

Business Insurance

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P/C industry's 1992 net income, combined ratio deteriorating: III

NEW YORK—The property/casualty insurance industry's combined ratio will deteriorate to an estimated 112.3% in 1992, compared with 108.9% last year, the Insurance Information Institute projects.

And, net income will decline 36.6% to \$9 billion in 1992 from \$14.2 billion in 1991, says the III, which bases its estimates on preliminary data. The estimates do not reflect insured losses from the Dec. 11-12 storm in the Northeast (see related story).

The III also projects that the industry's
Continued on next page

Employer group backs a mandate to proffer benefits

By JERRY GEISEL

WASHINGTON—In a dramatic reversal of prior policy, the nation's largest employer-supported benefits lobbying group says all employers should offer health care coverage and pay for a majority of the cost.

The Assn. of Private Pension & Welfare Plans says an employer mandate would offer the best chance of preserving the employment-based health care system and avoiding a government-run national health insurance program or a play-or-pay approach, which it says would lead to national health insurance.

The proposed employer mandate, which the APPWP board of directors adopted this month after what it describes as "stren-

uous debate and soul-searching," also would assure that health care costs are distributed equitably and would help eliminate cost-shifting.

But the Washington-based APPWP says its support of an employer mandate can't be considered in isolation; it is one part of an "integrated" health care reform package to achieve universal coverage.

"Let us stress upfront that we believe this integrated set of recommendations—for indeed we cannot support in isolation any of its more controversial elements—would best sustain an employer-based system in the current political and policy debate," the 420-member group says.

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Supreme Court strikes comp law

Claimants not guaranteed group health cover

By MARK A. HOFMANN

WASHINGTON—A U.S. Supreme Court decision that strikes down a District of Columbia law extending group health care coverage to employees receiving workers compensation benefits is expected to have an impact far beyond the district's borders.

In 8-to-1 ruling, the Supreme Court last week held that the Employee Retirement Income Security Act of 1974 pre-empted a 1990 district law. That law required employers that provide health insurance for active employees to provide equivalent coverage for workers receiving workers compensation benefits, even if they are no longer able to

work (BI, Oct. 12).

The ruling upheld the U.S. Court of Appeals for the District of Columbia's 1991 decision in *District of Columbia et al vs. Greater Washington Board of Trade*, a local business group.

The ruling "knocks out identical statutes in Connecticut and Rhode Island," said Lawrence P. Postol, the lawyer that argued the Board of Trade's case before the Supreme Court.

It also probably voids laws in at least a half-dozen other states that require the value of health benefits to be considered in the calculation of workers comp benefit levels, said Mr. Postol, a partner at Seyfarth, Shaw, Fair-

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No limit to catastrophes

East Coast storm property damages may hit \$1 billion

By MICHAEL SCHACHNER

The Nor'easter that assaulted parts of the East Coast with heavy snowfall and torrential rain may have caused steep losses for some insurers, but much of the storm damage was either covered by federal flood insurance or uninsured.

Insurance brokers and others say the storm, which barreled up the East Coast Dec. 10-12 with intense rains and hurricane-force winds, may have caused as much as \$1 billion in property damage.

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AP/Wide World Photo

The storm caused substantial insured losses to automobiles.



Photo by Michael A. Marcotte

William O'Connor, Leslie Rosenthal, Lawrence Dorf and Richard Sandor (left to right) ring in the start of catastrophe futures trading Dec. 11

CBOT officials pinning hopes on the future

By JUDY GREENWALD

CHICAGO—Trading in catastrophe insurance futures at the Chicago Board of Trade is off to a slow start, but CBOT officials say they aren't worried.

CBOT officials and others say the insurance industry still is only learning about the contracts, and they expect a slow but steady increase in trading as the learning curve progresses.

Illinois, after issuing an emergency regulation last week, is the only state that now permits insurers to trade in the futures.

Insurers and reinsurers, among others, are expected to be the initial purchasers of the contracts, while its initial sellers likely will include "locals"—individual investors who trade futures on their own account—as well as

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Actual losses blow away the estimates

Industry blames unforeseen factors for high Andrew toll

By MICHAEL BRADFORD

The force of Hurricane Andrew not only destroyed large sections of southern Florida, but also blew away insurers' tried-and-true methods of estimating catastrophe losses.

Although loss estimates commonly are adjusted slightly upward or downward in the weeks following a catastrophe, Hurricane Andrew left behind a host of unexpected circumstances that have stymied insurers and others trying to predict the ultimate claims payout.

The hurricane will ultimately cost insurers as much as \$15 billion to \$16.5 billion, according to a study released last week by A.M. Best Co.

According to Best, Andrew already has produced gross losses of \$13.7 billion and net pretax losses of \$7.8 billion for primary insurers. Forty percent of the \$5.9 billion in reinsurance recoverable was written by London and overseas reinsurers, the remainder by U.S. companies.

Both the current and ultimate losses forecast by Best are sharply higher than earlier estimates by the Property Claim Services division of the American Insurance Services Group, which provides damage estimates for the insurance industry. The AISG in September estimated Andrew's toll in Florida and Louisiana at \$7.8 million, but in October raised that estimate to \$10.7 million. Neither estimate included insured marine and utility losses, which could add at least \$800 million to the total.

The AISG could update its estimate early
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Update

1992 insurer results worsen: III

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rate of return on capital will drop to 5.5% this year from 8.9% in 1991 and the industry's peak of 13.9% in 1986. However, the industry's capital will increase 4% in 1992 to \$165 billion from \$158.7 billion, with the main source of the increase the \$9 billion in net income.

A&A may report 1992 net loss

NEW YORK—Alexander & Alexander Services Inc. may report a net loss for 1992 after taking an undetermined fourth-quarter charge to boost the reserves of discontinued and sold underwriting operations.

The charge relates mainly to pollution liability risks assumed by former A&A unit Sphere Drake Insurance Co. from 1953 to 1967 through a pool managed by Orion Insurance Co. P.L.C., said Frank Wiczynski, corporate secretary.

A&A said the charge could exceed net income for the year. A&A reported net income of \$465 million for the first nine months of 1992. But, because most of the pollution liabilities will not be paid for 10 or 20 years, the charge will not create an immediate cash drain.

A&A acquired Sphere Drake in 1982 as part of its takeover of Alexander Howden Group P.L.C. It sold the insurer in 1987 to an investor group that included Sphere Drake management, guaranteeing Sphere Drake's loss reserves and reinsurance recoverables for 1986 and prior years (*BI*, Sept. 21, 1987).

Moody's Investors Service Inc. has placed A&A's short-term debt rating under review for possible downgrade, citing the charge.

Panel rejects federal regulation

WASHINGTON—A federal commission recommends that insurers remain subject to state rather than federal regulation.

The Advisory Commission on Intergovernmental Relations recommended last week that "the federal presence be an investigatory role including, for example, conducting basic research and issuing reports on both the property/casualty and life insurance industries so as to help alert citizens to problems and assist states to strengthen and coordinate their regulation."

The recommendations by the congressionally mandated commission followed a report it released holding that state solvency regulation has improved. The report pointed to the savings and loan debacle and the recent spate of bank failures as "powerful reminders" that federal oversight does not prevent failures in the financial services industries.

Commission members also said that state regulators' acceptance of gifts and favors from the industry should be restricted.

Maine work comp rescue killed

AUGUSTA, Maine—Maine's Bureau of Insurance overreached its authority by requiring that all property/casualty insurers licensed by the state help pay an unspecified 1992 deficit in the state's workers compensation residual market, a state judge has ruled.

Maine Superior Court Judge Donald G. Alexander decided Dec. 10 that the assessment (*BI*, March 9; Jan. 13) violated the constitutional right of due process for property/casualty insurers that wrote little or no workers comp coverage in the state. Plaintiffs included State Farm Fire & Casualty Co., National Indemnity Insurance Co., the Alliance of American Insurers and the National Assn. of Independent Insurers.

The state's rule failed to "adequately apportion any extraterritorial values and relate any allocation formula to the extent of a carrier's business transacted within the state," the judge said. However, a different formula may be acceptable, he added.

California sues faucet makers

SAN FRANCISCO—Sixteen plumbing manufacturers are being sued by the state of California and two environmental groups for selling faucets that leach lead into drinking water.

In a lawsuit filed last week in San Francisco Superior Court, Attorney General Dan Lungren alleges violations of California Proposition 65's prohibition against discharging lead into drinking water as well as the law's requirement that consumers be given a "clear and reasonable" warning of unsafe lead exposure. Fines can amount to up to \$2,500 per day for each violation.

In a separate suit filed in the same court, the National Resources Defense Council and the Environmental Law Foundation are demanding a ban on sales of the faucets and a public education campaign to tell past purchasers how to reduce their risks.

However, manufacturers named in the suits assert that their products are safe and that no faucet made in the United States meets the maximum lead content standards set by Proposition 65.

"It is important to note that no one has ever claimed that lead exposure levels from faucets in normal use at homes and businesses are anything but safe," said Mike Hoopis, president of Price Pfister Inc. in Pacoima, Calif.

Proposition 65, approved by voters in 1986, limits lead exposure to 0.5 micrograms per day (*BI*, Feb. 29, 1988). But U.S.-made faucets tested by University of North Carolina researchers leached between 2.76 micrograms and 124.8 micrograms of lead per day.

California claims handling rules

LOS ANGELES—Tough new claims-handling standards for California insurers that take effect Jan. 15 will pave the way for partial restoration of the third-party tort rights taken away by the state Supreme Court, says Insurance Commissioner John Garamendi.

The new regulations, approved last week by the California Office of

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GM hopes offer will steer workers to retire early

By SALLY ROBERTS

DETROIT—An early retirement program unveiled last week by General Motors Corp. and the United Auto Workers union may not be sweet enough to eliminate thousands of hourly workers' jobs as GM hopes.

By using as much as \$450 million in joint training funds to fund the program, GM hopes to improve its precarious financial position by shedding thousands of blue-collar jobs.

Under the plan, UAW hourly workers age 62 and older who

retire on either Feb. 1 or March 1 will receive unreduced pension and health care benefits. In addition, retirees in this age group will also receive up to \$13,000 in vouchers and cash toward the purchase of a new U.S.-made GM car.

Hourly union members between the ages of 50 and 61 with at least 10 years of service will also be eligible for full pension and health care benefits if they retire on Feb. 1 or March 1, with no reduction in benefits for retiring at a younger age.

In addition, while early re-

tirees in this age group will not receive car vouchers or cash, they will not have any of the usual restrictions placed on outside earnings. This would allow the retired employees to take a full-time job elsewhere while still receiving a full GM pension.

