a "huge burden on the court."

Justice Phillips agreed he would have to consult all judges concerned before such a decision were made.

Other issues that were argued in court last week include:

- Whether defense costs are subject to the limits of the E&O policy once any deductible is exhausted. E&O underwriters say they are, while the Feltrim Names Assn. says they are not because the underwriters forced the agents to defend the cases against their wishes. Therefore the defense costs should be borne by the E&O insurance companies and not be deducted from the limits of coverage, said Feltrim's attorney, Mr. Bathurst.

Including defense costs would significantly reduce the pot, as these costs now total more than $10 million, sources say.

Are defense costs covered if E&O underwriters forced agents to defend a claim that the agents knew was "hopeless"? asked Justice Phillips. "It cannot be right to do that and use up all the cover available on defense."

The underwriters and agents must act "in good faith" so the situation described is not a problem, Mr. Sumption answered.

- Interim payments, like those requested by the Gooda Walker members, and prejudgment interest are not covered under the E&O policy because they are not legal liabilities, Mr. Sumption said. Mr. Vos says interim payments are covered.

The agents, represented by Stephen Berry, believe that prejudgment interest is covered by the E&O policy when underwriters have delayed the payment of claims by requiring agents to litigate.

- The definition of originating cause in regard to the Gooda Walker trial. E&O underwriters claim that there is only one originating cause, namely the "common failure" by all Gooda Walker underwriters to understand the LMX market.

But the Gooda Walker members believe that there were four original causes because each of the three underwriters was negligent for different reasons, and one underwriter was negligent for different reasons from one year to the next. BI

Chatset

Continued from previous page
the cash that will be required over the next 20 to 25 years could be met with only 30% to 40% of the underreserved total, once investment income is taken into account.

A spokesman for Equitas said last week that it would not comment on reserving predictions.

In an introductory article to the runoff guide, however, Ms. Hutter refuted Chatset's calls for a moratorium on old-year cash calls and said she will not be forced to "rush" the creation of Equitas to allay some members' fears of a cash flow crisis.

A "blanket ban on all reserving adjustments until Equitas is formed could well trigger chaos if syndicate auditors refused to accept that syndicates could meet their liabilities," she said.

"The Lloyd's business plan, published in April last year, set Dec. 31, 1995, as the date for the creation of Equitas. Some names ask: Why can Equitas not be formed sooner? The answer is that the scale of the reserving work precludes an earlier launch. Pricing the biggest reinsurance transaction in history is not a job to rush, particularly given the nature of the liabilities involved."

Chatset's underreserving calculation has grown rapidly since its first prediction of 5 billion pounds ($9.35 billion) in December 1991.

Since last December, it has grown by 12.8% to 9.7 billion pounds from 8.6 billion pounds (to $15.13 billion from $12.8 billion) (*BI*, Dec. 20, 1993).

Chatset adds about another 500 million pounds ($780 million) that it believes Lloyd's has underreserved for Lioncover, the syndicate Lloyd's set up to reinsure all claims that fall on syndicates formerly managed by PCW Underwriting Agencies Ltd., which collapsed in 1985. Lioncover is financed by the market's Central Fund.

Long-tail latent liability business—such as pollution, asbestos and other health hazards—still accounts for the lion's share of the underreserving problem across the market, the analysts say.

Chatset estimates that 6.3 billion pounds ($9.83 billion), or more than 65% of the total outstanding 9.7 billion pounds, is classified as latent liability.

Chatset does recognize, however, that political and legal forces may now be working in Lloyd's favor and cites the recent asbestos settlement negotiations between the London reinsurers and insurers of Owens-Corning Fibreglas Corp., a Toledo, Ohio-based manufacturer, as an example of more favorable conditions.

Lloyd's claims handling office, the Specialist Claims Unit, confirmed that it is working on deals between Owens-Corning and its insurers and reinsurers but could not provide details.

The years 1989 and 1990 were the big years for growth in underreserved claims, according to Chatset, accounting for more than 6 billion pounds ($9.36 billion at current exchange rates), or two-thirds, of the total.

The latest reported underwriting year of 1991 was underreserved by 832 million pounds ($1.56 billion), say the analysts, who blame much of that on personal stop-loss policies that syndicates sold to individual members with big losses. BI

Wildish

Continued from previous page
rather than reactive."

His biggest challenge was relaying risk management information to people with diverse backgrounds and knowledge, from plastics engineers to slaughterhouse managers.

The company's workers compensation loss experience needed major improvement when he took the job, Mr. Wildish said. Since inadequate claims management systems were replaced with guidelines for all divisions, claims have decreased.

He said Smorgon considered self-insuring its workers comp exposure but decided instead to buy coverage from MMI Workers Compensation Pty. Ltd. in states where private insurance is legal. In Queensland, where the company has two meat-packing plants, Smorgon has to participate in the government plan.

Smorgon also considered establishing a captive, "but it's not economically viable at this stage." Instead, it is trying to improve its risk management program and increase deductibles. "We're saying to our insurers, 'We are prepared to put our money where our mouth is,' " he said.

Mr. Wildish reports to Roland Brown, Smorgon's chief financial officer. Mr. Wildish said the CFO understands risk management and the two develop strategies together. "We see risk management as an integral part of managing the business."

Broker Sedgwick Ltd. also is a key team member. Sedgwick has had the Smorgon account since 1990, and Mr. Wildish said the account director, Bill Ferguson, understands Smorgon's business.

A successful risk manager needs superior communication skills, Mr. Wildish said. "And I don't mean one-way communication."

His strategy is listen, discern the issues, then apply risk management principles. "My role is to assist line managers to come up with solutions to their problems."

He has regular informal meetings with the chief executives of each of the key Smorgon divisions and says, "Managers can pick up the phone or wander into my office anytime."

Smorgon sites are regularly audited by the risk management department. A five-member team, including two Sedgwick representatives, examines 12 sites a year and makes recommendations for improvement. Managers are not required to follow the recommendations but must be able to justify their decision if they elect not to, Mr. Wildish said. Copies of the audits are also provided to underwriters.

Mr. Wildish said the company has changed. Whereas underwriters previously hesitated to insure it because of its variety of exposures, Smorgon can now pick its underwriters.

Smorgon's liability program is led by MMI General Insurance Ltd. in Sydney. The property program is led by Royal Global, a unit of Sun Alliance & Royal Insurance Aust. Ltd. in Sydney.

Since Mr. Wildish implemented the risk management programs, the company has had no major losses.

The company's fleet, in particular, has seen success. Fleet insurance costs have been trimmed by 60% since 1991, he said.

Mr. Wildish joined ARIMA's national board this year and said he wants to see a greater focus on training for all company officials, not just the risk manager.

The award includes a CIGNA-sponsored trip to the 1995 Risk & Insurance Management Society Inc. conference in San Francisco. BI

SYDNEY, Australia—Melbourne, the capital of the Australian state of Victoria, will host the 1995 Assn. of Risk & Insurance Managers of Australasia conference.

The scheduled theme is "Bringing it all together."

The conference will be held Nov. 12-15 at the Radisson President Hotel in Melbourne.

For more information, contact Miriam Ward, ARIMA Conference Secretariat, Convention Network, 224 Rouse St., Port Melbourne, Victoria, Australia 3207; 61-3-6464122; fax: 61-3-6467737.

—By Kate Tilley

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Actuarial training where needed most

LONDON—Young actuaries from countries where the profession is in its infancy may be able to get a helping hand through a new grant.

Woodrow Milliman, an international actuarial consulting network, has established the Woodrow Milliman/Sidney Benjamin Memorial Grant to provide financial support and practical work experience to actuaries that need it. Nominees will be considered for the grant annually.

In conjunction with the International Actuarial Assn. Promotion & Education Fund, Woodrow Milliman awarded Russian citizen Boris Afanasiev the first grant, which was developed in memory of Sidney Benjamin, a former partner of U.K. member firm Bacon & Woodrow.

Mr. Afanasiev, 33, is a former statistician for the Moscow Medical Computer Centre. He has also calculated premiums for medical insurance risks for a Moscow insurer.

The grant provides Mr. Afanasiev with room and board and enables him to gain practical actuarial experience at Bacon & Woodrow in London. He also is studying actuarial science at City University, said Robert Collett, president and chief executive officer of Milliman & Robertson Inc., which is a member of the network.

After one year, Mr. Afanasiev will return to Moscow and try to "help the profession get established in Russia," through teaching actuarial science, going into practice or participating in a new actuarial society, Mr. Collett said.

About 130 actuarial specialists in September formed the Acadamy of Actuaries in Moscow (*BI*, Oct. 17). The group has elected a board that will draft professional standards, develop educational courses and distribute actuarial information.

—By Sally Roberts

Pan Am begins settlement discussions

By STACY SHAPIRO

LONDON—On the eve of the sixth anniversary of the crash of Pan Am Flight 103 in Lockerbie, Scotland, the airline's insurers and representatives of the 259 U.S. victims are meeting for the first time to discuss potential settlements.

The two groups met on Dec. 9, the same day that a motion was withdrawn that would have required the insurers to post a bond while litigation over liability and damages from the crash continues.

"The most important part of the meeting was the discussion about procedures for settling the cases," said leading plaintiffs lawyer Lee S. Kreindler of Kreindler & Kreindler in New York, who would not reveal the details of the meeting.

U.S. District Court Chief Judge Thomas C. Platt allowed the plaintiffs to withdraw their motion to force Pan American World Airways Inc.'s insurers to post a bond of up to $750 million—the limits of the airline's 1988 coverage—to cover potential damages to the crash victims. However, the judge told the plaintiffs that he would reinstate the motion at any time they asked.

Prior to the motion's withdrawal, Pan Am and its insurers, led by United States Aircraft Insurance Group, had filed arguments that there was no basis in law or under the insurance contract to allow such a bond to be posted before the question of liability is decided in court.

Asking for such a bond to be posted was "grotesque," "unprecedented," "frivolous" and specifically barred under New York law before a judgment for damages is decided, Pan Am and USAIG said in response to the motion.

Plaintiffs should not be entitled to anything from Pan Am's insurers until the liability questions are decided by the courts, they added. Pan Am currently is seeking U.S. Supreme Court review of a 2nd U.S. Circuit Court of Appeals ruling that determined the airline received a fair trial in 1992 when a jury found it guilty of willful misconduct (*BI*, Dec. 5). If upheld, that jury verdict means that the airline's Warsaw Convention liability limits of $75,000 per passenger would not apply.

The Supreme Court is expected to indicate by February if it will hear the case.

In their response to the judge's "show cause request," the defendants also countered charges made by plaintiffs' lawyers and Judge Platt that insurers have been dragging their feet to resist paying the Lockerbie crash victims' families.

"No reasonably objective and informed observer could have expected (Pan Am) or their insurers to have settled these cases before trial for amounts significantly above Warsaw. . .limits when the standard of liability was willful misconduct (not mere negligence), the culprits were terrorists, and the method of planting the bomb was unknown," USAIG and Pan Am stated.