GM typically sets a \$15,000 per year cap on outside earnings of employees who retire early. If the employee's earnings exceed the cap, his or her GM pension is reduced, a GM spokesman said.

Under GM's defined benefit pension plan, workers will re-

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A balancing act: Deal may avert greater financial risks

TWA accord fair: PBGC

By JERRY GEISEL

WASHINGTON—An agreement between Trans World Airlines owner Carl Icahn and the Pension Benefit Guaranty Corp. that could expose the PBGC to hundreds of millions of dollars in losses if TWA's pension plans terminate is fair and reasonable, the head of the pension agency asserts.

As reported earlier, an Icahn-

owned company will guarantee about \$200 million in payments, including \$80 million over the next five years, to the two TWA plans (*BI*, Dec. 14).

In addition, if the plans terminate, a group of Icahn-controlled companies would have to pay \$240 million to the PBGC in eight annual \$30 million installments.

But those payments would fall far short of covering the plans'

liabilities and the PBGC's losses if the plans are terminated. The plans have, according to agency calculations, \$1.05 billion in unfunded vested benefits, including \$730 million in PBGC-guaranteed benefits.

PBGC Executive Director James B. Lockhart III described the agreement as one that will help keep the pension plans ongoing—with certain financial

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Managed care issues are focus of BI conference

SAN DIEGO—The latest trends in managed health care will be the focus of the Winter Health Care Management & Cost Containment Conference next month.

The conference, co-sponsored by *Business Insurance* and The International Business Forum Inc., will be held Jan. 13-15 at the Hotel del Coronado in San Diego.

Two dozen speakers will address the latest developments in health maintenance and preferred provider organizations, direct contracting, workers compensation medical cost containment and other topics.

The conference fee is \$795. To register contact The International Business Forum Inc., 50 Charles Lindbergh Blvd., Suite 400, Uniondale, N.Y. 11553-3619; 516-229-2375; fax 516-229-2386.

IRS rule may increase offers of living benefits for terminally ill people

By JERRY GEISEL

WASHINGTON—Terminally ill people will be able to collect life insurance benefits tax-free under certain conditions, the Internal Revenue Service announced last week.

So-called "living benefits" can be paid tax-free before death if a person is terminally ill and the condition "is expected to result in death within 12 months," the IRS announced.

Generally, if group or individual life insurance benefits are paid before death, the difference between benefits and premiums is taxable.

The IRS announcement, published in the Federal Register Dec. 15, eliminates years of uncertainty on the tax status of accelerated life insurance benefits. It is expected to increase both

the number of insurers that offer the feature in their group life insurance products and the number of employers that select the feature.

The tax status of accelerated life insurance benefits was "a very gray area. A lot of employers wanted to wait until the taxation issue was clarified before offering the benefit," said Bill Randolph, group life product manager with John Hancock Mutual Life Insurance Co. in Boston.

"This will make employers a lot more comfortable about offering the benefit," said Joe Maginnis, vp-underwriting at Prudential Insurance Co. of America in Roseland, N.J.

Roughly 150 insurers—including about two dozen group insurers—now offer an accelerated

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Benefits Marketplace

Heavy competition in managed care field is lowering the peak of health cost hikes

But higher drug, mental health costs keep overall medical expenses aloft

By MICHAEL SCHACHNER

Increases in managed health care and indemnity premiums next year will be the smallest in five years.

The proliferation of managed care and heavy competition among health maintenance organizations will keep average premium hikes for HMOs to 6% to 12% next year. But for unmanaged, or moderately managed, indemnity programs, 1993 increases will be in the 18% to 22% range.

Premiums for HMOs with point-of-service options, which have grown immensely in popularity recently, will rise about 13% to 16% next year.

And, self-insured employers' health care costs will rise 6% to 15% in 1993, depending on the level of managed care they impose.

With more than half of U.S. workers now covered by a health plan with at least modest managed care features, the medical portion of health care costs is coming under some control, according to health insurers, HMOs and consultants.

Some of that progress, though,

is being offset by persistent inflation in the areas of prescription drugs and behavioral care.

These factors, combined with technological advances, high utilization of medical services and cost-shifting by doctors whose Medicare reimbursements have been cut, are keeping the trend lines used to forecast insurance cost increases at about 20%, insurers say.

Officials acknowledge that their trends are conservative, with built-in margins to allow them to pay dividends to employers with experience-rated plans. But insurers also point out that drug cost increases and public demand for quality care are both at an all-time high.

"We have made some headway on medical costs, but we haven't been able to get our arms around (mental health care and prescription drug costs)," said Bernard Schoen, vp-experience-rated plans with Empire Blue Cross & Blue Shield in New York.

Similar observations were offered by almost every health care expert contacted by *Business Insurance*. Prescription drug costs, they say, keep rising 20% to 25%.

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World's largest employee benefit consultants						
Ranked by worldwide benefit consulting revenues. 1992 figures are estimates.						
Name (Parent)	Benefit consulting ¹			Offices U.S./total	Total operations	
	Gross revenues (millions)	1991	% chg.		Gross revenues (millions)	Employees
William M. Mercer Cos. Inc. (Marsh & McLennan Cos. Inc.)	\$657	\$643	2.2	43/100	\$918	6,358
Towers Perrin (Towers, Perrin, Forster & Crosby Inc.)	442	430	2.8	29/58	672	4,742
The Wyatt Co. (Independent)	365	368	-0.8	30/70	425	3,400
Hewitt Associates (Independent)	283	263	7.6	31/60	333	3,125
The Alexander Consulting Group Inc. (Alexander & Alexander Services Inc.)	206	186	10.8	22/60	274	2,100
Noble Lowndes & Partners Ltd. (Independent)	204	184	10.9	11/49	213	2,930
Coopers & Lybrand-Human Resource Advisory Group (Coopers & Lybrand)	201	131	53.4	23/64	235	2,131
A. Foster Higgins & Co. Inc. (Johnson & Higgins)	161	155	3.9	48/78	232	1,878
Buck Consultants Inc. (Independent)	161	158	1.9	15/32	161	1,300
Godwins International Holdings Inc. ² (Aon Corp.)	123	114	7.9	29/96	148	1,471
Total	2,803	2,632	6.5	281/667	3,611	29,435

¹ Excludes revenues from claims administration, compensation consulting, insurance commissions (where no consulting is involved), and other non-benefit consulting. ² Figures reflect combined operations of Godwins and Miller Mason & Dickenson.

Source: BI survey

For benefit consultants, stalled global economy results in second year of slim revenue growth

By CHRISTINE WOOLSEY

The world's largest employee benefit consulting firms are still wrestling with the effects of a sluggish economy.

For the second year in a row, average revenue growth among the top 10 was less than 10%. Estimated worldwide benefit consulting revenues for those firms totaled \$2.80 billion this year, up just 6.5% from \$2.63 billion in 1991. Last year's revenues were up 7.4% over 1990 levels (*BI*, Dec. 16, 1991).

Growth rates would have been even lower were it not for some merger and acquisition activity among the 10 largest firms.

In fact, seven of the firms failed to achieve double-digit

growth in benefit consulting revenues this year. Five were unable to manage even 5% growth. And one—The Wyatt Co.—estimates its revenues will actually decline slightly in 1992.

Business Insurance ranks the consultants strictly on revenues generated by worldwide employee benefit consulting: giving advice on a fee-for-service basis on 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 and compensation consulting.

Business Insurance also ranks the largest U.S.-based benefit consulting firms, based on their benefit consulting revenues generated.

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GRAPHIC BY JOHN HALL

Health care costs

Continued from previous page
per year, and behavioral health care costs 18% to 20%.

Until these costs are better controlled, overall health care costs are expected to increase despite managed care.

Nonetheless, overall health care inflation has slowed. The medical cost component of the Consumer Price Index increased by 7.1% from the beginning of the year through October. In comparison, the medical portion of the CPI rose 8.7% in 1991, and 9.7% in 1990.

General inflation from January through October was 3.4%, compared with 4.2% in 1991.

Only at stringently managed, traditional HMOs are premium hikes kept to single digits—and only in competitive regions of the

country where HMO penetration is great. In the Northeast, by contrast, where fee-for-service indemnity programs are only now beginning to lose market share to HMOs, HMO premium increases will still exceed 12% in most cases.

"Overall, managed care is showing results," said Joe Duva, a principal with Ernst & Young in New York. "Aggressive employers willing to pursue actively managed plans can knock annual inflation down to about 6%."

The Group Health Assn. of America in Washington estimates in its annual "HMO Market Position Report" that 1993 HMO premiums will increase 9.6% on average, down from 10.7% increases in 1992.

That report was based on a random sampling of 45 plans enrolling close to 12 million of the

'There's no need for higher rate increases . . . we have to start with lower costs,' says Mr. Greaves.

more than 40 million people now covered by HMOs. Enrollment rose by 3% to 5% this year at the more 500 or so HMOs in operation, said the GHAA.

Rising enrollments are a major reason why insurer-owned HMOs are scaling down premium increases.

CIGNA Corp. will increase premiums about 8% for its staff model HMO in competitive regions of the country, and about 12% for its independent practice

association model, said Chip Sharkey, senior vp-national marketing.

Elsewhere, subscribers will not be so fortunate. CIGNA Healthplans Inc., the nation's third-largest HMO based on 2.4 million members, will increase premiums by as much as 17% in heavily regulated states like New York and New Jersey that operate on the diagnostic related group rating system, Mr. Sharkey said.

Metropolitan Life Insurance Co. will increase HMO premiums 12% in 1993, mainly due to high prescription drug costs, said James Galasso, a vp and actuary in New York. Premiums for its HMO with a point-of-service option will rise about 15%.

"Until the drug manufacturers feel competitive pressure, the costs of these drugs won't come down," Mr. Galasso said.

Travelers Corp. plans to raise HMO premiums by 10% to 15% next year, according to Tom Burton, vp and actuary in Hartford, Conn. Premiums for its HMO with a point-of-service option will be up 14% to 16%.

Fred Sugars, assistant vp with Aetna Life & Casualty Co. in Hartford, said Aetna will bump up HMO premiums by 8% to 12%, depending on location, while premiums for HMOs with a point-of-service option will rise 13% to 14%.

Aetna Health Plans is the seventh-largest HMO in the country, covering about 1.1 million employees and dependents.

Prudential Insurance Co. of America's HMO, Prudential Health Care Plan Inc., which also has about 1.1 million members, will boost average premiums by about 9% to 10% in 1993, while its point-of-service HMOs will raise premiums by 15% to 16%, said Joe Maginnis, vp-group underwriting with the Newark, N.J.-based insurer.

"Our margins have been very good, so we have some room to reduce rate increases," he said. "We also have to respond to the competition. We can't be greedy."

Jim Pesnell, a vp with Provident Life & Accident Insurance Co. of Chattanooga, Tenn., will raise premiums for its point-of-service HMOs by 13% to 20%, depending on how aggressive employers are in driving employees toward the managed care option.

Blue Cross & Blue Shield Assn., the nation's second-largest HMO system based on 5.5 million members, said its HMOs will raise premiums nationwide by an average of 9% to 11%.

Mr. Schoen of Empire Blue Cross, which operates in the most populated portions of New York state, said Empire will boost HMO premiums by 5% to 8%, depending on experience.

For the second consecutive year, independent HMOs contacted by *Business Insurance* reported that they plan to increase premiums at a lower level than insurer-owned HMOs.

For example, Oakland, Calif.-based Kaiser Foundation Health Plan Inc., which owns the nation's largest HMO with about 6 million enrollees, will impose average premium increases on a nationwide basis of 6.8%, a spokesman said.

In California, where the Kaiser Permanente Medical Care Program has its greatest enrollment, premiums will increase 7.1% in the northern half of the state and 5.5% in the southern portion.

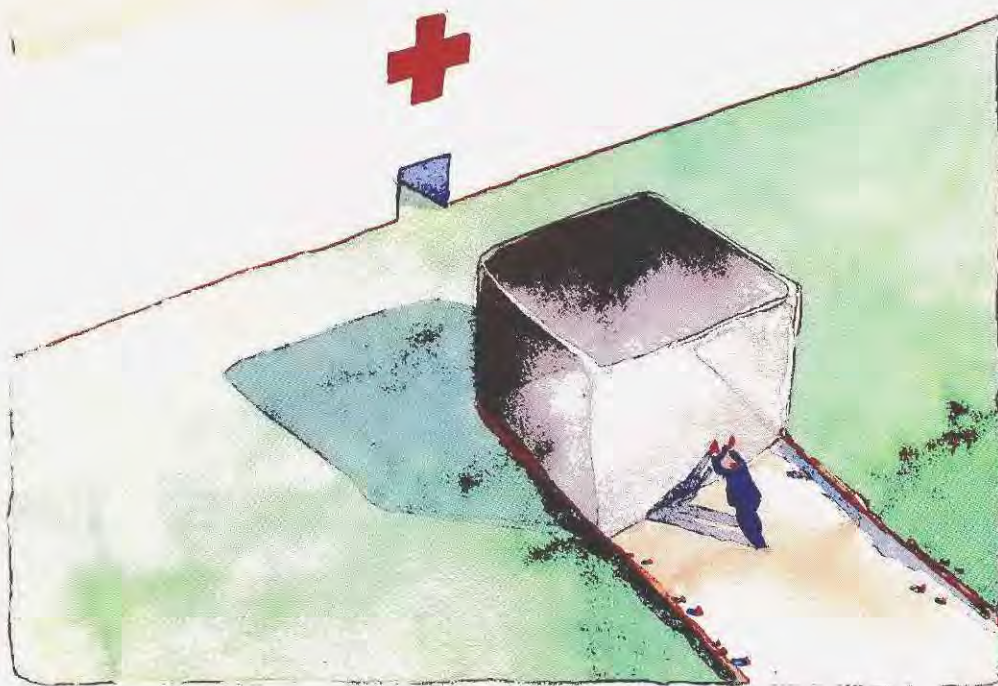
Roger Greaves, president and chairman of Health Net in Woodland Hills, Calif., the nation's 10th-largest HMO with more than 900,000 members, said clients can expect premium increases in the single-digits in 1993. "There's just no need for higher rate increases. The economy is tough, people are healthier, and if we're committed to expanding access, we have to start with lower costs," he said.

Cypress, Calif.-based PacificCare Health Systems Inc., which operates HMOs in California, Texas, Oklahoma and Oregon, will increase premiums in 1993 by 4% to 6%, said Senior Vp Rich Lipeles. "We're competing primarily with HMO companies, so we have to price our product better," Mr. Lipeles said.

Foundation Health Plans, another California HMO, will also keep premium increase under the

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Spotlight report

Health care costs

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double-digit level. The Rancho Cordova-based HMO expects to hike premiums 5% to 9%, said Ed Munno, vp-sales.

One of the few exceptions to single-digit HMO premium increases will come from U.S. Healthcare Inc., which operates in eight northeastern states. The Blue Bell, Pa.-based HMO will increase premiums by an average of 12%, said Costas Nicolaides, chief financial officer.

Meanwhile, employers with preferred provider organizations and managed indemnity plans should expect premiums to increase by 13% to 20%, while premiums for unmanaged indemnity plans should jump by about 20% to 22%, insurers say.

Aetna's PPO premiums will

rise 17% to 18%. Its managed indemnity plan—which contains hospital precertification, discharge planning and concurrent review—will go up by about 20%, and unmanaged indemnity premiums should increase by 20% or 21%, but will be priced higher than managed plans, said Mr. Sugars.

CIGNA's PPO network will bump up premiums by 16% to 20%, said Mr. Sharkey, while premiums for indemnity coverage will jump 22%. "Until we can get more ambulatory care for behavioral health and put everyone on formularies for drugs, the best we can expect is for trend to stabilize at 20% to 22%."

MetLife's PPO premiums are slated for an 18% increase in 1993, while indemnity plans should budget for 22% premium hikes, Mr. Galasso said.

Prudential will raise indemnity premiums for small-group plans—those with fewer than 250 lives—by 20% to 22%, while larger groups with indemnity coverage will see premiums increase by 16% to 20%, said Mr. Maginnis.

Blue Cross & Blue Shield indemnity premiums will increase by an average of only 14%, said the spokeswoman. "We're trying to narrow variations among our plans and get more uniformity on pricing," she said, explaining why the Blues' indemnity plans will experience lower inflation in 1993 than the indemnity plans offered by other insurers.

Mr. Pesnell of Provident Life said indemnity premiums should increase by about 20% in 1993. "Medical cost management is having an impact on overall costs," he said, noting that in-

demnity inflation was about 22% this year.

And, at Principal Mutual Life Insurance Co. in Des Moines, Iowa, which writes primarily small-group plans, both indemnity plans and PPOs will be priced about 15% higher next year, said Vp Jim Van Lew. "We're watching our trend closely, and while we understand that it's lower than most major insurers, this is what we're planning on based on our book of business," he said.

Employers that self-insure portions of their employee health care plans should expect 5% to 15% inflation next year, and can achieve even better results by actively managing their plans.

The Kemper National Insurance Cos. of Long Grove, Ill., covers 6,600 employees—5,500 of them under Kemper's self-in-

sured indemnity plan with a PPO option. This program should experience 10% inflation in 1993, said Sally Bullen, director of employee compensation and benefits.

"This is better than the 30% annual inflation we had (without a provider network). We'd still like to achieve lower inflation, but that will require even more managed care and a PPO that's available nationwide instead of just in certain areas," she said.

For Kemper's 1,100 employees covered under various HMOs, premiums will increase 10% to 15%, she predicted.

Pacific Bell of San Francisco also offers self-insured health benefits to about 45% of its 98,000 active employees and retirees, said Neil Austin, director of health and welfare plans.

The phone company is budgeting for 6% to 8% health care inflation in its self-insured managed indemnity plan that has a point-of-service option. HMO premiums will increase by about 8% to 10% next year.

"It's the drug costs that continue to plague us," Mr. Austin said. "They're increasing by 18% to 25% per year." **BI**

Top consultants

Continued from page 3

erated in the United States or from consulting for U.S. multinationals (see chart, page 10).

No doubt the economy is still taking its toll on the benefit consulting industry. Employers this year continued to shy away from big, discretionary benefit consulting projects.

Also, benefit consulting has matured significantly in the last five to 10 years, leaving less opportunity for huge growth among the dominant players in the market.

And, because the volume of new benefits laws has declined significantly in recent years, the need for compliance advice has slowed.

Most consultants think the days of big revenue gains are gone forever, but others are more optimistic.

"The days of large revenue increases—20% or 25%—could return if the conditions which produced them would return," said David J.D. McLeish, chairman and chief executive officer of Godwins International Holdings Inc.

Until then, many firms are cutting staff, particularly in areas like defined benefit plan consulting. Relying on new technology, they are also cutting out administrative positions.

Keeping a close eye on head counts is important because "in this business that's where your costs are," pointed out Hewitt Associates' Chief Executive Dale Gifford.

Individual consultants are also feeling the pinch. At several firms, profit sharing and bonus programs are not as generous as in previous years.

"Because of lower profit margins, we have lower bonuses in comparison to historical levels," said Robert Powell, chairman and CEO of A. Foster Higgins & Co. Inc. But, he said, "we are pretty sure we will be paying more bonuses this year."

Consultants "will not benefit from bonuses to quite the same degree because there isn't the same amount of revenue. It's a tough environment," acknowledged Peter Brew, CEO of U.S.

Continued on page 10



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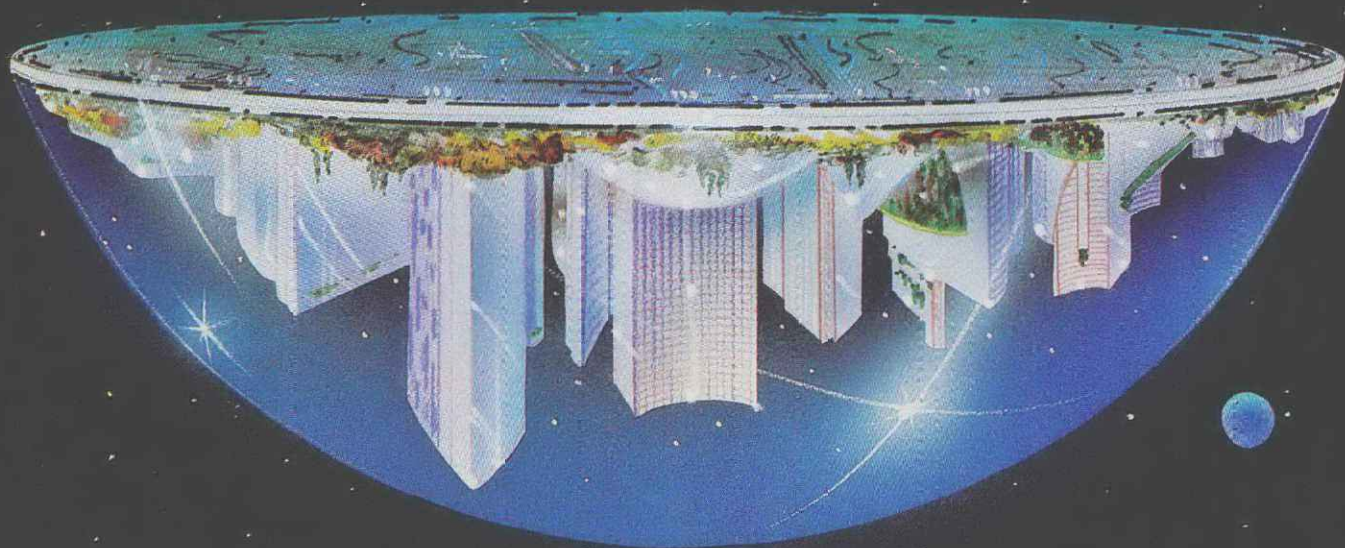


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AND QUAKES GALORE,
GRAND COMPANIES
AT ONCE ARE POOR.