In addition, USAIG and Pan Am said it would be unreasonable to expect them to forgo an appeal of the 1992 jury verdict liability trial when "major portions of Pan Am's defense were excluded."

Pan Am's insurers already have settled claims amounting to approximately $41 million under Warsaw liability limitations, according to their response. This includes: $3.2 million to settle claims of 31 passengers; $27.7 million for 11 wrongful death and numerous personal injury claims on behalf of residents of Lockerbie, Scotland; $2.6 million for claims by the families of crew; and more than $2 million paid to various claimants for funeral expenses.

USAIG also has authorized advance payments totaling $2.2 million before settlements are made for hardship to about 75 other families of passengers and crew, court documents show.

The response filed by Pan Am and USAIG also disagreed with Judge Platt that Pan Am's liability coverage of $750 million may be shrinking because some insurers on the program are insolvent.

In fact, they stated, only one company is insolvent: London-based English & American Insurance Co. Ltd., which accounts for 2.8% of the entire coverage and is paying 1.5% of claims.

The recent court filings also break down, for the first time, the underwriters with which Pan Am's 1988 liability coverage was placed:

- 30% with USAIG, an association of U.S. insurance companies managed by United States Aviation Underwriters Inc. of New York.
- 17.5% with Associated Aviation Underwriters of Short Hills, N.J.
- 20% with La Reunion Aerienne, a French insurance pool, and 5% with Cie. d'Assurances Maritimes, Aeriennes & Terrestres, or CAMAT, a Paris-based insurer.
- 25% in London, led by Lloyd's of London's Ariel syndicate with 11.35% of the coverage. Thirty-one insurers participate on the London line slip, including insolvent E&A.

The court filings did not specify the remaining 2.5%. BI

Entitlement committee's best efforts yield letter of advice

By MARK A. HOFMANN

WASHINGTON—A high-level panel formed to recommend cuts in federal entitlement programs—cuts that could greatly affect employers' benefit costs—cannot agree on even a single cost-cutting suggestion.

Instead, the Bipartisan Commission on Entitlement and Tax Reform will send a letter to President Clinton full of advice such as "tough action is needed sooner rather than later" and budgetary decisions should be made in the context of a "time period longer than the traditional five-year budget window."

Attached to that letter are specific recommendations that, along with individual members' comments, signal that health reform remains a major budgetary concern. They also reveal entitlement program policies that Republicans may follow.

President Clinton formed the commission last year to recommend proposals for tax reform and entitlement program savings. He appointed 32 members of the body—10 senators, 10 representatives and 12 others representing labor, education, business and other sectors.

The chairman is Sen. Robert Kerrey, D-Neb., and the vice chairman is Sen. John Danforth, R-Mo. Both senators had hoped the commission would approve at least part of an entitlement reform plan on Dec. 9.

The plan would: cap employers' tax deductions for group health premiums; raise the age of eligibility for full Medicare and Social Security benefits to 70 over a 30-year period; cut Medicare provider payments; reducing increases in Social Security payments to middle- and upper-income workers; cut the Social Security tax to 6.1% from 7.65% and requiring that the savings be put into savings plans; subject Medicare, veterans compensation and unemployment insurance payments to means testing; and change how the Consumer Price Index is determined.

Many of those moves would affect benefit plans. For example, employers that peg pensions to retirees' Social Security benefits would see their pension plan costs rise if benefit increases were pared back.

On the other hand, lowering Social Security payroll taxes would cut employer costs.

Sens. Kerrey and Danforth wanted the commission to approve their package or another detailed plan at its final meeting on Dec. 14. But approval of any recommendation required a three-fifths vote of the commission. Sen. Kerrey said last week he believed "a specific item-by-item recommendation is not likely to be passed by this commission." He then offered the general recommendations in the letter to President Clinton.

Even the mild alternative did not lack critics. United Mine Workers of America President Richard Trumka said the recommendations "perpetuate the dangerous myth that entitlement spending is out of control and the only rational response is for America to break its promises to the elderly and poor."

He went on to criticize the commission for not hearing testimony about how various health reform proposals might affect Medicare solvency. He was not the only critic.

Sen. Harry Reid, D-Nev., voted for the letter but he also criticized what he considered insufficient attention to health care costs as a factor in increased entitlement costs. He added that during the debate over the Clinton reform plan, "the clear winner was the health insurance industry," which he claimed "confused" the public about the nature of the Clinton plan.

A hint of GOP entitlement reform priorities came when Sen. Alan Simpson, R-Wyo., outlined a plan drafted with two other Republican commissioners. He challenged every other member to offer a specific proposal in some public forum. He called for measures such as capping Social Security cost-of-living increases, forgoing any reduction in the Social Security tax rate, changing the CPI calculations and subjecting some portion of Medicare to means testing.

The commission approved the letter 24-6. BI

PBGC

Continued from page 2

ally improved among the top 50—rather than decline by 3%—if the PBGC had not lowered the interest rate it uses to calculate plan liabilities. The agency used a rate of 5.65% to value liabilities in 1993, down from 6.4% in 1992.

Some companies, in fact, with large unfunded liabilities have taken steps to improve funding.

For example, Chrysler Corp., which according to the PBGC had $876 million in unfunded guaranteed benefits in 1992, was not even on the 1993 list. The 1993 list actually includes plan contributions that were made as late as Sept. 15, 1994.

Chrysler has said it would do whatever possible to fully fund its pension program by year end.

Companies cited by the PBGC often take issue with the Top 50 list, contending, for example, that by using interest rate and mortality assumptions more conservative than their actual experiences the agency overstates their pension liabilities.

"Publishing this 'Top 50' list causes unwarranted confusion and is counterproductive because it results in unnecessary negative perceptions of Bethlehem among our various constituencies," said Bethlehem Steel Corp. According to the PBGC, Bethlehem had $1.81 billion in unfunded guaranteed pension benefits in 1993, down from $2.14 billion in 1992.

The PBGC concedes that its interest rate and mortality assumptions may differ from those used by employers. However, the agency says that some employers have used unrealistic assumptions, such as underestimating the life expectancies of participants, to reduce reported liabilities and plan contributions.

The PBGC stressed that inclusion on its Top 50 list represents the PBGC's potential exposure if an underfunded plan is terminated. It "does not necessarily mean that a participant's benefits are in jeopardy."

Nevertheless, several companies on previous Top 50 lists have later failed and their underfunded pension plans subsequently were terminated, resulting in massive losses to the PBGC and to plan participants. Plan participants receive lower benefits because the PBGC does not guarantee all benefits—like recent benefit increases—that employers promise participants.

For example, when Pan American World Airways Inc. collapsed in 1991, Pan Am's three underfunded pension plans had $900 million in unfunded vested benefits and nearly $700 million in guaranteed benefits. Even with a $115 million settlement this year between the PBGC and Pan Am, the collapse of Pan Am and the termination of its pension program will cost the PBGC nearly $600 million.

The latest Top 50 list comes on the heels of legislation enacted to force employers with underfunded plans to accelerate contributions and pay higher PBGC premiums (*BI*, Dec. 5). Also, all employers will be required to use a conservative mortality table—known as GAM 83—and a lower maximum interest rate in valuing plan liabilities.

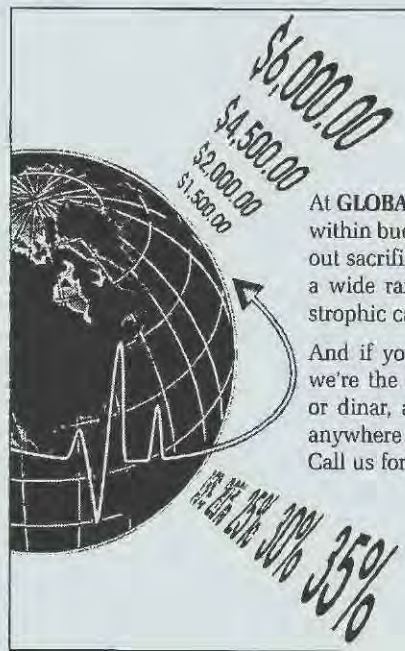
PBGC officials hope that those reforms—included as part of a broader trade pact and signed this month by President Clinton—will significantly improve plan funding beyond what companies already are doing voluntarily.

"Improved pension funding among some companies is encouraging, but the funding gap remains large and we must do more to close it. The new pension reforms will do this over the next few years," said Secretary of Labor Robert Reich.

Other findings from the PBGC list include:

- Despite an improvement in funding, General Motors Corp. retained the distinction of having the most unfunded guaranteed pension benefits in 1993: $15.91 billion, down from $17.2 billion in 1992. GM's funding ratio—the percentage of liabilities matched by assets—improved to 76% from 70%.
- The poorest funded plan for both 1992 and 1993 was sponsored by Ravenswood Aluminum Corp. Ravenswood's pension program in 1993 had a funding ratio of 23%, reflecting $130 million in guaranteed benefits and $30 million in plan assets. In 1992, Ravenswood had a funding ratio of 11% reflecting $100 million in guaranteed benefits and $11 million in plan assets.
- Total unfunded vested benefits amounted to $39.73 billion in 1993, up from $38 billion in 1992. Underfunding, for the most part is concentrated among rust belt companies.

The auto industry—the lion's share from GM—accounts for $21.9 billion of underfunding, while the steel industry in 1993 had $7 billion in underfunded plans. In addition, employers on the Top 50 list in the industrial and commercial machinery industry had $2.5 billion in unfunded benefits and tire and rubber companies, $1.2 billion. BI



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GMR®

COBRA

Continued from page 1

employers must continue to pay their portion of health insurance premiums, while workers are responsible for their portion.

The IRS guidelines state that COBRA health care continuation coverage begins on the last day of FMLA leave. The last day of leave is defined by the Labor Department as one of the following:

- The day an employee uses up FMLA leave entitlement.
- The day an employee fails to return to work from the leave.
- The day that the worker informs the employer of his or her intent not to return from leave.

The IRS guidelines also state that if an employee does not return to work from a family or medical leave, two other circumstances must exist to trigger an employee's right to COBRA health care coverage:

- The worker (or spouse or dependent child) must have been covered by the health plan on the day before the FMLA leave began or became covered during the FMLA leave.
- Without COBRA health care continuation coverage, the worker (or spouse or dependent child) would lose group health coverage.

"The downside of this is that employers cannot count FMLA leave toward COBRA," commented Hewitt's Ms. Eubanks. However, this is not surprising, considering the pro-employee legislative history of COBRA, she added.

If employees forgo health care coverage during the FMLA leave period or do not pay their portion of health insurance premiums, they can still elect COBRA coverage at the end of the FMLA leave, the IRS stated. Furthermore, the COBRA coverage cannot be conditioned on reimbursement of premiums paid by an employer for a worker's health insurance coverage during the leave.

This is the most problematic portion of the notice, according to Beryl Hirsch, a technical consultant in the Philadelphia office of Sedgwick Noble Lowndes.