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DISASTERS? FIE!
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LET LAST YEAR DIE!

ELECTION YEAR,
THE VOTE'S FOR BILL;
HEALTH CARE REFORM
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COOPERATE!
DISCUSS, ENGAGE,
JOIN THE DEBATE!

RIOTS AND FLOODS,
AN ECONOMY STALLS.
SOFT MARKET? HARD?
WHO MAKES THE CALLS?

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WE'VE HAD THE WORST!
MAY '93
BRING PEACE ON EARTH.

WE'VE SEEN CHANGES
ENOUGH TO KNOW
THIS TOO WILL PASS—
DON'T GIVE UP THE SHOW!

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THIS SEASON'S CHEER
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FOR A HAPPY NEW YEAR!

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Top consultants

Continued from previous page
operations for Noble Lowndes & Partners Ltd.

Recession may not be the only reason for the slowdown in consulting.

"There is no question the economy is still having an impact, but it's more than just the economy. The environment for employee benefit consulting has changed because of changes in employers themselves—changes in their attitudes and level of knowledge and sophistication," pointed out A.M. (Bud) D'Alessandro, chairman and CEO of the Alexander Consulting Group Inc.

"Employers are quite properly looking at every aspect of cost control and cost effectiveness in their companies and they are properly demanding value, quality efficiency and integrity out of the consulting world," he said. "In general, it's getting much more difficult to compete with other consulting firms because the standards are so high. Client expectations have risen dramatically over the last few years."

Employers are testing the mettle of the consulting firms they use by increasingly putting projects—even small ones—out to bid, some consulting firm executives say.

"Work is being broadly bid and that has caused consultants to take on more risk," said Reed Keller, vice chairman of Coopers & Lybrand's Human Resource Advisory Group. "I understand where clients are coming from—their business is tough and they are being squeezed."

Employers are even testing long-term relationships, noted Hewitt's Mr. Gifford. "They aren't necessarily planning to change, but they want to look at other consultants to see what they have to offer."

For some employers, getting a better price on commodity-type services, like actuarial valuations, is the driving force behind their requests for proposals. Most companies have responded over the last few years by lowering costs for those types of services.

"There is great competitive price pressure out there," said Robert Krinsky, president of The Segal Co., the ninth-largest U.S. consultant. "Frankly, some firms are underbidding just to buy the business," he said.

However, other executives pointed out that price is not always the only reason employers go shopping.

"It depends on what they are looking for. A request for proposal could be price driven, value driven or driven by the need for innovation and creativity," pointed out Michael Davis, president of The Wyatt Co.

The level of sophistication among employers is changing the benefit consulting industry, executives from the leading firms point out. Among other things, employers "are looking for consultants who bring a broader business perspective to an issue," said J. Russell Southworth, managing director of Towers Perrin North America. "They want to know how we can help them bring into better alignment their human resource functions with their (overall) business strategy objectives."

Competition from non-traditional benefit consulting sources is increasing, but most executives from the top firms say they welcome it. "There have always been new competitors emerging and that's healthy," Mr. Southworth said. "In fact, the whole competitor landscape is becoming more and

more blurred; now you see banks getting into benefits administration and systems companies selling benefit programs."

"I don't think there are any new competitors that will change the equation for us," said William Giegerich, president and CEO of Buck Consultants Inc.

Employers are still looking for answers about how to tame the health care cost monster and most consultants reported fairly brisk activity in that practice area for 1992.

"The health care area will continue to be a major emphasis in 1993," said Robert Brochu, executive vp of William M. Mercer Cos. Inc. "There is still some debate about how quickly we'll see some health system reform, so clients cannot be any less diligent about managing their health plans."

Most consulting firm executives

expect business to pick up after Bill Clinton takes office. "It's been so long since we've had a president and a Congress of the same party," that something is likely to get done, said Hewitt's Mr. Gifford. "We are expecting a lot of activity, especially with work and family leave policies. There is a clear expectation that the new president will not veto that legislation."

Profiles of the 10 largest benefit consultants follow:

William M. Mercer Cos. Inc.

Braced for another tough year, Mercer managed to increase its worldwide benefit consulting revenues 2.2% to an estimated \$657 million from \$643 million in 1991.

Despite continued frugality among employers, the New York-based consultant retains the top spot in the *Business Insurance*

Continued on next page

Top 10 U.S.-based benefit consultants

Based on U.S. benefit consulting revenues

	1992 estimates (in millions)
1. William M. Mercer Inc.	\$ 387.6
2. Towers Perrin	322.7
3. The Wyatt Co.	292.0 ¹
4. Hewitt Associates	260.4
5. Alexander Consulting Group Inc.	152.3
6. A. Foster Higgins & Co. Inc.	129.1
7. Buck Consultants Inc.	120.8
8. Coopers & Lybrand-HRAG	102.5
9. The Segal Co.	71.9 ¹
10. Godwins Int'l Holdings Inc.	71.3
Total	\$1,910.6

¹BI estimate
Source: BI survey

GRAPHIC BY JOHN HALL



Continued from page 10
ranking of the world's largest benefit consulting firms.

"We expected a tough year. The economy hasn't improved much and when our clients hurt, we hurt with them," President Peter Coster said.

Also affecting revenue growth are improvements over the last few years in the way Mercer delivers its services, said Mr. Brochu. "With better (computer) systems and support for our consultants, we are able to pass efficiencies onto our clients, and that's not necessarily conducive to adding revenue."

Mercer also trimmed its staff, primarily through attrition and selective staff reductions, by 3.5% in 1992. The firm has 6,358 full-time employees, down from 6,586 in 1991.

Two offices closed in 1992: A White Plains, N.Y., office closed

and its staff merged with the firm's Stamford, Conn. office; and a Zurich, Switzerland office, employing five people, closed and its business is now handled by Mercer's Geneva office.

Mercer opened three new international offices in 1992: in Antwerp, Belgium; Cork, Ireland; and Stockholm, Sweden.

Mercer's parent, broker Marsh & McLennan Cos. Inc., in February purchased the remaining interest in Faugere & Jutheau S.A., a French insurance broker (BI, Feb. 10). The acquisition adds about 50 benefit consulting employees to Mercer's Paris office.

Mercer's Australian unit in August acquired Roach Retirement & Financial Planning Pty. Ltd., which employs about 18 consultants in Melbourne and Sydney.

And, another Mercer unit in April acquired Pension & Invest-

ment Consultants Ltd., which employs about 60 people in Dublin and Cork, Ireland. As a result of the purchase, Mercer now employs about 100 consultants in Ireland.

"Our strategy is to be the market leader in each country we operate in, and this acquisition puts us in second place in Ireland," Mr. Coster noted.

In the United States, Mercer's retirement planning practice remained flat in 1992, but other practice areas, including communications, 401(k) investment planning and benefit administration services, experienced "significant" growth, Mr. Brochu said.

Mercer recently enhanced its Comprehensive Health Analysis and Management Program—CHAMP, a computer program that enables consultants to determine where a client's health costs are originating, evaluate the effective-

ness of cost management efforts and model the cost impact of various plan-design changes.

Mercer this year also added daily valuation and transaction capabilities to its defined contribution plan recordkeeping system.

The firm also launched "single-source servicing" for clients that use its recordkeeping services, in which Mercer arranges to offer clients unbundled services from several large plan trustees, mutual funds and investment managers.

Towers Perrin

New York-based Towers Perrin, the world's second-largest benefit consulting firm, reported estimated 1992 benefit consulting revenues of \$442 million, up 2.8% from \$430 million in 1991.

"We have met both our revenue growth goals and our profitability goals, which represents a

substantial achievement in a difficult economy," said Mr. Southworth, noting Towers Perrin began to take action two years ago to "position the company for the 1990s and beyond."

Among other things, it decreased staff 10% in 1991, and has cut staff about 2.5% in 1992. The firm's workforce now totals 4,742, down from 4,862 employees in 1991.

However, the most recent reductions were made in the firm's general management and compensation lines of business, not its benefit consulting practice, he noted. "We don't envision any more major staff reductions. We already bit that bullet."

The firm's health and welfare practice experienced the most growth in 1992—more than 10%—and it plans to increase staff in that area in 1993, Mr. Southworth said. Retirement and communications practices had "modest" growth, he said. "Overall, the three lines combined grew by about 4% over last year."

Towers Perrin continued to focus on reducing internal costs in 1992 by "utilizing technology to automate and streamline administrative and technical processes," Mr. Southworth noted.

"We've been very aggressive in reducing our own administrative costs—we've squeezed out 25% of our administrative cost over the last three years" by reducing staff, using more technology and managing our real estate costs more effectively, he said.

Towers Perrin in 1992 acquired Diversity Consultants Inc., an Atlanta-based firm specializing in helping clients manage cultural diversity in the workplace.

The firm closed one office, in Stockholm, Sweden, in 1992, leaving it with 58 offices worldwide.

Towers Perrin recently formed the Health Policy Group to help clients prepare for potential health system changes under the Clinton administration. The group "has begun to focus on health policy issues and to inform employers' leadership about the implications of them," Mr. Southworth explained.

The firm also introduced a new interactive, personal computer-based software program, Flex Planner, that helps clients' employees assess their benefit needs, weigh costs of various options and make better-informed choices.

Towers Perrin also now offers employers an interactive diskette, called BenVal, that allows them to make quantitative comparisons of benefit programs in the marketplace and their current plans.

"Staying abreast of technology for the benefit of our clients" is one of the challenges Towers Perrin faces in the year ahead, Mr. Southworth said.

The firm must remain "flexible and in touch with client needs and must deliver the best answers at reasonable prices."

The Wyatt Co.

Wyatt remains the world's third-largest benefit consultant despite essentially flat revenues this year.