Ms. Hirsch explained that if health insurance coverage lapses during the FMLA leave period because a worker did not pay his or her portion of the premiums, insurers could require evidence of insurability before accepting the former employee back into the group health plan. Therefore, she said, employers will likely have to negotiate with insurers on these workers' treatment.

The IRS' determination of when a COBRA health care coverage period begins is not affected by state or local laws that may require employers to provide health care coverage for employees on family or medical leave for longer than 12 weeks, the notice states. In these cases, the measurement of the COBRA continuation coverage period still begins on the last day of FMLA leave, according to the IRS.

It is unclear whether employers in this situation could require workers to pay the full 102% of the cost of health care coverage or if workers would be required to continue paying only their portion of the health care premium until the state or locally mandated leave period expired, Mr. Saveth said. The usual COBRA notice rules still apply.

One area that the IRS guidelines do not address is how the FMLA coordinates with flexible benefit plan rules. Experts are hoping this issue will be addressed in the Labor Department's final FMLA regulations, which are expected to be published early next year. BI

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Final filing date: February 3, 1995.

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REQUEST FOR PROPOSAL FOR AN INSURANCE BROKER TO FURNISH PROFESSIONAL SERVICES IN CONJUNCTION WITH AN OWNER-CONTROLLED INSURANCE PROGRAM.

The New York City School construction Authority is engaged in the construction and renovation of New York City Schools. Effective July 1, 1995, the Authority wishes to establish an Owner-Controlled Insurance Program (OCIP) to cover all concerned entities including the Authority, contractors and subcontractors involved with the various projects of the Authority's second five-year construction program. The Authority is seeking a New York State-licensed insurance broker to design, market and administer an OCIP covering the commercial general liability, excess liability, workers compensation and builder's risk exposures. For further information, see the Request For Proposal (RFP) which is available free of charge by contacting Ms. Jan Cowhey at (718) 472-8812, Fax (718) 472-0477. The RFP will be available for pick up at SCA Headquarters (above address) beginning December 20th, 1994. The approximate total value of the portion of the program to be covered by the OCIP is $2.74 billion.

THE CLOSING DATE FOR THE RECEIPT OF PROPOSALS IS NO LATER THAN FEBRUARY 1, 1995 AT 4:00PM, LOCAL TIME.

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LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, ex rel., JAMES W. SCHACHT, ACTING DIRECTOR OF INSURANCE OF THE STATE OF ILLINOIS,

Plaintiffs,

v.

NO. 94 CH 3504

PRESTIGE CASUALTY COMPANY, an Illinois Domestic Stock, Property and Casualty Insurance Company

Defendant

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on July 26, 1994, the Circuit Court of Cook County, Illinois entered an Order of Liquidation With a Finding of Insolvency against Prestige Casualty Company ("Prestige"). James W. Schacht, Acting Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of Prestige ("Liquidator").

TAKE FURTHER NOTICE, that on September 7, 1994, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of Prestige and its policyholders, creditors and stockholders, and all other persons interested in its assets, are fixed as of July 26, 1994, unless otherwise provided in a subsequent order of the Court.

TAKE FURTHER NOTICE, that all persons and entities, who have or may have, claims against Prestige, or its property or assets, shall have the right to present and file with the Liquidator, proper proofs of claim on or before 4:30 p.m., C.S.T., on July 26, 1995.

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by Prestige shall have the right to present and file with the Liquidator a proper proof of claim setting forth a contingent claim on or before 4:30 p.m., C.S.T., on July 26, 1995. No contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the third priority level, 215 ILCS 5/205(1)(c), unless such claim has been liquidated and the insured claimant has presented and filed evidence of payment of such claim to the Liquidator on or before 4:30 p.m., C.S.T., on July 26, 1996. Any contingent claim for which a proper proof of claim is filed on or before 4:30 p.m., C.S.T., on July 26, 1995, but which is not liquidated on or before 4:30 p.m., C.S.T., on July 26, 1996, may be estimated pursuant to 215 ILCS 5/209(4)(b) for purposes of participating in any distribution of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless otherwise directed by the court.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in 215 LCS 5/209. Proofs of claim, together with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of Prestige, at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to Prestige upon all filed claims. All proofs of claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST PRESTIGE, OR ITS POLICYHOLDERS, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY, UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUICATOR ON OR BEFORE JULY 26, 1995 AT 4:30 P.M., C.S.T.

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Special Deputy Receiver

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Risk/Employee Benefits:

Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	16,157
Sub-total	**28,309**
Associations	369
Government, Unions and Educational Institutions	974

Commercial Consumers

Sub-total	**29,652**
Insurance Agents and Brokers	8,408
Insurance Companies	8,181
Accountants, Actuaries, Attorneys & Consultants	3,611
Managers & Health Care Providers	1,903
Others Allied to the Field	849
TOTAL	**52,604**

★ *Source Business/Occupational breakdown of qualified circulation, May 30, 1994 Issue, as submitted to BPA for June 1994 BPA Publisher's Statement*

Superfund

Continued from page 2

bate will probably be over by fall, however, because members of Congress will turn their attention to re-election and the presidential election.

How deeply the insurance industry was divided over Superfund proposals was illustrated last week in speeches delivered at a New York conference by a leading trade group executive and a leading insurer executive.

Maurice R. Greenberg, chairman and chief executive officer of American International Group Inc., charged that during the last Congress many insurers "blinked" and blew the chance to obtain fundamental reform of Superfund.

But the new Congress will give insurers another chance and they should seek what Mr. Greenberg called real reform, not compromise.

Despite Republican control of Congress, problems could still derail insurer efforts, added Robert E. Vagley, president of the AIA, which led the insurer compromise efforts during Superfund debate.

Insurers have themselves to blame for failing to obtain reform of Superfund this year, said Mr. Greenberg at the conference, which was sponsored by Coopers & Lybrand.

"Many companies blinked long before they should have and acknowledged that they would settle for something other than repeal of joint and several liability and retroactive liability," said Mr. Greenberg.

That willingness to compromise led to disunity among insurers and ended any hope of radically reforming Superfund during the past congressional session, he said.

During the next session of Congress, insurers will have another chance.

"I hope we don't do the same thing again. Am I confident? No. . .My concern is that the industry will do what it always does and not speak with one voice," Mr. Greenberg said.

But if the industry does unite, it could encourage Congress to pass a law that could enable pollution cleanup to be funded by only a small tax increase, he said.

Litigation now accounts for about 30% of cleanup costs and another 25% goes toward what Mr. Greenberg says are "unnecessary" cleanups, those where rules are too stringent given the eventual use of the sites.

If those costs are removed, moderate taxes on insurers, businesses and municipalities could fund pollution cleanup, he said.

Disagreeing with the AIG chairman, Mr. Vagley said the blame for not passing Superfund reform should not rest solely with insurers that opted not to press for retroactive liability reform.

The AIA was pragmatic and realized that there was no possibility of the 103rd Congress repealing retroactive liability, he said. Instead, the group proposed the insurer-funded Environmental Insurance Resolution Fund.

With the Republicans taking control of the Senate and the House of Representatives, that position changed (*BI*, Nov. 21).

"The window of political opportunity has opened much wider. . .the integrity of Superfund has been completely impeached," said Mr. Vagley.

And in 1995, insurers will have a much better chance of persuading Congress to abolish retroactive liability for pollution cleanup, Mr. Vagley said.

"The election has encouraged us to pursue that goal. . .I think there is majority support in Congress for retroactive liability reform," he said.

However, there will remain problems in funding an alternative to the current Superfund regime, Mr. Vagley said.

Both the Republican Congress and President Clinton will be reluctant to approve any legislation that can be interpreted as a tax increase on business, Mr. Vagley said.

And potentially responsible parties under the existing Superfund law will be reluctant to pay any more for pollution cleanup because they think they have paid enough already, he said.

Insurance companies should not ignore the possibility that Superfund will not be reauthorized, says Leonard Shen.

Added to that, environmentalists remain solidly committed to the "polluter pays" principle.

"Getting them over that will be quite a hurdle," he said.

Insurers, too, will find it difficult to agree on how to fund an alternative, Mr. Vagley said.

"It will take about three minutes to agree that repealing retroactive liability is the goal. The rub will come when we discuss how are we going to pay for it," he said.

Another problem could occur if the Republicans carry out their intent to reduce the involvement of federal government in business generally, said Leonard H. Shen, the current majority counsel for the Senate Committee on Environmental and Public Works.

That position may encourage lawmakers to delegate responsibility for pollution cleanup legislation to state authorities, he said.

"The important problem with delegation is that the states expect that there will be federal funding for that delegation," Mr. Shen said.

And insurance companies should not ignore the possibility that Superfund will not be reauthorized, he said.

If it were to expire and the revenue-raising measures expire, the money needed for cleanups may be taken from general revenues, Mr. Shen said.

Whatever happens, the funding of pollution cleanup will likely change during the next Congress, he said.

"There is going to be greater change than would have occurred in the past Congress," Mr. Shen said. BI

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Chookaszian eyes challenges of merger

By DOUGLAS McLEOD

NEW YORK—Dennis H. Chookaszian, chairman of CNA Insurance Cos., has set a one-year deadline for merging the operations of CNA and Continental Corp., which CNA took over in a $1.1 billion deal this month.

"1995 for us is the year of transition," he said. If the two companies can't be integrated within a year, "we will not get what we set out to achieve."

The merger aims at blending the best of both companies, but it faces formidable challenges, Mr. Chookaszian said at a conference sponsored by Coopers & Lybrand in New York.

Although headquarters will remain in Chicago, challenges include blending management, products and distribution systems and integrating different computer systems for back-office operations and communications, he noted.

The merger will also mean reduction of the combined companies' 21,000-person workforce (*BI*, Dec. 12).

"That is going to be a bruising process for both companies, but we should emerge as a stronger company," he said.

CNA will continue to strive to be a "top-tier" player in its chosen lines, employing economies of scale to write large volumes in those lines rather than competing with smaller, more entrepreneurial insurers in niche markets.

"Any time we've been a small player (in a particular line), we've gotten killed," he observed during a discussion on how insurers can take advantage of change in the industry, change that is exemplified in several ways by the CNA/Continental deal.

He focused on trends both inside and outside the insurance industry:

• Industry consolidation, integration of services like risk management consulting within insurance companies and closer and more direct relationships between insurers and agents made possible by computer systems.

"The industry is getting tighter, more efficient," Mr. Chookaszian said.

• Increased competition. "Competition is more intense today than it's ever been," he said.

While insurers in developing economies in Latin America and Eastern Europe still boast returns on equity of 20% or 25%, those days are long gone in the United States, where competition has driven ROE down to half that level or less.

"Our margins have been permanently reduced," he said. "Today, you're lucky if you get 10% ROE."

• Increased customer expectations of service.

Some policyholders, for example, now hire outside consultants to evaluate their insurers' claims service, Mr. Chookaszian noted.