Wyatt estimates its 1992 benefit consulting revenues will total \$365 million, about 1% below the \$368 million it reported for 1991.

Last December, the firm estimated that 1991 revenues would reach \$400 million, but that growth did not materialize.

"Our revenue growth came in below projections" due to increased competitiveness and a weak economy, said Mr. Davis.

Wyatt recognized the torpid economy would force clients to

Continued on next page

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Top consultants

Continued from previous page
postpone more benefit consulting projects, "but the impact did not roll out until January and February 1992." The company's fiscal year ends June 30, so "we had to revise our budgets to adjust to that change," Mr. Davis said.

The firm reduced its benefit consulting staff, mainly through layoffs, by about 8% worldwide over the last 12 to 18 months. Wyatt's workforce now totals approximately 3,400, down from 3,700 a year earlier. Because certain prac-

tice areas, like retirement planning, were flat in 1992, "some offices have had to adjust their employee levels," he said.

However, Wyatt has not reduced its health care consulting staff and "we are actively replacing those who have left," he said.

Mr. Davis and Leroy B. Parks Jr., Wyatt's executive vp and treasurer, will retire next November. Mr. Davis, 56, joined Wyatt in 1958 and has served as president since 1989. Mr. Parks, 54, joined the firm in 1964 and was named treasurer in 1989 and executive vp in 1991.

The two executives' decision to

retire reflects "personal objectives," Mr. Davis said, noting, "I haven't had time to think about what I'll do next."

No successors have been named, but Mr. Davis said he will chair a Wyatt board committee that will nominate a new management team for election next November.

Wyatt in October acquired a minority interest in the Toronto-based Phillips Group of Companies, which specializes in organization and management effectiveness consulting.

Phillips employs 60 people and has offices in Ottawa, Montreal

and San Diego.

Wyatt currently is gearing up for potential changes to the U.S. health care system. The firm recently created the Business Council on National Health Policy, comprising about 100 of Wyatt's "high-profile clients who will evaluate the implications of various health care proposals on their companies and employees," Mr. Davis explained.

Wyatt also is increasing its focus on total quality management, he said. "In order for an employer to deliver on its commitment to TQM, its vendors have to be committed

to TQM," he explained.

"The real secret is to execute these things better than everyone else. That's our focus—the best execution."

Hewitt Associates

Revenue growth for Hewitt Associates in 1992 just about met the firm's expectations, says Mr. Gifford.

The world's fourth-largest benefit consulting firm had projected a 10% increase in revenues, but now estimates 1992 revenues will rise 7.6% to \$283 million, up from \$263 million in 1991.

The Lincolnshire, Ill.-based consultant's revenues will increase by at least that much next year, Mr. Gifford predicts. "Our fiscal year starts Oct. 1 and we are budgeting a growth rate of 8% to 10% for 1993," he said.

Hewitt's health care and benefit administration consulting practices fueled much of the firm's growth in 1992 and will continue to do so in 1993, he said.

Health care consulting experienced the most growth this year, he noted.

"The messages are the same: Health care costs are skyrocketing. But, there are relatively few solutions that work for everybody," Mr. Gifford said. "Companies are looking for a lot more information and data analysis of their current situation: Where are they spending health care dollars? Where are there opportunities to focus on plan design or negotiate fees with hospitals and physicians to come up with partial solutions to the health care cost crisis?"

Hewitt's Health Information System, a computerized data analysis tool, helps clients answer these questions, he said. HIS is partially responsible for the firm's strong growth in the health care practice area. "Revenues in that area increased 65% to 70% last year," Mr. Gifford said.

Revenues for Hewitt's benefit administration practice grew nearly 40% in 1992, he added. The growth was generated in part by improvements made to the firm's telephone voice response technology.

And, the company's defined contribution plan consulting practice was boosted by the creation this year of an alliance with several mutual funds and banks. Twenty-five new clients have signed up for this service over the last couple of months, Mr. Gifford said.

Hewitt increased its staff to 3,125 in 1992, up 4.2% from 3,000 in 1991. The firm opened an office in San Antonio, Texas, bringing the number of U.S. offices to 31.

Hewitt did not follow through this year with plans to open an office in Montreal.

"The level of growth and activity in Canada clearly slowed in the last year. We are still looking at opening an office there, but we deferred what was planned as a summer or fall opening," Mr. Gifford said.

Alexander Consulting Group Inc.

Alexander Consulting Group is continuing to move away from a traditional role as benefit consultant, preferring instead to be known among clients as their overall business advisor.

The Lyndhurst, N.J.-based unit of broker Alexander & Alexander Services Inc. moved up a notch—to No. 5—in this year's ranking of the world's largest benefit consulting firms.

ACG estimates 1992 revenues
Continued on page 16

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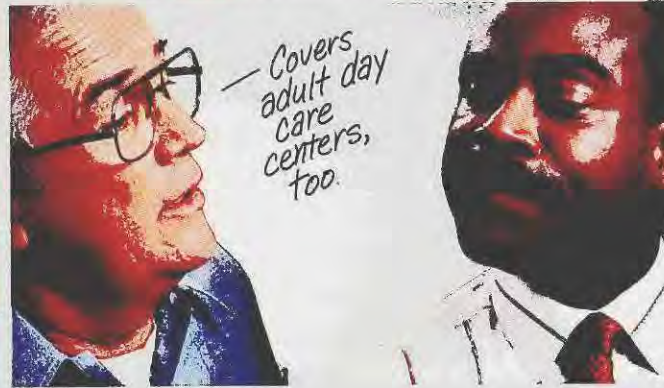
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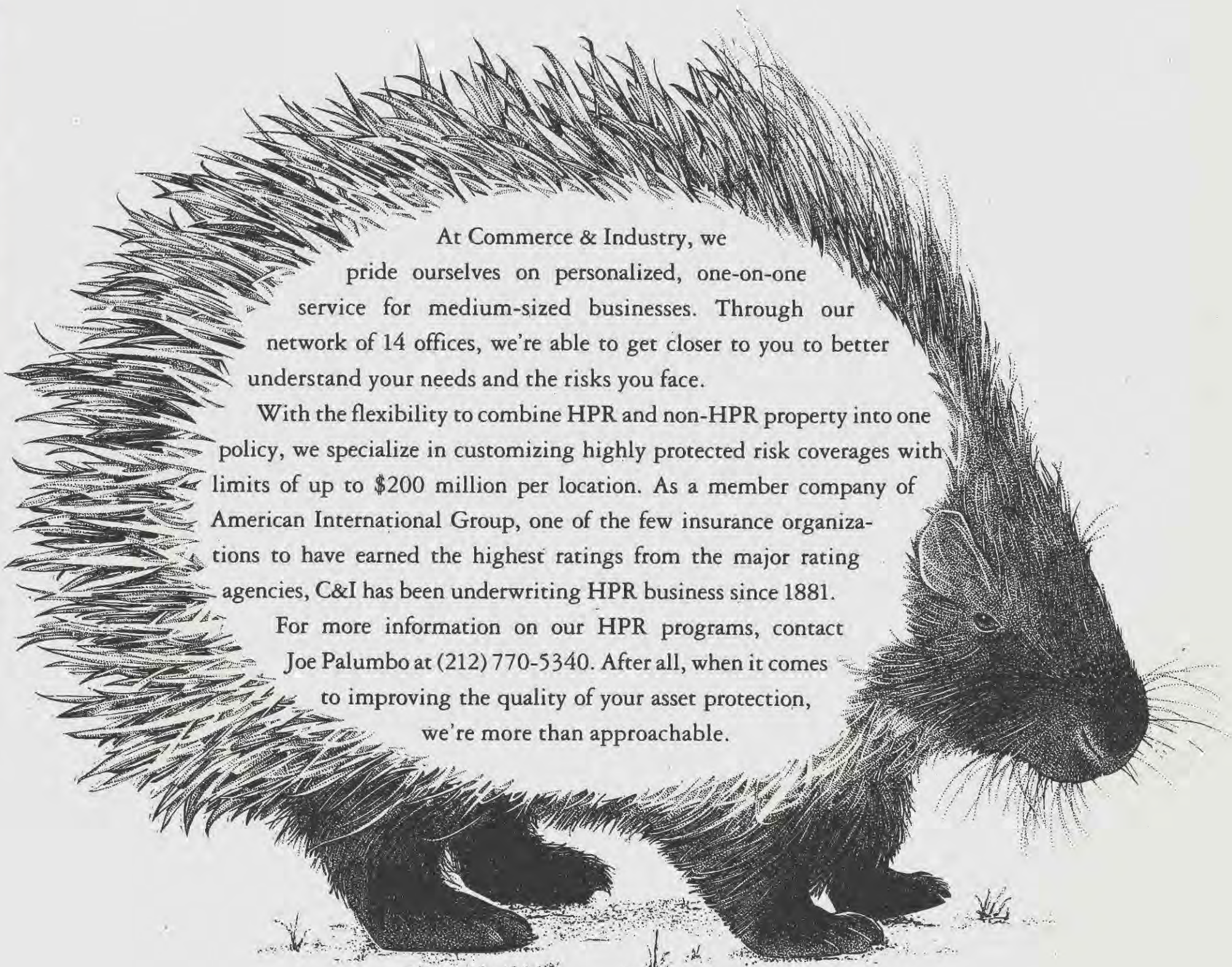
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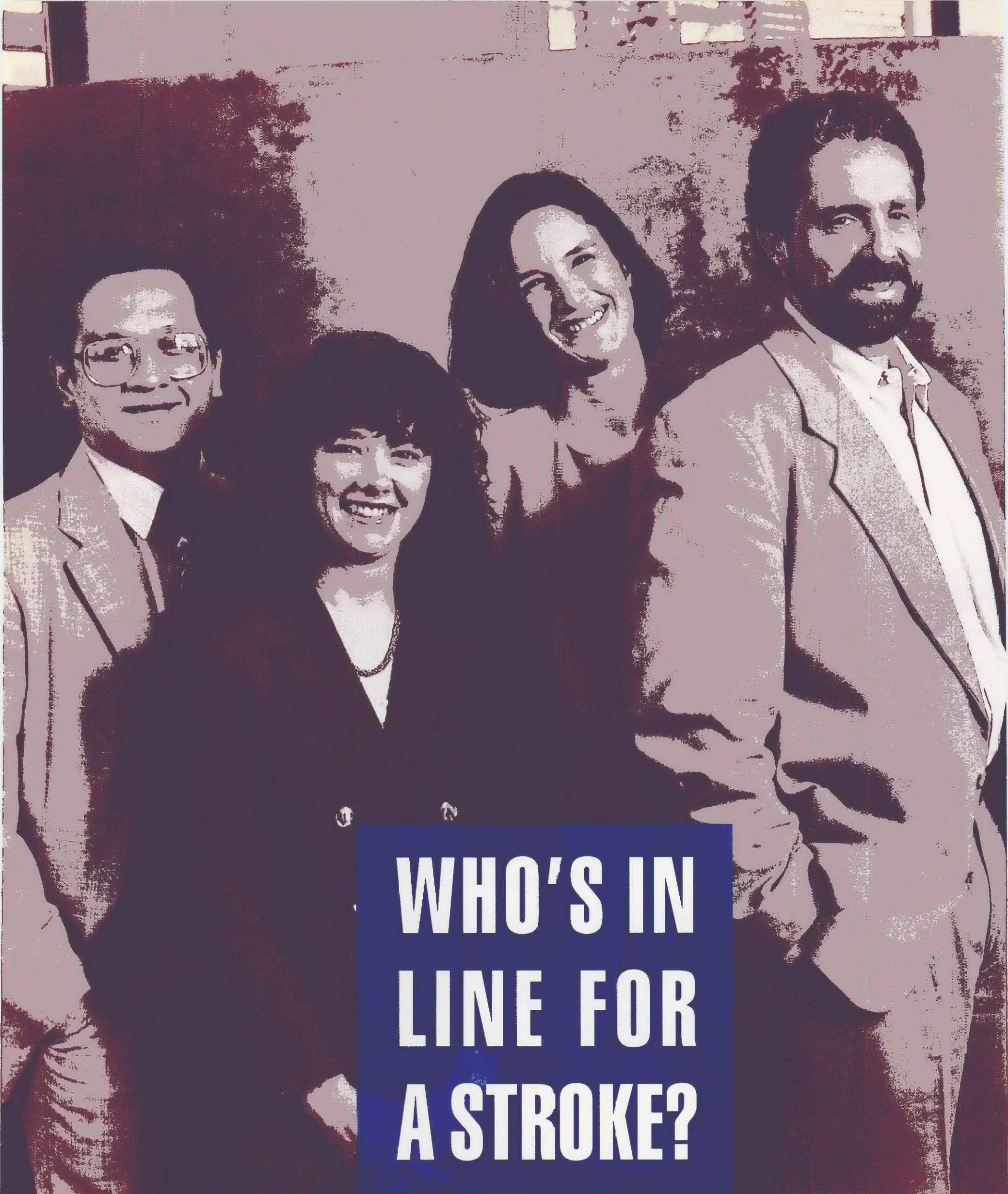