Insurance costs have also become a large part of many companies' cost of doing business, he added, citing the example of a roofing contractor with workers compensation costs that amount to 50% of payroll.

The rising expenses have put more pressure on insurers to manage costs, he said.

• The sweeping Republican victory in last month's midterm elections, which will bring "unprecedented change in the legislative trends that affect our industry."

"We now have a Congress controlled by people who by and large are committed to a market economy" and to turning power in several areas over to the states, Mr. Chookaszian said.

This has advantages and disadvantages for insurers, he noted. On the plus side, for example, it increases the chances for meaningful tort reform, he said.

On the other hand, any turnover of environmental regulation and enforcement to the states would likely cause confusion and make environmental liabilities more difficult to resolve, he said.

Mr. Chookaszian predicted that the Superfund reauthorization debate may end in a stalemate in the next Congress, with Republican members pushing to eliminate retroactive liability while the Clinton administration fights any such move.

Mr. Chookaszian also offered some pointers on what insurers must do to thrive in the changing environment. These include:

• Maintaining flexible distribution systems.

While property/casualty and life/health insurers in past decades have had relatively inflexible systems, operating either as agency or direct markets, insurers now must have more flexibility, writing some programs through agents and others on a direct basis, he said.

• Exploiting computer systems for back-office functions, communications and other jobs. "About the only way to achieve true cost reduction is to fully embrace technology," Mr. Chookaszian said.

CNA has reduced its clerical and secretarial workforce by two-thirds through automation, according to Mr. Chookaszian, who said he now types all of his own memos on his computer.

"I can tell you that it's faster, and if you don't do that, you will be passed by (other) companies," he explained.

While training and encouraging employees to use computers is a constant struggle, it helps if the encouragement comes from the top.

CNA employees need to know how to use their systems, because if they fail to respond to electronic mail from Mr. Chookaszian, "I get very upset," he said.

He added that CNA would not have been able to work fast enough and secretly enough to complete the Continental deal without advanced technology.

• Adopting more flexible and responsive human resources policies that empower employees.

• Getting more involved in public policy debates, since so many of the debates affect insurers.

Years ago, insurers largely relied on trade groups to lobby for them, with only a handful of insurers maintaining their own lobbying staffs in Washington.

"Today, you find virtually every company spending time with grass-roots efforts with their own people" and lobbying legislators on industry issues, Mr. Chookaszian said. BI

P/C conference draws 274 execs

NEW YORK—Coopers & Lybrand's sixth annual executive conference for the property/casualty industry drew 274 people to the Plaza Hotel last week.

The theme was "managing change in the property/casualty industry," and speakers included Dennis H. Chookaszian, chairman of CNA Insurance Cos.; Maurice R. Greenberg, chairman of American International Group Inc.; and Willie Brown Jr., speaker of the California Assembly.

The cost to attend was $945 per person for early registrants and $1,045 for others.

For information on next year's conference, contact The Conference Group Ltd., 322 Central Park West, New York, N.Y. 10025; 212-865-4200; fax: 212-865-6466.

Bermuda companies secure, analyst says

By GAVIN SOUTER

NEW YORK—Most of the excess liability and catastrophe reinsurers in Bermuda would qualify for an A or BBB rating from Standard & Poor's Corp. in New York—if S&P rated them, said Alan M. Levin, a managing director at the rating agency.

The insurers and reinsurers established in Bermuda are well capitalized with liquid assets, but they also carry huge exposures, Mr. Levin said.

Rating agencies generally do not rate insurers until they have been in business for a certain number of years.

Mr. Levin has said, however, that S&P might provide some form of qualified rating next year for the catastrophe reinsurers and excess liability insurers in Bermuda (*BI*, Nov. 28).

S&P's claims-paying ability ratings from AAA to BBB- are classified as "secure." Categories from BB+ to CCC are classified as "vulnerable."

If the Bermuda insurers and reinsurers in general are measured against S&P's seven main assessment factors, they fare reasonably well, Mr. Levin said. Those are:

• Industry risk. The high-severity and low-frequency nature of the risks the companies underwrite would probably warrant a B rating, he said.

• Management. Some of the management strategies of the companies in Bermuda still need to be tested, so the rating would be a BBB, which is neither positive nor negative, Mr. Levin said.

• Diversification. "Lack of diversification is one potential negative with these companies," he said.

Although most of the companies are trying to diversify, their limited spread of business would mean that they would only have a BB rating in this category, he said.

• Operating performance. Generally the catastrophe reinsurers and the excess liability insurers have been profitable and have the potential to be profitable in the future, Mr. Levin said.

And though large losses could severely reduce the profitability of the companies, they should still score an A, he said.

• Capitalization. "This is one of the strengths of the Bermuda companies," Mr. Levin said. Consequently, they would score AA for capitalization, he said.

• Liquidity. Having ready funds to pay large claims is an acute need of catastrophe insurers and reinsurers, Mr. Levin said.

The companies in Bermuda have investment portfolios in high-quality liquid assets, which would warrant an AA rating, he said.

• Financial flexibility. The need for capital among the Bermuda companies is limited, so the companies there would generally have an A rating, Mr. Levin said.

Overall, "the industry in Bermuda is probably a good, secure kind of business, so it would have a low A or high BBB rating," he concluded. BI

Speaking of California's comp system. . .

NEW YORK—California Assembly Speaker Willie Brown Jr. says he realized the workers compensation system needed reform when he bought a struggling radio station and threatened to fire its employees if their performance didn't improve within 90 days.

The deadline came, and all the employees filed stress claims, he said, drawing laughs from an audience at Coopers & Lybrand's sixth annual property/casualty executive conference.

Assemblyman Brown, who pushed the state's successful workers comp reforms through the legislature, said his interest in the subject "came from the discipline and expanded knowledge" he gained running the station.

In a talk that drew frequent laughter from the audience, the politician touted the state's workers comp reforms and described the political high-wire act he has performed since the Republicans won a majority in the Assembly last month.

A key aim of the sweeping reforms implemented last year was fighting fraudulent claims, and "we have virtually eliminated fraud," Assemblyman Brown said.

The reforms also: barred post-termination stress claims and required workers to show work conditions are the predominant cause of psychiatric problems; capped vocational rehabilitation benefits at $16,000; and limited the number of medical-legal reports allowed (*BI*, July 26, 1993).

As of Jan. 1, minimum rate requirements will also be dropped, fostering even more competition in an already-competitive market, he noted.

The California Insurance Department in September slashed the minimum workers comp rate by 16%. This followed a 12.7% reduction ordered last year and a 7% cut mandated by the 1993 reform law (*BI*, Sept. 26).

The reforms are generating savings of more than $2 billion and possibly much higher, the assemblyman estimated.

Meanwhile, Assemblyman Brown described his fight for political life after Republicans won an apparent 41-seat majority in the 80-member Assembly.

After the election, though, one Republican member changed parties and a technical snafu has apparently disqualified another from voting for speaker, he said.

This would give him a 40-39 edge, but the Republicans have responded by going "into hiding," refusing to appear in the Assembly for a quorum that would see him re-elected speaker, he said.

Looking out over the audience of blue-suited insurance executives, he said, "If any of you are Republican members of the Assembly, please report for a quorum. There's a reward for you."

—By Douglas McLeod



Investment

Continued from page 1

about D&O, when you think about professional liability, when you think about fiduciary liability, absolutely. We're asking those questions all the time," said John B. Stites, vp-alternative risk transfer at Chubb & Son Inc. in Warren, N.J.

While First Interstate has "a very, very small exposure to derivatives," Mr. Addieg said the bank's risk management department is "certainly aware of the potential downfalls," of a riskier investment strategy.

First Interstate's approach supports Mr. Stites' view that many organizations are already integrating responsibility for property and liability risk with asset risk. "There are at least a half a dozen financial institutions—customers that we deal with—where the risk manager is responsible for asset risk and insurance and liability risk," he said.

Philadelphia-based CoreStates Financial Corp. is another financial institution that formalized a "global" approach to risk management earlier this year.

"We've put together our credit/risk policy group, and we now report into that group," said Linda M. Young, vp/insurance risk manager for CoreStates. In addition to the traditional insurance/risk management operation, CoreStates' credit risk and asset/liability management personnel also now report to that policy group.

"Now that we're with the investment folk, it kind of broadens both horizons," Ms. Young said. Bringing her risk management eyes to the process has had benefits both for the investment side and for the credit side of the operation, Ms. Young believes. As a risk manager, for example, she looks differently at property that might collateralize a deal, seeing risk exposures in that collateral that the company's credit side might not recognize.

"It's the concept that it's not the direct deal—the credit itself—that is what causes the loss, it's the quality of the collateral," Ms. Young said. "If you've got it exposed to an environmental liability, whoa, it costs you even more than what it did on the credit risk side."

The global risk management approach isn't just appropriate for financial institutions, Ms. Young said. "To really have an effective total cost of risk program, you need to be centralized at the corporate level and you need to have a total line of communications and have access to your financial people to know what your total capital exposure is."

Chubb's Mr. Stites believes the trend toward integrated risk management will continue, but he doesn't think the Orange County loss will drive it.

Mr. Stites reasons that investment losses in the private sector, posted by companies like Procter & Gamble Co. and Gibson Greetings Inc., will probably lead more companies to link the asset risk and traditional risk management functions.

Gibson Greetings has not taken that approach, but may in the future, according to Carol A. Fox, the company's corporate risk manager. "I haven't been approached as to whether that will happen in the future. I know that's being reviewed by internal audit and our financial management department."

Procter & Gamble officials could not be reached.

One Chubb customer is already scaling back its insurance risk-taking as part of a companywide review following a derivatives loss.

"We've actively helped one of our customers reduce some of their retention in a captive with captive reinsurance because their financial side came back after a derivative loss and said they want to evaluate risk across the entire organization," he said.

"There's no doubt that when you think about hedge strategies of various sorts, there's going to be a trend to consolidate risk, both assets and liabilities," Mr. Stites said.

Not everyone, though, expects risk managers will expand their oversight to include investment risk.

"From a risk manager's standpoint, certainly it's my opinion that to date risk managers have not had access to that kind of information in their own corporations, let alone trying to determine a plan against (investment losses)," said James A. Kellogg, executive vp at Old Republic Risk Management Inc. in Brookfield, Wis.

"From a practicality standpoint, I don't see a whole lot of risk manager's involvement in that arena," Mr. Kellogg said. "We haven't had any discussions with any of our clients that indicate that's anything they're going to delve into quickly."

But Phillip Norton, head of the national directors and officers practice at The Wyatt Co. in Chicago, said, "it's probably good advice" for risk managers to become more involved in overseeing their organizations' financial risk exposures.

"You think about what is a risk. It has to do with there being a chance of having something happen that is adverse," Mr. Norton said. "That means that you can take protective steps, whether it is insurance or loss control."

Still, the extent to which such a move occurs "would depend a lot upon the organization and where the risk management function fits in the organization," he said.

A greater role for risk managers in overseeing an organization's exposure to financial risk seems to fit with the suggestion—often made these days—that the appropriate place for the risk manager in an organization is under the chief financial officer.

But in practice, the risk manager's position on the organizational chart varies from entity to entity.

"If I look at our array of clients and where risk management is, you can find (the risk manager) in the treasury or CFO pyramid, you can find it reporting to the general counsel in some companies, and you can find it reporting to the human resources manager in some companies," Mr. Norton said.

Wherever it's located, though, Mr. Norton believes that a greater prominence afforded risk managers in their organizations in recent years would make it easier for them to weigh in on means of controlling their exposure to financial risk.

"I guess the good news for the risk manager is that that position has been elevated in the past decade to the point where it makes it easier for them to communicate with the top executives," he said. "The ability to communicate directly with the CEO makes it easier for them to get involved in a project such as that."

On the public sector side, while risk managers traditionally haven't been involved in overseeing their jurisdictions' exposure to asset risk, the Orange County disaster might prompt a move in that direction, said Dennis Kirschbaum, executive director of the Public Risk Management Assn.

"I think with any kind of risk management program, that would be something the risk manager would need to at least be aware of—What are the entity's investment policies? Are those policies being followed? What risks are involved?" Mr. Kirschbaum said. "It's really just kind of a basic risk-identification process."

And in evaluating that risk exposure on the investment side, risk managers need to go beyond simply relying on rating agencies' evaluations of the investment instruments involved, he said.

"In general (rating agencies) are pretty reliable," he said. "They do a pretty good job, but sometimes situations do change pretty quickly."

Mr. Kirschbaum said it's important to note, though, that the Orange County situation is "highly unusual. You rarely have money being invested in such risky ways by a public entity. I guess the lesson is, just take a hard look at your entity's investment policies."

And, according to Mr. Stites, certainly well-publicized investment losses will make individuals at various levels of many different organizations more aware of what's going on with their entity's investments.

"If there's any benefit from the losses that have been incurred, it would be that people—whether they're risk managers or CFOs or CEOs—they're going to be spending a lot more time studying the risks involved in some of these transactions," he said. BI

Bond insurers see silver lining in Orange County's cloud

By JUDY GREENWALD

Ironically, the Orange County investment debacle may actually be a blessing in disguise for municipal bond insurers.

The county's recent bankruptcy filing could spur greater demands for insured bonds, which now account for 37.5% of the total muni bond market, and yet financial guarantee insurers are not expected to face significant Orange County losses.

Bond insurers will benefit because "once again Orange County points out in glaring short relief the importance of credit quality and doing things in a prudent manner," said Robert Godfrey, executive vp of Armonk, N.Y.-based MBIA Corp.

So far, there have been defaults in several issues related to the Orange County problems, but none were insured. Higher demand for insured bonds, however, is not expected to lead to higher rates in the competitive muni bond insurance market, where total bond volume fell 43.6% in the first nine months of the year.

Insurers are expected to reconsider how they evaluate municipal issues following Orange County's surprising move. But insurers do not expect that other Orange Counties are lurking in their current books of business.

Robert L. Citron, Orange County's now-resigned treasurer, had invested aggressively, ultimately leveraging the $7.5 billion fund into a pool valued at up to $20 billion. Now its losses are estimated to exceed $2 billion.

Municipal bond insurers, though, could actually indirectly benefit from the situation.

"It reinforces the rationale for insurance," said Michael J. Djordjevich, president and CEO of Capital Guaranty Insurance Co. in San Francisco. "It tells those doubters that there are risks and possible losses in this arena of public finance. It's not a free ride," he said.

"It really, in my opinion, reaffirmed and brought back into sharp focus the worth of AAA insurance that the companies provide. Orange County was rated AA, and all the 'bright minds' in the investment community were actually trading those bonds at a slight premium over AAA-insured bonds," said Mr. Djordjevich.

"I think it will just heighten the awareness that there certainly is a need for oversight," which municipal bond insurers provide, as well as "sleep at night" insurance, said Joe Van Louten, executive vp at AMBAC Indemnity Corp. in New York.

Richard P. Smith, senior vp at Standard & Poor's Insurance Rating Services in New York, agreed that demand for muni bond insurance is likely to increase. "Normally when these events happen, investors keep higher quality paper, and that's what insurance companies have to offer," said Mr. Smith. "I think it's possible there may be an uptick in demand."

Increased demand is widely expected to raise prices, at least in the long term.

It should "translate into firmer pricing in view of the recognition of the real value that bond insurance provides," said Capital Guaranty's Mr. Djordjevich.

Historically, premium levels have gone up following crises in the muni bond industry, and the price levels between insured and uninsured bonds have increased. That could be expected to happen here, said Richard A. Ciccarone, executive vp and director of tax-exempt fixed-income research at Kemper Securities Inc. in Chicago.

But "that won't last indefinitely," he cautioned. "It'll last until the crisis has had a chance to cool and they get it behind them."

Increased demand may not translate into higher prices right away, said Dan Gross, executive vp and chief financial officer of New York-based Enhance Financial Services Group Inc., which operates Enhance Reinsurance Co.

Though, he added, there is "good reason to believe it will help pricing over time."

Overcapacity is also a factor in the current competitive pricing, noted S&P's Mr. Smith. "I think overcapacity will not be solved, so to speak, by any increased demand that might come out of more people being interested in insured bonds."

"There's that possibility, but it's really hard to say whether just one incident will prompt insurers to tighten their pricing," said Brady Tournillon, an analyst at rating agency Fitch Investors Service in New York.

Observers also generally agree the Orange County crisis will prompt insurers—along with just about everyone else—to re-examine how they look at municipalities' investments. "We'll look at some things that maybe in the past we didn't look at," said AMBAC's Mr. Van Louten, though he added, "We do a pretty thorough job to begin with." BI

Chemical

Continued from page 1

ingly. Some have already sent people to the site," Mr. Varney said.

At least some of the coverages were placed by Marsh & McLennan Cos. Inc.'s Morristown, N.J., office.

Several property insurance sources in London also said that M&M unit C.T. Bowring & Co. Ltd. unsuccessfully tried to place some Terra coverage in London. They speculated that the coverage was placed solely with U.S. markets.

Four employees were killed and about a dozen were injured by the early morning explosion last Tuesday in the ammonium nitrate processing area of the plant.

No cause had been determined late last week, and the site was still largely off limits to inspectors and company personnel. Only people skilled in the use of artificial breathing devices were being allowed into the area due to the lingering presence of ammonia.

A large cloud of ammonia gas was released into the air after the explosion caused metal fragments to puncture one of the plant's two 15,000-ton refrigerated ammonia storage tanks, Terra said in a statement.

At least two small towns on the Nebraska side of the Missouri River were evacuated that afternoon. By evening, the ammonia cloud had dissipated enough to allow people back into their respective towns and homes.

The explosion also sent metal fragments into a nitric acid tank, causing a spill of up to 100 tons of the highly toxic acid. But the facility's wastewater discharge system was blocked in to prevent any contamination of local groundwater, Terra said.

This could be one of the worst disasters ever to hit northwest Iowa and northeast Nebraska, a rural area that has been devastated by tornadoes.

"It was total chaos. The place where the plant was looks like sheer hell—like a bomb hit it," said Stan Johnson, a training officer with the Salix, Iowa, fire department, which responded to the disaster. "We had a Grade 5 tornado rip through here in 1986, and this is much worse. That only caused one minor injury."

This time around, the ammonia gas forced the evacuation of all 1,000 residents of the town of Winnebago on the Winnebago Indian Reservation in Nebraska, and another 1,000 residents of nearby Homer, Neb., said John Berridge, who runs the tribal ambulance service on the reservation.

"We had a few people feeling sick and a small hospital run by the tribe had to move all patients to another hospital. But everything seems OK now," Mr. Berridge said.

Residents of a housing development in Salix also were evacuated for several hours, said Mr. Johnson.

Terra said it will take weeks to assess the total damage. It did say that the plant will not be rebuilt and ready for production until at least the 1995 planting season in spring.

The Port Neal facility accounts for about 15% of Terra's total nitrogen fertilizer production, and generated an estimated $11 million in net income during the first nine months of the year.

Terra said it will set aside reserves during the fourth quarter to reflect approximately $5 million in deductibles and uninsured costs related to the accident.

With respect to casualty insurance, Terra was, up until about two years ago, a member of Primex Ltd., a Barbados-based group captive providing excess liability insurance for chemical companies.

Kevin Walton, who heads up Johnson & Higgins' Barbados office, which manages Primex, said Terra pulled out of Primex "a couple years ago." BI

Crash

Continued from page 1

Flight 3379, en route from Greensboro, N.C., dropped from radar after the pilot aborted an early evening approach to Raleigh-Durham International Airport.

The left engine on the 19-seat airplane, made by British Aerospace P.L.C., "flamed out"—meaning it quit after a short fire—during the final minutes of the flight, according to the National Transportation Safety Board, the lead government agency in the crash investigation.

The airplane had experienced three engine problems during the week before the crash occurred. And the pilot had trouble starting the left engine before takeoff from Greensboro. But none of those incidents involved what American Eagle called "safety-of-flight" issues.

Flagship Airlines, one of four American Eagle units, operated the airplane. Another unit, Simmons Airlines, operated the ATR-72 turboprop airplane that crashed in Roselawn, Ind., seven weeks ago, killing all 64 passengers and four crew members. Underwriters have established a $150 million reserve for that crash, sources say.

Of the five crashes in American Eagle's 10-year history, three have occurred during the last 2½ years (see chart). None of the earlier crashes involved the Jetstream 3200, which is a newer version of British Aerospace's 3100 and 3101 models.

Of the six incidents involving the 3200 that the NTSB has investigated since July 1989, only one attributable to mechanical failure occurred during flight. The hydraulic line to a landing gear leg on a Trans World Express flight failed in August 1991. The plane was damaged during landing, but no one was hurt.

AMR renewed its $1 billion of liability coverage 12 days before last week's crash with the same group of insurers. Major participants include:

- The London market, which covers nearly 37% of the risk. Lloyd's of London syndicate 270, managed by Tower Managing Agents Ltd., leads the slip. The Institute of London Underwriters and London companies also participated.
- La Reunion Aerienne.
- Assurance France Aviation.

The remaining coverage is split among multiple underwriters.

Dallas-based Alexander & Alexander of Texas Inc. and Alexander Howden Aviation of London, units of Alexander & Alexander Services Inc., placed the coverage.

The cost of AMR's coverage at renewal soared 23% to about $80 million from about $65 million, *Business Insurance* has learned.

However, AMR can recoup most, if not all, of that additional premium if federal investigators determine that American Eagle was not at fault for the Oct. 31 crash, sources say.

Almost from its inception, the investigation into that crash has centered on whether the design of 69-seat ATR-72 and the 48-seat ATR-42 airplanes lead to control problems in icing conditions.