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Spotlight report**Top consultants***Continued from page 12*

will reach nearly \$206 million, a 10.8% increase over 1991 revenues of \$186 million.

"We've always budgeted aggressively. We would have liked to have seen higher growth for 1992, but down deep, growth met expectations," said Mr. D'Alessandro.

Three practice areas were responsible for the firm's growth in 1992, he said. Revenues in its organizational-effectiveness practice grew 75%, the information-technology practice grew 100% and its healthcare consulting practice, including flexible-benefits consulting, grew about 30%.

"We are pleased with the continued growth in our core business and the fact that we've maintained our client base," Mr. D'Alessandro said.

ACG's staff increased about 5% in 1992 to 2,100 employees worldwide. The company plans to increase staff in all practice areas by about 10% in 1993. Some of that hiring will come from non-traditional sources, like employers, Mr. D'Alessandro said.

"There are still a lot of good people around. We'll look for different people. We may not be drawing from the same labor pool. There will be an enormous need for very technical people in the future, but also an enormous need for generalists who can manage business aspects," he said.

The firm opened a new office in Singapore in 1992 and "we will probably open another office in Asia" in 1993. The group now has 60 benefit consulting offices worldwide.

One of the biggest challenges the firm faces in the year ahead is meeting client expectations, Mr. D'Alessandro said. "We need to be thoughtful about the disciplines we get into and how we operate. We worry all the time about trying to meet client demands in a new world and what our place is as consultants and advisors. We want to expand our role as advisors, not just perform administrative functions."

Noble Lowndes & Partners Ltd.

Noble Lowndes' estimates its 1992 benefit consulting revenues will rise 10.9% to \$204 million from about \$184 million in 1991.

The Croyden, England-based firm is the world's sixth-largest benefit consulting firm, down from No. 5 a year ago.

Exchange rates, though, exaggerate the revenue growth. Real growth was closer to 3%, said Mr. Brew. "Our growth was a mixture of a flat performance in the United States and better growth in the United Kingdom and Ireland," he explained.

Among the factors hurting Noble Lowndes' U.S. business, headquartered in Roseland, N.J., were a slowdown in defined benefit plan consulting and increased price competition from mutual funds that offer recordkeeping and investment services for defined contribution plans, Mr. Brew noted.

By contrast, U.S. health care consulting was "pretty active" and the firm's benefit communications consulting practice "made good progress," he said.

Noble Lowndes serves about 3,800 clients in the United States, most of which have fewer than 1,000 employees.

Revenue growth in the United Kingdom and Ireland was fueled by "a fair bit of legislation and regulatory change because of the post (Robert) Maxwell (pension)

scandal," Mr. Brew noted.

Noble Lowndes on Nov. 1 launched a new health care consulting practice in the United Kingdom. It will focus on providing supplemental medical insurance programs for British employers, he said.

No offices were closed or services cut back in 1992, he said. However, the U.K. staff this year was cut to 1,700 from 1,800 primarily through attrition. Noble Lowndes employs 2,930 people worldwide.

The firm in 1992 acquired a majority share in Px Ltd., a firm that advises governments worldwide about health and welfare, insurance and pension issues. The company is based in Budapest, Hungary, and now operates as Noble Lowndes-Px Human Risk Management Ltd. with 18 employees.

Noble Lowndes will "continue to

strengthen holdings in the United Kingdom, Ireland, Australia and the United States" in 1993, but no specific acquisitions or mergers are planned, Mr. Brew said.

In the first quarter of 1993, the consultant plans to open a Brussels, Belgium, office.

Among the senior executive changes made in 1992 was the appointment of Rene M. Mathis to U.S. chief financial officer. Mr. Brew said Noble Lowndes is "very much committed to being the leader in the middle market."

Coopers & Lybrand Human Resource Advisory Group

1992 was anything but a quiet year for Coopers & Lybrand's benefit consulting unit, which underwent a major reorganization, merged with a large Canadian actuarial consultant and began nego-

tiations to acquire a Mexican pension actuarial firm.

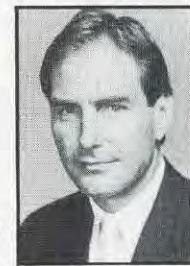
The merger plus internally generated growth pushed benefit consulting revenues to an estimated \$201 million in 1992, up 53.4% from \$131 million in 1991.

The company moved up two spots to No. 7 in the BI ranking.

The September merger of Coopers & Lybrand Canada and W.F. Morneau & Associates, a Toronto-based pension actuarial consulting firm with 10 offices in Canada, added nearly \$20 million in revenue to the firm's Canadian operations, Mr. Keller explained. In 1993, the firm is to acquire Bufete Matematico Ac-

tuaral, which employs 20 people in Mexico City. Coopers & Lybrand had no benefit consulting presence in Mexico before.

Overseas operations—particularly in Europe—grew about 30% this year, Mr. Keller said.



Coopers & Lybrand wants 'to be the clear technology leader in the human resource consulting area,' says Vice Chairman Reed Keller.

Meanwhile, U.S. revenues increased 8% in 1992—a growth rate Mr. Keller described as "modest but acceptable."

Coopers did not close any offices this year and it opened new offices in Baltimore, Pittsburgh and re-opened an office in Minneapolis.

"We have selectively pruned some staff because of advances in

Continued on next page

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Continued from previous page technology and the general sluggishness of business conditions overall," Mr. Keller noted.

The firm now employs 2,131 people worldwide.

The firm's parent company spent 1992 completing a new business strategy to organize its business units into five distinct areas, Mr. Keller pointed out. As a result of the changes, Coopers & Lybrand's actuarial, benefits & compensation group was incorporated into a newly created Human Resource Advisory Group.

HRAG services will link employee benefit plan design and administration, human resource and organizational effectiveness practices, Mr. Keller explained. The unit's internal business strategy is focused on three goals. "We want to be the clear technology leader in the human resource consulting

area," he said.

The unit also wants to capitalize on its global network of resources since the economy is becoming more global.

And, Coopers & Lybrand hopes to carve out an identity as a "firm whose area of expertise is human resource econometrics," which integrates "human resource data, information from operations and measures of organizational effectiveness... to develop operating guidelines and benchmarks," according to Mr. Keller.

The changes that took place in 1992 illustrate that "this company is putting more into the business than ever before" he said.

A. Foster Higgins & Co. Inc.

Revenue growth in 1992 was only a point shy of what New York-based Foster Higgins exec-

utives had forecast, said Mr. Powell.

The unit of broker Johnson & Higgins estimates worldwide benefit consulting revenues were up 3.9% to \$161 million in 1992, from \$155 million in 1991. Foster Higgins tied for the No. 8 rank this year, unchanged from 1991.

"Given the recessionary environment and other forces in the marketplace, we feel we'll wind up in 1992 with a reasonably good year," Mr. Powell said.

Foster Higgins is "doing better domestically" this year, pointed out John Feldtmose, president. "The economy in the Northeast is turning around and we've experienced 10% to 15% growth in all practice areas there."

Overall, the areas of investment services, information systems consulting practice and retirement planning—including defined con-

tribution work and record keeping services—all grew less than 10% in 1992.

"In other parts of the country, where the economy is still on its ear, we aren't having such high growth," Mr. Feldtmose noted.

"The most exciting development on the international side is the formation of a Pan-European consulting company jointly owned by" about 12 brokers belonging to the UNISON network, Mr. Powell said. UNISON Consultants Europe S.A., headquartered in Brussels, will be staffed by a "core group of consultants who will provide benefit and compensation services to European multinationals and to European headquarters of North American companies," he explained.

Foster Higgins did not close any offices in 1992, nor did it cut or add to its staff. The firm employs about 1,878 people in 78 offices

worldwide.

Like many other consultants in the Top 10, Foster Higgins focused on increasing efficiency in 1992.

Selective hiring helped keep the firm lean in 1992, Mr. Feldtmose said. And, he noted, Foster Higgins is becoming "more selective about research and development. We spend a fairly large proportion of our revenues in this area and now we aim that research and development to specific client needs vs. more generic projects."

The company is also focusing on standardizing the reports it provides clients "so we aren't reinventing the wheel in each locale," said Edward Davey, a Foster Higgins principal.