After wind tunnel tests by the airplanes' manufacturer, Avions de Transport Regional of Toulouse, France, showed that a specific type of ice buildup on a particular area of the wings could induce an ATR airplane to roll, the FAA on Dec. 9 grounded the aircraft when icing is present or forecast. The American Eagle plane that crashed Oct. 31 rolled twice before rolling over and smashing Into the ground on a steep angle during icing conditions.

ATR, a French-Italian joint venture, criticized the FAA's action. It said that the only icing shape among the 80 it tested was "artificial." The shape was created by affixing wooden quarter-round molding to a wing in front of its aileron with the molding's flat side facing forward. An aileron, a movable portion of a wing located at its outer edge, is instrumental in leveling and banking an airplane.

"There is no evidence whatsoever that this particular shape of ice exists in nature, that it is likely to be encountered in flight, or that it could adhere to the wing surface at the precise location (or any other location) identified in the test," the company said in a release issued by its U.S. marketing arm, ATR Marketing Inc. of Chantilly, Va.

Canadian authorities have issued a similar directive. But, regulators in France and several northern European countries say they do not plan to alter their current ATR flight restrictions, which bar the use of autopilot when icing is visible on an ATR airplane, according to trade press reports.

The FAA's order is potentially costly for airlines, which typically do not buy business interruption insurance to cover this type of risk, brokers say. AMR acknowledged that is does not purchase this coverage.

American Eagle, the largest U.S. operator of ATR aircraft with about 70 of the airplanes in its 280-unit fleet, immediately canceled all of its affected flights.

It began sending ATR airplanes that had been flying in regions with wintry climates to warmer areas, replacing them for the most part with smaller aircraft.

Ironically, American Eagle's North Carolina operations had been scheduled to end soon and had been sharply reduced before last week's crash.

The shuffling has severely disrupted some American Eagle operations.

In American Eagle's Chicago hub, for example, 149 daily flights to 32 cities were canceled from Dec. 10 through last Thursday, the American Eagle spokeswoman said.

Amercian Eagle had planned late last week to resume limited service to 13 cities, mostly with smaller Saab 340 34-seaters. Instead, it discontinued all commuter operations out of Chicago and New York until Jan. 4 because of what it called "unfounded" concerns by the Allied Pilots Assn. that the pilots American Eagle transferred there have inadequte cold-weather flight training.

American Eagle says it has not determined how much the flight cancellations and aircraft shuffling will cost.

Stock analysts said they either had not estimated the costs or could not do so without information from American Eagle.

An analyst with Goldman Sachs in New York guessed, "without any financial basis," that the FAA's order could cost American Eagle $5 million to $10 million. The amount "is not that big of a deal," said Glenn D. Engel.

American Eagle reported $608 million of operating revenues through September this year, up 13% from the year-earlier period.

Meanwhile, no airlines have canceled any of their 25 outstanding orders for ATR airplanes, the manufacturer's spokeswoman said. Some 408 ATRs are in use worldwide, including about 150 by U.S. carriers, according to ATR Marketing and the FAA. And, ATR Marketing says it plans to announce a new order this week.

Though commonly referred to as commuter aircraft, ATRs are classified as large aircraft by the FAA, and their operators must comply with pilot training and some other standards imposed on operators of much larger aircraft, like 747s and 727s.

U.S. Transportation Secretary Federico Pena's announcement last week that more stringent safety standards for commuter aircraft will be unveiled within 100 days applies to airplanes that seat up to 30 passengers.

In 1993, the accident rate per 100,000 departures was 0.509 for commuter airplanes, compared with 0.297 for large airplanes.

Key areas the FAA will address are duty-time and training requirements, Mr. Pena said. FAA requirements currently allow commuter pilots to fly 120 hours monthly and 1,200 hours yearly, compared with the 100-hour monthly and 1,000-hour yearly maximums for pilots of larger airplanes.

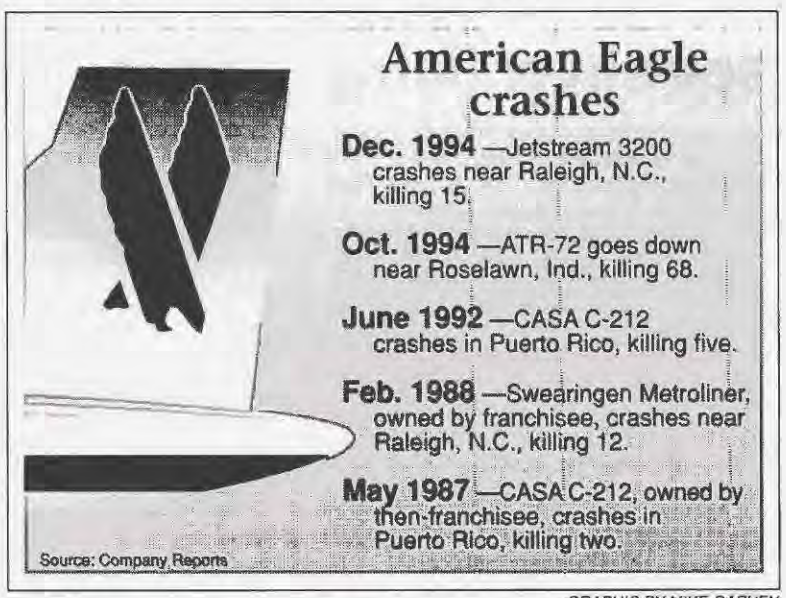
Commuter airlines also can require their pilots to perform dispatch duties, which larger airlines may not do.

The regulations also do not specify minimum training hours for pilots of commuter airplanes.

The FAA also will address crew-pairing rules to ensure "there is always enough experience in the cockpit," Mr. Pena said.

In addition, the FAA will audit all airlines' safety programs and oversight procedures.

Aviation regulators are not addressing safety equipment issues, at least for now, because "most aviation accidents occur because of human error," an FAA spokesman said. BI



GRAPHIC BY MIKE GARVEY

Updates

AMA takes new tack on reform

Continued from page 2

mental changes of the current health care system that neither undermine system strengths nor create new problems."

Previously, the AMA had supported some aspects of President Clinton's plan, including universal coverage, a standard comprehensive benefits package and an employer mandate.

Pirelli retiree benefits ruling

NASHVILLE, Tenn.—Ambiguities in employee benefit plan documents and a history of providing full retiree medical coverage for life prohibit Pirelli Armstrong Tire Co. from unilaterally terminating benefits for 3,200 retirees and spouses, a judge has ruled.

The United Rubber Workers Union, based in Akron, Ohio, sued the New Haven, Conn.-based tire company after Pirelli notified retirees that it was modifying or eliminating their benefits upon expiration of a labor agreement in July 1994.

Pirelli had a history of providing retiree medical coverage. From 1967 to 1988, benefit agreements and other communications stated that medical benefits "will be provided" for retirees for life at no cost to them and that surviving spouses of retirees will receive coverage until they "remarry or die," court papers show.

In 1991, the union and tire company entered into a similar agreement, but the language of that pact suggested that retiree benefits would end when the agreement terminated in July 1994.

Court papers said the 1991 pact was "ambiguous as to the duration of retirees' benefits" and, unlike similar sections in earlier agreements, contained no termination or duration provision.

In his Dec. 9 ruling, Judge John T. Nixon of the U.S. District Court in Nashville, Tenn., said when such ambiguities exist, courts must look to the bargaining history of a union and employer. He concluded that retiree benefits were intended to survive the July 1994 expiration of the collective bargaining agreement and "that retirees were to have health benefits until their death."

Monsanto to appeal award

HOUSTON—Monsanto Co. will appeal a federal judge's ruling that it must pay $43.7 million to International Technology Corp. for breaching a contract in the cleanup of a Superfund site.

Last week's ruling nearly halved the original jury award of $81.4 million—$28.6 million of it in punitive damages. The St. Louis-based chemical manufacturer says it has no insurance to cover the award.

Judge Lee H. Rosenthal threw out the punitive damages, set aside the jury's findings of fraud and negligent misrepresentation and let stand $43.7 million in compensatory damages for breach of contract.

Monsanto hired International Technology in 1988 as a remediation contractor to destroy waste at a LaMarque, Texas, site. Torrance, Calif.-based International Technology walked off the job in 1991 and filed suit after "an ongoing attempt to negotiate" a disagreement over bid specifications to incinerate the waste, a spokesman said.

Monsanto argued that International Technology was obligated under Texas law to honor its fixed-price contract.

Briefly noted

Lloyd's of London is expected to announce this week that 1995 capacity will be about 10 billion pounds ($15.63 billion). . . .**Michael H. Davis**, 58, who retired last year as president of The Wyatt Co. after a 34-year career, died earlier this month from complications of cancer. . . .The Massachusetts House has approved legislation delaying by one year to Jan. 1, 1996, a law that requires employers to offer and pay for a significant share of employees' health care premiums or pay a hefty tax. The **play or pay law**, initially passed in 1988, was earlier delayed until Jan. 1, 1995. The state Senate has not yet enacted the latest delay plan. . . .The Pension Benefit Guaranty Corp. last week moved to terminate four **underfunded pension plans sponsored by Copperweld Steel Co.** in Warren, Ohio. The plans have about 3,200 participants and $19.7 million in unfunded guaranteed benefits. Copperweld filed for bankruptcy last year and is expected to be liquidated, the PBGC said. . . .The Court of Appeals of Maryland on Dec. 9 threw out a total of $5 million of punitive damages against **Alexander & Alexander Inc.** and one of its vps. The punitive damages awarded for damage to a competitor had been $12.5 million but were reduced on retrial after an appellate court found the award unconstitutional (*BI*, Oct. 14, 1991). . . .**E.I. du Pont de Nemours & Co. Inc.** will appeal a $17 million product liability award to a 600-acre South Carolina tree plantation that used Benlate DF. The award to Shady Grove Plantation & Nursery Inc. in Orangeburg, S.C., is the largest against Du Pont in a Benlate case. . . .A California Superior Court judge last week vacated an $89.5 million racial discrimination judgment against **Hughes Aircraft Co.**, a unit of General Motors Corp. A retrial was ordered. . . .A bipartisan U.S. House task force has recommended the federal government create a $2 billion trust fund, financed by a 1% tax on property insurance premiums, to provide **emergency relief in natural catastrophes**. The task force also recommended that states create their own disaster trust funds. . . Texas Gov. Ann Richards has appointed **Rebecca Lightsey** as insurance commissioner to fill the unexpired term of J. Robert Hunter, who resigned this month. Ms. Lightsey, executive director of the Texas Insurance Purchasing Alliance and former head of the Texas Consumer Assn., will serve until Feb. 1. . . .**J. Patrick Gallagher Jr.**, 42, president and chief operating officer of Arthur J. Gallagher & Co., has been named to the additional post of CEO. He succeeds **Robert Gallagher**, 71, who will remain chairman. . . .Texaco Corp.'s **Heddington Insurance Ltd.** captive has U.S. Coast Guard approval to issue guarantees for certificates of financial responsibility under the Oil Pollution Act 1990. Unlike most captives, Heddington has sufficient resources to back the certificates, said a Coast Guard spokesman.