Buck Consultants Inc.

Buck's 1992 revenues were "more modest than we expected," said Mr. Giegerich.

1992 benefit consulting revenues increased just under 2% to \$161 million, up from \$158 million in 1991. New York-based Buck fell a notch to a tie for No. 8 in the *BI* ranking.

Because most of its business comes from retirement plan consulting, which has slowed throughout the consulting industry, its U.S. revenues did not grow as much as some of the other consultants, particularly those with major health care consulting practices, Mr. Giegerich said.

"The health care consulting field is very bright for everybody, but our health care practice is about 15% of total revenues. Our heavy emphasis on retirement consulting (lessens) the opportunity for revenue growth in this economy," he explained.

Companies are continuing to request advice on how to reduce or eliminate retiree medical benefits and that practice area is "very hot for us," he said.

Growth was also slow in communications and telephone voice response practice. "In a recession employers aren't looking to spend huge sums of money on this," said Mr. Giegerich.

Buck cut its staff 5.8% to 1,300 from 1,380 in 1991. The company had "no general layoffs," but "we haven't been replacing people who left," Mr. Giegerich said.

"We've added lots of people in recent years with the right skills to prosper in a new environment. We've added senior people from other firms and in 1993 we will be hiring from the corporate world as well as the consulting world," he said. The company also plans to hire more professionals from the computer systems area.

So far, Buck has not hired any medical professionals, like physicians or nurses, "but we plan to," he said.

Buck closed its Antwerp, Belgium, office in 1992. Some of those employees now work in the Brussels office. The consultant also opened new offices in Rotterdam, The Netherlands; Singapore and Vienna, Austria. The company provides benefit consulting services in 32 offices worldwide.

Buck's greatest challenge in the years ahead is to retain a "small company feel" while the firm continues to grow, Mr. Giegerich said.

Godwins International Holdings Inc.

As a result of the acquisition by Aon Corp. of Frank B. Hall

Continued on next page

premiums loss experience market's?

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Top consultants

Continued from previous page
& Co. Inc., Godwins has been merged with Aon's benefit consulting unit, Miller Mason & Dickenson.

Combined, the two consultants—which will operate under the Godwins name—reported estimated 1992 worldwide benefit consulting revenues of \$123 million, up 7.9% from a combined \$114 million in 1991. The organization, now headquartered in Chicago, is the world's 10th-largest benefit consulting firm.

Mr. McLeish said real revenue growth for the two firms averaged about 8.5% in 1992.

The merger, completed in November, was driven by the brokers' interest in combining their property/casualty operations. The resulting combination of the two benefit consulting operations was a "rare opportunity," Mr. McLeish said. "Because we combined and have the resources and financial backing, we will be able to make a significant impact in the marketplace."

As with any large merger, there will be some staff fallout, he noted. For instance, nearly all of the approximately 20 employees in Godwins' Briarcliff, N.Y., office will be let go. The reduction is "purely a result of combining two firms with some du-

plication in human resources," he said. Most of the employees are financial and management information systems staffers, not benefit consultants, he said.

Joseph Stahl II, president of MM&D, will serve as president of Godwins' U.S. operations.

The firm plans to increase staff in 1993 in some practice areas in the United Kingdom and the United States. Combined, the two firms employ 1,471 people worldwide.

Neither Godwins nor MM&D closed any offices in 1992 and no closings are planned for 1993. MM&D operates only U.S. offices. The new firm will combine offices that operate in the same cities. Together, the new organization conducts benefit consulting from 96 locations worldwide.

Over the last 18 months, Godwins has been pursuing total quality management initiatives, Mr. McLeish. "We are looking into possibly implementing ISO 9000 quality standards," he noted. ISO 9000 is a detailed set of quality system standards and guidelines developed by the International Standards Organization, which certifies companies that adopt the standards.

"Employers are becoming more discriminating and that is why we are pursuing this initiative," Mr. McLeish said. "However, living it is the secret." **BI**

Dental plans filling a need

Benefit cost crunch makes them a mainstream option

By MICHAEL BRADFORD

Employers with managed medical care plans in place are turning to their dental care programs to extract greater savings from swollen health care costs.

Employers have become more comfortable with managed health care, which makes it easier for them to implement managed dental care programs, insurers and consultants agree.

And managed dental programs are holding premium increases to about 4% to 8%, while some indemnity dental plans are raising premiums by 10% to 11%.

Managed dental care plans are a "win-win situation," said Valerie Grayson, health care consultant with Hewitt Associates in Lincolnshire, Ill. "Employees tend to get better benefits and, in turn, employers can reduce their costs."

Enrollment in prepaid dental plans grew 11.5% to 11.6 million this year from 10.4 million in 1991, said the National Assn. of Prepaid Dental Plans.

Enrollment will reach around

13.5 million by the end of 1993, the association projects.

The growth "reflects the tremendous demand" for managed dental care plans, said David Mulligan, chairman of the Indianapolis-based association. "In today's recessionary environment, the cost savings is a major feature driving employers (to the plans)."

Between 75 and 125 insurers and other organizations sponsor prepaid dental plans, according to Mr. Mulligan.

Managed dental care programs "are quickly being accepted as a mainstream benefit option for employees," Mr. Mulligan said.

Most often, they are structured as HMO-type arrangements or as preferred provider organizations, with a network of dentists and related specialists.

A 1991 study by The Wyatt Co. found that 19% of employers offered an HMO-type dental plan while 8% had a PPO-type arrangement. The remainder offered a traditional indemnity plan or no dental benefits at all.

Some employers also are starting to offer "point-of-service" dental plans. First applied in health plans, this option lets workers choose at the time of service between network or non-network dentists, with an added cost for going outside the network.

Insurers and consultants say cost increases for dental managed care plans are lower than other benefits employers offer.

Mr. Mulligan said 70% of the plans that belong to the NAPDP reported rate increases of less than 6% this year and more than 60% project increases next year also will be under 6%.

Consultants and insurers report that premiums for managed dental care plans are rising from 4% to 8.5% per year.

"That's much less than in medical or even in indemnity dental," said Ms. Grayson of Hewitt. Medical plan rates are increasing up to 22%, while dental indemnity plan rates are rising from 10% to 11%, she noted.

Employers also are using dental managed care plans to spruce up their benefit offerings, Ms. Grayson agreed.

"We have two sets of employers who come to us," she said. "One set is looking for the most cost-effective plan. Another set has had to institute reductions in their medical plans. They see this as a clear opportunity to enhance those health plans."

At a time when many companies have laid off employees or increased co-payments and deductibles on medical benefits, the dental plans are "kind of a morale booster," agreed a spokesman for Delta Dental Plan of California in San Francisco.

And plan operators say despite slow economic times, they have seen surprising enrollment growth in 1992.

Delta Dental Plan of California, part of the national Delta Dental Plans organization, provides managed dental care to 11 million of the national group's 24 million enrollees nationwide. Enrollment nationwide has grown from 22 million in 1991 and is expected to grow by around 2% in 1993. The California plan added 80,000 new enrollees this year.

The California plan offers a fee-for-service program along with PPO- and HMO-type plans. A point-of-service dental plan also is available.

CIGNA Corp. introduced a point-of-service dental plan earlier this year and has "seen a fair amount of interest in that product," said Richard M. Orłowski, national dental director of CIGNA Dental Health Inc. in Bloomfield, Conn.

Overall, CIGNA Dental Health is expecting growth of up to 30% in its managed dental care plans in 1993 and is counting on "tremendous growth in the next three to five years," he said.

CIGNA has around 1.3 million enrollees, up from around 1.2 million last year. Its networks are in 135 cities.

Premium increases in the CIGNA plans averaged around 5.5% in 1992 and are expected to remain under 6% in 1993, said Mr. Orłowski.

Prudential Insurance Co. of America expects enrollment in its point-of-service dental product—which offers patients the choice of using an HMO-style plan or an indemnity plan—to grow around 8% in 1993, said William Jackson, vp-group operations. "It's projected that we will grow at this rate through 1997 and that's not unreasonable."

The plan currently has around 3.4 million enrollees. Premiums rose around 4.5% in 1992, about the same as projected in 1993, Mr. Jackson noted.

Travelers Corp.'s managed dental network saw growth of 8% to 9% this year, said Tom Myers, director of dental products for the Hartford, Conn.-based insurer's managed care and employee benefits operations. "We fared fairly well but it was not necessarily the boom we had hoped for."

"This was a surprisingly slow year," agreed Dr. Alan Vogel, a dentist and divisional vp of Travelers' managed care and benefits operations. He said the slow economy, the presidential election and high medical costs have caused some companies to focus on those matters and put aside dental benefit concerns.

That should change, he noted, "now that the election has been decided and the economy is in a turnaround phase."

Premium increases for Travelers' dental PPO have averaged around 5% this year for network enrollees, said Dr. Vogel.

Travelers expects to soon unveil another PPO-type program aimed at smaller employers.

"We're rolling it out for association business first," explained Mr. Myers. Sometime in 1993, the plan will become available to employers with 50 or fewer workers.

Aetna Life & Casualty Co. offers a managed fee-for-service dental plan and is developing capitated programs, according to Paul Grillo, director of product management development in Middletown, Conn.

Aetna, which entered the managed dental care market around four years ago, has 200,000 members in its networks nationwide.

Premium increases averaged around 8% this year and an increase of about 7% is expected in 1993, Mr. Grillo said. **BI**

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HEALTH CARE MANAGEMENT CONFERENCE AGENDA

WEDNESDAY, JANUARY 13

6:00 p.m. - Early Registration and
7:30 p.m. - Cocktail Reception
Hosted by The Upjohn Company

THURSDAY, JANUARY 14

7:45 a.m. Continental Breakfast & Registration

9:00 a.m. OPENING REMARKS BY CONFERENCE
CHAIRMEN

Kathryn J. McIntyre
Publisher/Editorial Director
Business Insurance

James M. Burcke
Editor
Business Insurance

9:15 a.m. LATEST DEVELOPMENTS IN HEALTH
MAINTENANCE AND PREFERRED
PROVIDER ORGANIZATIONS
*This panel discussion, moderated by James
Burcke of Business Insurance, will focus
primarily on the impact managed care has
had on the delivery and financing of health
care and on the range of options now
available to employers. The panel will
analyze the following models in terms of
their ability to deliver affordable quality
care:*

- ▶ Exclusive Provider Organizations
- ▶ Point-of-service plans
- ▶ Managed fee-for-service

- ▶ Utilization review
- ▶ Specialty networks

Moderator:
James M. Burcke
Editor
Business Insurance

Larry Goelman
President & Chief Executive Officer
Cost Care, Inc.