Fetal injury

Continued from page 2

land Hospital, was kicked in the stomach by a patient.

A trial court dismissed the child's suit, citing the 1989 ruling, *Bell vs. Macy's California*.

But the appellate court disagreed, holding that the state workers compensation law does not bar a fetus from suing an employer for injuries directly suffered during an attack on its employee-mother.

Appeals court Justice Carol Corrigan distinguished this case from *Bell vs. Macy's* on the basis that the earlier case involved injuries to a child that were "derivative" of the mother's injuries.

In the 1989 case, a pregnant employee complained of severe abdominal pains and sought medical attention at work. She was discouraged from going to a doctor and, by the time she was finally treated, her uterus burst and she gave birth to a child with birth defects, a child who died within several years.

By contrast, Jeffrey suffered injuries from force directly applied to him. It is the same as if Jeffrey had been standing next to his mother, the court ruled.

"Jeffrey was the object of a direct application of force," the court said. "Legally, Jeffrey stands in the same position as any other member of the public directly injured as a result of hospital negligence."

Employers that want to protect themselves from such third-party liability suits know that they cannot simply keep pregnant women out of the workplace. Doing so, the U.S. Supreme Court has ruled, would violate the Pregnancy Discrimination Act of 1978, an amendment to the Civil Rights Act of 1964 (*BI*, March 25, 1991).

In a case of women working in a battery factory, the Supreme Court found in 1993 that a policy intended to prevent birth defects violated the act by prohibiting women of child-bearing age from holding the most dangerous, and best paying, jobs (*BI*, Dec. 27, 1993).

"You have state and federal laws that protect the rights of pregnant women to continue working if they are able to," said Nancy Johnston-Bellard, risk manager for Alameda County. "But there is also the other side of it. There appear to be gaps in the various laws."

The ruling could have widespread implications for other employers, especially those with predominantly female workforces.

"It has such broad implications when you realize our staff is about 75% female," said Kenneth Gandy, a risk manager for Huntington Memorial Hospital in Pasadena, Calif.

The hospital is well respected in the area, but instances of street violence have spilled into the trauma center, he said.

"Somebody running from that (violence) could fall on a nurse," he said. "This is just one more case that management has to look at and do everything in its power to protect the (employee); so when someone files a claim, you can say you took all the precautions of a reasonable person."

In the past, risk managers were well aware they sometimes faced increased exposure when a pregnant employee held a known dangerous job, Ms. Johnston-Bellard said.

Now, employers face increased exposure even when a pregnant worker's job is not considered dangerous. Ms. Johnston-Bellard is not alone in that opinion.

"It could be a problem for employers," Ms. Roos said. "It's not just going to be instances of violence. It could be anything that causes birth defects. It opens a lot of doors."

Ms. Roos advised employers to educate employees—especially pregnant women—about any potential hazards to them or their future children. That places decisions about their childrens' welfare in the parents' control.

Meanwhile, Alameda County plans to appeal the decision to the state Supreme Court. The county is self-insured with excess insurance provided by California State Assn. of Counties, a Rancho Cordova, Calif.-based joint-powers authority that serves several counties.

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Leslie Agnew-Watson vs. County of Alameda, No. A060378, 1st Appellate District Court.

Florida cat fund's tax status remains unclear

TALLAHASSEE, Fla.—The Florida Legislature failed to go into a special session last week to address changes in the state's catastrophe fund requested by the Internal Revenue Service to ensure the fund's tax-exempt status.

According to an attorney for the Florida Hurricane Catastrophe Fund, the changes probably do not need to be approved this year to ensure the fund's 1994 exemption from corporate income taxes. The IRS asked for four changes in tentatively approving the fund's exemption earlier this month, including that the fund not cover commercial property and that its authority to impose emergency assessments on insurers be doubled to 4% of premiums.

In addition, the IRS called for a portion of the cat fund's investment income to be used to repair uninsured public property and that the fund impose an additional 0.25% assessment on gross property/casualty premiums except for workers compensation.

It is unclear whether the Legislature will convene prior to its regular session on March 7 to address the changes, which will save the cat fund $140 million annually.

The FHCF, approved last year, provides cat reinsurance financed through a $500 million annual premium assessment on insurers (*BI*, Nov. 8, 1993). In most cases, the fund is triggered when an insurer's losses reach twice its previous year's premiums.

—By Sara Marley

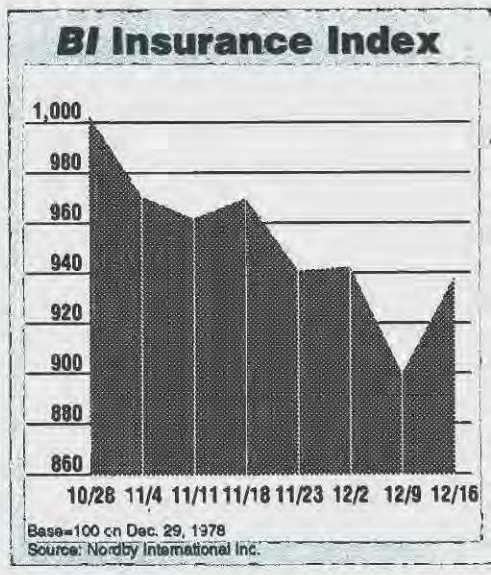
U.K. department files two wind-up petitions

The British Department of Trade and Industry has filed petitions to wind up two non-U.K. companies that have sold commercial property and marine insurance without authorization through British subsidiaries.

An official receiver was appointed last week for California Pacific Casualty Insurance A.V.V., which is registered in Aruba, and West Point Insurance Co. Ltd., which is registered in Antigua.

In early 1993, California regulators barred California Pacific—which claimed to be based on an allegedly non-existent island nation off the coast of Colombia called the Dominion of Melchizedek—and West Point Insurance from doing business in the state (*BI*, Jan. 25, 1993; March 29, 1993).

The DTI stated that it was "unable to satisfy itself" about the financial status or "legitimacy" of the two operations. BI



Insurance stocks jumped last week, as the *Business Insurance* Index climbed 39.5 points to 938.6 Dec. 16 from 899.1 on Dec. 9. Advancing issues for the week were led by: Sphere Drake Holdings, up 22.2%; Home Holdings Inc., up 15.8%; and Humana Inc., up 15.0%. Declining issues for the week followed: SCOR U.S. Corp., down 13.0%; EMC Insurance Group Inc., down 7.3%; and Lincoln National Corp., down 4.0%. The most active issue was U.S. Healthcare, 7.25 million shares traded. The *BI* Index gained 4.4%; the Dow Jones 30 Industrials rose 3.1%; the NYSE Composite rose 2.6%; and the Standard & Poor's 500 increased 2.7%.

British Issues

Dec. 15 Companies	Price pence	P/E*	Div.* pence	Yield %	1 week high—low
Comml Union	510	16.3	31.0	6.1	513—495
Genl Accident	509	10.1	34.4	6.8	516—491
Gdn Royal Exch	174	1?.2	9.5	5.4	176—169
Independent	259	8.5	10.4	4.0	259—247
Royal	279	12.1	9.4	3.4	286—278
Sun Alliance	299	13.4	18.4	6.1	302—292
Brokers					
Bradstock	92	10.3	7.1	7.7	92—90
Fenchurch	160	1 .2	10.0	6.2	160—160
CE Heath	246	6.8	20.0	8.1	246—241
JIB Group	123	10.8	9.4	7.6	123—120
Lloyd Thmpson	161	11.2	9.8	6.1	164—161
Lowndes Lmbrt	163	10.3	9.4	5.8	168—163
Nelson Hurst	175	17.1	7.0	4.0	175—175
PWS Holdings	35	N/M	1.9	5.4	36—35
Sedgwick Grp	149	13.6	7.5	5.0	150—149
Steel Brl Jones	120	N/M	11.3	9.4	120—120
Willis Corroon	136	12.4	8.3	6.1	136—133

Source: Philip Olsen, London. * Latest actual year

BI Industry Stock Report DEC. 12, 1994, THROUGH DEC. 16, 1994

BROKERS		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
Acordia Inc.	NYS	31.00	4.20	25.89	31.00	23.00	41	0.60	1.94	16	13.24	2.34
Alexander & Alexander	NYS	19.75	3.95	-0.63	22.75	14.00	342	0.10	0.51	-152	6.08	3.25
E.W. Blanch Holdings Inc.	NYS	19.25	3.36	10.79	23.00	15.75	6	0.32	1.66	16	4.55	4.23
Gallagher Arthur J. & Co.	NYS	29.88	-3.63	-16.43	37.13	28.13	186	0.88	2.95	15	6.48	4.61
Hilb, Rogal & Hamilton	NYS	11.25	2.27	-14.29	13.38	11.00	57	0.56	4.98	14	4.72	2.38
Marsh & McLennan	NYS	77.63	3.16	-4.61	88.75	71.25	883	2.90	3.74	15	19.40	4.00
Poe & Brown	NDQ	20.75	5.06	15.28	22.75	16.88	5	0.48	2.31	14	4.49	4.62
BROKERS	AVERAGE		2.6	2.3					2.6	-9		
INSURERS/REINSURERS												
ACE Ltd.	NYS	21.63	-2.81	-29.10	31.25	20.75	228	0.44	2.03	-20	22.45	0.96
Acceptance Insurance Cos.	NYS	13.88	2.78	19.35	18.00	11.13	95	0.00	0.00	10	9.83	1.41
AEGON N.V.	NYS	63.25	1.20	15.53	64.00	49.38	18	2.94	4.64	11	43.84	1.44
Aetna Life & Casualty	NYS	45.63	1.39	-24.27	65.75	42.25	1230	2.76	6.05	-6	57.21	0.80
Allied Group Inc.	NDQ	23.88	1.60	-4.50	31.00	22.00	282	0.60	2.51	6	23.43	1.02
Allmerica Prop. & Casualty	NYS	15.38	2.50	-28.63	22.16	14.25	506	0.16	1.04	9	19.45	0.79
Allstate Corp.	NYS	23.63	2.72	-20.59	30.13	22.63	1724	0.72	3.05	18	19.60	1.21
American General	NYS	28.88	7.94	1.32	30.50	24.88	1729	1.16	4.02	19	20.39	1.42
American Heritage Life Ins.	NYS	18.00	2.86	-3.36	20.13	16.50	20	0.66	3.67	11	12.42	1.45
American Indemnity/Fin'l	NDQ	10.13	-1.22	-22.12	14.75	10.00	8	0.24	2.37	4	15.92	0.64
American International	NYS	97.63	2.49	10.78	97.63	81.75	4069	0.46	0.47	15	49.75	1.96
American Re Corp.	NYS	29.50	7.76	4.42	35.75	23.50	270	0.00	0.00	16	16.85	1.75
Aon Corp.	NYS	31.63	1.61	-1.68	35.75	29.25	562	1.28	4.05	10	21.96	1.44
Argonaut Group	NDQ	27.75	0.00	-9.02	32.50	26.25	77	1.16	4.18	8	29.80	0.93
AVEMCO Corp.	NYS	13.75	-1.79	-26.67	20.25	13.38	63	0.44	3.20	11	6.30	2.18
Baldwin & Lyons Inc.	NDQ	15.25	1.67	2.52	16.25	13.75	14	0.24	1.57	9	13.56	1.12
Berkley W.R. Corp.	NDQ	34.75	4.12	6.11	42.00	32.50	90	0.44	1.27	21	36.47	0.95
Berkshire Hathaway Inc.	NYS	20400.00	3.82	24.96	20800.00	15150.00	2	0.00	0.00	26	9157.79	2.23
Capital RE Corporation	NYS	22.38	8.48	-13.11	25.75	18.50	44	0.20	0.89	8	21.48	1.04
Capsure Holdings Corp.	NYS	13.25	4.95	-1.85	16.13	12.13	69	0.00	0.00	13	13.72	0.97
Chubb Corp.	NYS	76.00	5.92	-3.34	83.13	68.63	1256	1.84	2.42	13	48.40	1.57
CIGNA Corp.	NYS	66.25	3.72	4.74	74.00	57.00	686	3.04	4.59	8	80.98	0.82
CNA Financial Corp.	NYS	66.38	4.12	-15.71	82.25	60.00	87	0.00	0.00	175	73.83	0.90
Continental Corp.	NYS	18.75	0.00	-32.13	28.63	12.00	1909	0.00	0.00	-3	29.69	0.63
EMC Insurance Group Inc.	NDQ	9.50	-7.32	0.00	10.75	8.50	4	0.52	5.47	8	10.77	N.A.
Emphesys Financial Gr. Inc.	NYS	30.50	9.42	NA	38.50	21.25	171	0.60	1.97	9	N.A.	N.A.
EXEL Ltd.	NYS	37.63	1.69	-16.39	45.75	36.00	375	1.32	3.51	9	31.62	1.19
Fremont General Corp.	NYS	22.50	1.12	-6.74	26.00	21.50	93	0.76	3.38	6	22.90	0.98
Frontier Insurance Group	NYS	20.75	12.93	-52.71	37.50	16.75	266	0.48	2.31	17	14.94	1.39
Gainsco Inc.	ASE	8.25	1.54	-8.33	9.41	7.63	108	0.04	0.48	11	3.79	2.18
General RE Corp.	NYS	123.38	3.68	16.12	125.50	101.75	1516	1.92	1.56	16	57.17	2.16
Guaranty National Corp.	NYS	15.88	1.60	-9.29	20.00	13.75	11	0.50	3.15	10	11.84	1.34
Harleysville Group	NDQ	23.00	4.55	-19.30	30.25	19.75	55	0.68	2.96	16	20.18	1.14
Hartford Steam Boiler	NYS	38.00	-0.98	-14.61	53.38	35.88	253	2.20	5.79	15	14.62	2.60
HCC Insurance Holdings	NDQ	19.38	-3.13	-3.93	22.25	15.00	164	0.00	0.00	14	10.75	1.80
Home Holdings Inc.	NYS	8.25	15.79	-52.17	18.50	3.00	412	0.00	0.00	-3	22.36	0.37
ITT (Hartford Group)	NYS	81.88	2.50	-10.76	95.97	77.00	2302	1.98	2.42	11	49.95	1.64
Kemper Corp.	NYS	39.75	7.80	10.80	65.00	34.25	1912	0.92	2.31	11	28.68	1.39
Lincoln National	NYS	35.63	-4.04	-17.15	44.38	34.63	1152	1.72	4.83	13	31.99	1.11
Markel Corp.	NDQ	40.75	-0.61	5.84	44.50	37.50	20	0.00	0.00	11	25.15	1.62
Mid Ocean Ltd.	NDQ	26.25	13.51	-7.08	30.50	22.25	527	0.00	0.00	11	20.24	1.30
Mutual Risk Mgmt. Ltd.	NYS	26.88	5.91	-10.42	30.75	21.13	44	0.32	1.19	15	9.11	2.95
NAC Re Corp.	NDQ	28.75	11.65	-1.29	32.00	24.00	490	0.16	0.56	14	19.75	1.46
National Re Corp.	NYS	23.75	-1.04	-22.45	31.75	22.25	414	0.16	0.67	10	17.31	1.37
Navigators Group	NDQ	15.75	8.62	-55.00	36.00	14.25	20	0.00	0.00	-4	10.21	1.54
Nobel Insurance Ltd.	NDQ	8.13	0.00	6.56	8.75	7.63	72	0.20	2.46	4	6.84	1.19
NWNL Companies	NYS	28.00	3.23	-13.85	34.50	27.00	355	0.90	3.21	9	24.81	1.13
Ohio Casualty Corp.	NDQ	26.25	-2.59	-11.37	33.75	25.50	358	1.46	5.17	10	24.68	1.14
Old Republic Int'l	NYS	21.00	11.26	-6.67	24.50	13.88	756	0.48	2.29	8	24.60	0.85
Orion Capital Corp.	NYS	32.00	1.99	3.64	34.75	28.13	176	0.80	2.50	8	25.86	1.24
Partner Re Holdings Ltd.	NDQ	20.88	9.87	-4.02	22.25	18.50	790	0.40	1.92	10	N.A.	N.A.
Penn-America Group Inc.	NDQ	6.75	3.85	-12.20	8.50	6.50	41	0.00	0.00	9	6.21	1.09
Phoenix RE Corp.	NDQ	25.50	-3.77	-7.27	29.25	18.50	312	0.60	2.35	5	22.86	1.12
Provident Life	NYS	23.00	3.37	-27.27	31.88	21.63	138	1.04	4.52	7	27.09	0.85
Re Capital Corp.	NDQ	12.50	-1.96	-8.26	14.75	12.00	10	0.32	2.56	10	17.63	0.71
Reliance Group Holdings	NYS	5.38	7.50	-30.65	8.13	4.88	801	0.32	5.95	13	3.48	1.54
RLI Corp.	NYS	20.13	-0.62	-24.77	27.75	20.13	63	0.60	2.98	-27	20.51	0.98
St. Paul Companies	NYS	43.75	5.11	-2.51	45.38	37.63	1019	1.50	3.43	9	31.88	1.37
SAFECO Corp.	NDQ	51.25	3.27	-6.18	59.75	46.75	1119	1.96	3.82	11	46.94	1.09
SCOR U.S. Corp.	NYS	7.50	-13.04	-40.59	13.00	7.50	258	0.36	4.80	-34	13.60	0.55
Seibels Bruce Group	NDQ	2.75	-2.22	57.14	3.50	0.94	65	0.00	0.00	11	1.05	2.62
Selective Ins. Group	NDQ	24.25	1.04	-19.83	30.75	23.00	214	1.12	4.52	10	23.36	1.04
Sphere Drake Holdings	NYS	13.75	22.22	-16.67	18.25	10.75	196	0.16	1.16	6	13.15	1.05
TIG Holdings	NYS	18.38	6.52	-18.78	23.25	17.00	800	0.20	1.09	23	17.25	1.07
Titan Holdings, Inc.	NYS	9.75	0.00	-10.34	11.75	7.75	113	0.28	2.87	8	9.31	1.05
Tokio Marine & Fire	NDQ	57.63	1.32	6.71	66.00	51.38	54	0.41	0.70	51	57.72	1.00
Torchmark Corp.	NYS	35.50	4.03	-20.67	49.50	32.38	958	1.12	3.15	9	17.49	2.03
Transatlantic Holdings	NYS	54.00	4.10	1.17	56.38	45.38	226	0.40	0.74	13	32.43	1.67
Transnational Re Corp.	NDQ	19.25	-1.28	-28.70	27.00	17.25	285	0.00	0.00	9	N.A.	N.A.
Travelers Corp.	NYS	31.88	2.00	-18.01	43.13	30.38	5265	0.60	1.88	8	24.26	1.31
Trenwick Group Inc.	NDQ	38.00	2.01	-1.94	43.75	33.25	33	1.00	2.63	13	29.20	1.30
United Fire & Casualty	NDQ	43.50	1.16	20.83	44.00	36.00	5	1.20	2.76	10	28.96	1.50
Unitrin	NDQ	42.00	0.00	-1.18	51.50	38.50	548	1.60	3.81	20	38.64	1.09
UNUM Corp.	NYS	39.00	3.31	-25.71	58.00	35.13	1152	0.96	2.46	16	27.78	1.40
US Facilities Corp.	NDQ	9.75	-3.70	-17.89	14.63	8.25	140	0.00	0.00	12	11.07	0.88
USF&G Corp.	NYS	13.63	5.83	-9.92	16.13	11.69	1290	0.20	1.47	6	10.04	1.36
USLICO Corp.	NYS	20.00	1.91	21.21	24.00	15.75	56	0.24	1.20	10	24.44	0.82
USLIFE Corp.	NYS	34.75	3.35	-10.32	41.38	30.88	194	1.32	3.80	8	40.82	0.85
Washington National	NYS	19.13	-3.77	-21.13	25.38	19.13	84	1.08	5.65	7	23.61	0.81
Zenith National Ins.	NYS	22.00	2.92	-0.56	27.38	20.63	33	1.00	4.55	10	17.54	1.25
Zurich Reinsurance Centr.	NYS	26.00	1.96	-7.96	28.38	24.25	54	0.00	0.00	-25	22.26	1.17
INSURERS/REINSURERS	AVERAGE		2.9	-9.1					2.5	12.3		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	26.50	-0.47	1.92	31.00	20.25	1769	0.00	0.00	15	12.22	2.17
Humana Inc.	NYS	22.00	15.03	19.73	25.38	15.88	6184	0.00	0.00	22	6.04	3.64
Pacificare Health Sys.	NDQ	64.75	4.44	71.52	79.50	38.75	578	0.00	0.00	21	14.21	4.56
Safeguard Health Enter.	NDQ	9.88	9.72	-21.00	15.50	8.50	44	0.00	0.00	22	6.16	1.60
Sierra Health Services	NYS	29.25	10.38	31.46	33.50	20.50	413	0.00	0.00	18	6.04	4.84
United Healthcare Corp.	NYS	45.25	8.06	21.07	55.38	36.75	4589	0.03	0.07	30	6.57	6.89
U.S. Healthcare	NDQ	42.50	6.28	10.87	49.00	33.75	7252	0.84	1.98	18	5.04	8.43
Wellpoint Health Networks	NYS	26.50	0.44	-7.69	37.00	24.25	249	0.00	0.00	13	12.73	2.24
HMOs	AVERAGE		7.0	16.0					0.2	18		
ALL COMPANIES	AVERAGE		4.2	3.1					2.6	13		

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