Chip Sharkey
Senior Vice President,
National Marketing
Cigna Corporation

Ed Zalta
Chairman of the Board
& Chief Executive Officer
CAPP CARE, INC.

10:30 a.m. Mid-morning Refreshments &
Table-Top Exhibits

11:00 a.m. SPECIAL PRESENTATIONS ON THE NEXT
GENERATION OF MANAGED CARE
*New models are in the making as managed
care continues to evolve and establish itself
as the preferred approach in delivering
quality care at an affordable cost. Two
distinguished experts in the health care
field will share their perspectives and
insights on the future direction of managed
care and what the implications are for
purchasers in the health care marketplace.*

Joseph W. Duva
Partner
Ernst & Young

Jacque J. Sokolov, M.D.
President
Sokolov Strategic Alliance

12:15 p.m. Luncheon for Speakers and Attendees
*Hosted by John Hancock
Financial Services*

1:00 p.m. KEYNOTE LUNCHEON SPEAKER

Stephen M. Wilder
Assistant Treasurer, Risk Management
Walt Disney Company

1:45 p.m. Break

2:00 p.m. **Concurrent Session A:**
**DIRECT CONTRACTING: SELECTING AND
STRIKING A DEAL WITH A HOSPITAL**

- ▶ Selection criteria
- ▶ Negotiating and cutting the deal
- ▶ Case Studies: State of Utah and
Safeway, Inc.

Linn J. Baker
Director - Public Employees
Health Program
State of Utah

Nancy Hughes
Group Insurance Manager
Safeway, Inc.

Dr. Arnold S. Milstein
Managing Director
William M. Mercer, Inc.

2:00 p.m. **Concurrent Session B:**
**WORKERS COMPENSATION WORKSHOP:
APPLYING MANAGED CARE
TECHNIQUES TO CONTAIN WORKERS
COMPENSATION COSTS**

- ▶ The range of services required
 - Specialized networks
 - Case management
 - Practice guidelines

HEALTH CARE MANAGEMENT CONFERENCE AGENDA

- **Fraudulent claims: Who is the culprit?**
 - Closing the loopholes
 - Implementing a prevention program
- **The working model**

Charles Jacobs
President
InterQual, Inc.

Jerry A. Miccolis
Vice President & Workers Compensation
Practice Leader
Towers Perrin

Ed Zutler
President
FHP Insurance Group

epidemic that is affecting all aspects of corporate life and the bottom line. Digital Equipment Corporation has established and implemented a coordinated, integrated strategy on behalf of all employees and their families. Worldwide in scope, Digital's HIV/AIDS program encompasses education and outreach that has increased productivity, maintained excellent employee relations and contained health care costs.

Paul A. Ross, Ed.D.
Corporate Manager,
HIV/AIDS Programs
Digital Equipment Corporation

- 11:30 a.m. **Concurrent Session B:**
BALANCING QUALITY AND COST IN PRESCRIPTION DRUG BENEFIT PLAN DESIGN
- **Critical factors in plan design**
 - Quality versus cost in prescription drug benefits
 - Appropriate drug utilization review
 - Patient-focused pharmaceutical care
 - **Coordinating a full service pharmaceutical benefit**
 - **Utilizing mail-service in combination with pharmacy networks**

James Heenan
Director, Corporate Accounts Sales
The Upjohn Company

3:30 p.m. **Mid-afternoon Refreshments & Table-Top Exhibits**

4:00 p.m. **HEALTH CARE COALITION UPDATE**
As organizations committed to purchasing quality health care for their members and as lobbyists for health care reform, coalitions have spearheaded research projects that have been at the forefront in exploring creative solutions to the health care crisis. Ms. Hubers of The Alliance will discuss how employers can purchase health care based on value. Ms. Powers of the Bay Area Business Group on Health will outline current projects, with special emphasis on the coalition's preventive care initiatives.

Debra Hubers
Director of Marketing
The Alliance

Patricia E. Powers
Executive Director
Bay Area Business Group on Health

5:00 p.m. **COCKTAIL RECEPTION**

FRIDAY, JANUARY 15

7:45 a.m. **Continental Breakfast & Table-Top Exhibits**

9:00 a.m. **REMARKS FROM THE CHAIR**

9:15 a.m. **THE AIDS/HIV CRISIS: ONE EMPLOYER'S RESPONSE**
With no cure in sight, AIDS has challenged employers to respond to a worldwide

10:00 a.m. **Mid-morning Refreshments & Table-Top Exhibits**

10:30 a.m. **PREVENTIVE CARE: INTEGRATING PREVENTIVE CARE INTO BENEFIT PROGRAMS**

- **Financial incentives to promote healthy behavior**
- **The ingredients of a successful wellness program**
- **Effective employee communication**

Michael Fox
Managing Consultant
A. Foster Higgins & Co.

Lynn Gilfillan
Community Wellness Development
Coordinator
Coors Brewing Company

Allen Iampaglia
Risk Manager
City of Glendale, Arizona

11:30 a.m. **Concurrent Session A:**
NEW DIRECTIONS IN FLEXIBLE BENEFITS

- **New ways to manage flexible benefits administration**
- **Flexible benefits for retirees**

Larry Atkins
Manager, HR Systems
Barnett Banks, Inc.

Sally Gottlieb
Manager of Benefits Administration
Apple Computer, Inc.

12:30 p.m. **Luncheon for Speakers and Attendees Hosted by FHP, Inc.**

1:15 p.m. **KEYNOTE LUNCHEON SPEAKER**

Frank McArdle
Partner
Hewitt Associates

1:45 p.m. **Break**

2:00 p.m. **AN IN-DEPTH LOOK AT THE CANADIAN HEALTH CARE DELIVERY SYSTEM**
With the health care crisis continuing unabated, the United States has looked with increasing interest to other nations' health care delivery systems. The Canadian health care system has received considerable attention for its ability to deliver universal health care.

Dr. Robert M. MacMillan
Executive Director
Health Insurance Division
Ministry of Health, Ontario

2:45 p.m. **DEBATE ON THE CANADIAN SYSTEM**

Dr. Anthony R. Masso
Vice President, Managed Care and
Insurance Products
Health Insurance Association of America

Howard Weizmann
Vice President
Aetna Benefits Consulting Practices
Aetna Life & Casualty

3:30 p.m. **END OF CONFERENCE**

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Directory of employee benefit consulting firms

A

Actuarial Sciences Associates Inc.

242 Old New Brunswick Road,
Piscataway, N.J. 08854;
908-562-6900; fax: 908-562-1209

Founded: 1985.

Parent: AT&T.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 60% of revenues. Includes plan design consulting; defined benefit plan actuarial work; administration systems consulting; legal document drafting; plan administration consulting; asset/investment consulting.

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

Locations: Boca Raton, Fla.

Staff: 113 total; 89 benefit consulting professionals, including 18 FSAs, 18 ASAs, three CEBSS, one CPA, 11 attorneys, 25 EAs.

Clients: 52 total; 19% with 101-1,000 employees, 17% with 1,001-5,000, 64% with 5,001 or more; 90% corporations.

Compensation: By the project, on retainer, by the hour: senior consultant, \$225-\$300; consultant, \$160-\$185; actuarial/legal support, \$110-\$160.

Gross revenues: \$15.9 million from worldwide benefit consulting in 1992, (97% from U.S. locations). Total worldwide 1992 revenues: \$15.9 million.

Non-U.S. benefit consulting: Via

correspondents, from the U.S.

Principal officers: Michael J. Gulotta, president/CEO; Scott J. Macey, executive vp/general counsel; Robert F. Reddington, Kalyan K. Basu, vp/managing actuaries; Franklin B. Becker, vp/CFO; Franklin B. Becker, vp/CFO.

The Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
708-577-6000; fax: 708-577-6038

Founded: 1982.

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 man-

ager selection consulting; asset/investment consulting; flexible benefits.

Welfare plan consulting: 10% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; flexible benefits.

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

Other services: Claims administration.

Staff: 80 total; 65 professionals, including two ASAs, two CPAs, two attorneys, three EAs.

Clients: 300 total; 5% with 1-100 employees, 70% with 101-1,000, 23% with 1,001-5,000, 2% with 5,001 or more; 100% corporations.

Compensation: By the project, on retainer, by the hour: senior consultant, \$200; consultant, \$150; clerical, \$32; systems consulting/development \$80-\$120.

Principal officers: John Salajka, CEO; David Goldenberg, CFO.
Contact: John Salajka.

Advanced Benefits & Insurance Marketing Corp.

141 Stony Circle, Suite 220, Santa Rosa, Calif., 95401; 707-523-5990; fax: 707-526-2114

Founded: 1981.

Services: 40% of revenues from benefit consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers.

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

Other services: Brokering; claims administration.

Staff: Eight total; 3 benefit consulting employees; two CEBSS, one CLU.

Clients: 242 total; 75% with 1-100 employees, 25% with 101-1,000; 70% corporations, 10% MEWAs, 20% municipalities/school districts. Minimum size client: 25 employees.

Compensation: By the project, commissions.

Gross revenues: \$341,250 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$846,300.

Principal officers: James T. West, Mark H. Downing.

Contact: James T. West.

Aetna Benefits Consulting

151 Farmington Ave., Hartford, Conn., 06156; 203-952-2683; fax: 203-952-3091

Founded: 1991.

Parent: Aetna Life Insurance Co.

Services: 49% 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; legal document drafting.

Welfare plan consulting: 32% of revenues. Includes plan design consulting; health care cost containment; health information consulting; actuarial work for retiree welfare plans (FAS 106).

Benefit communications consulting: 14% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Pension service centers-benefit estimates, payment services, and tax reporting.

Locations: Nationwide.

Staff: 414 total; 207 benefit consulting employees; 156 professionals including five FSAs, 11 ASAs, two CEBSS, two CLUs, five CPAs, two attorneys, 15 EAs.

Clients: 1,136 total; 16% with 1-100 employees, 27% with 101-1,000 employees, 22% with 1,001-5,000, 35% with 5,001 or more; 98% corporations, 2% multiemployer plans, minimum size client: 100-1,000 employees (varies by service provided).

Compensation: By the project, on retainer, by the hour: senior consultant, \$200-\$350; consultant, \$100-\$200; clerical, \$40-\$75; technician/analyst (internal support), \$75-\$150.

Gross revenues: \$23.7 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$48.7 million.

Principal officers: Gery Barry, Howard Weizmann, vps.

Contact: Mark Willis, assistant vp/business development.

Aldrich & Cox, Inc.

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

Founded: 1951.

Services: 30% of revenues from benefit consulting.

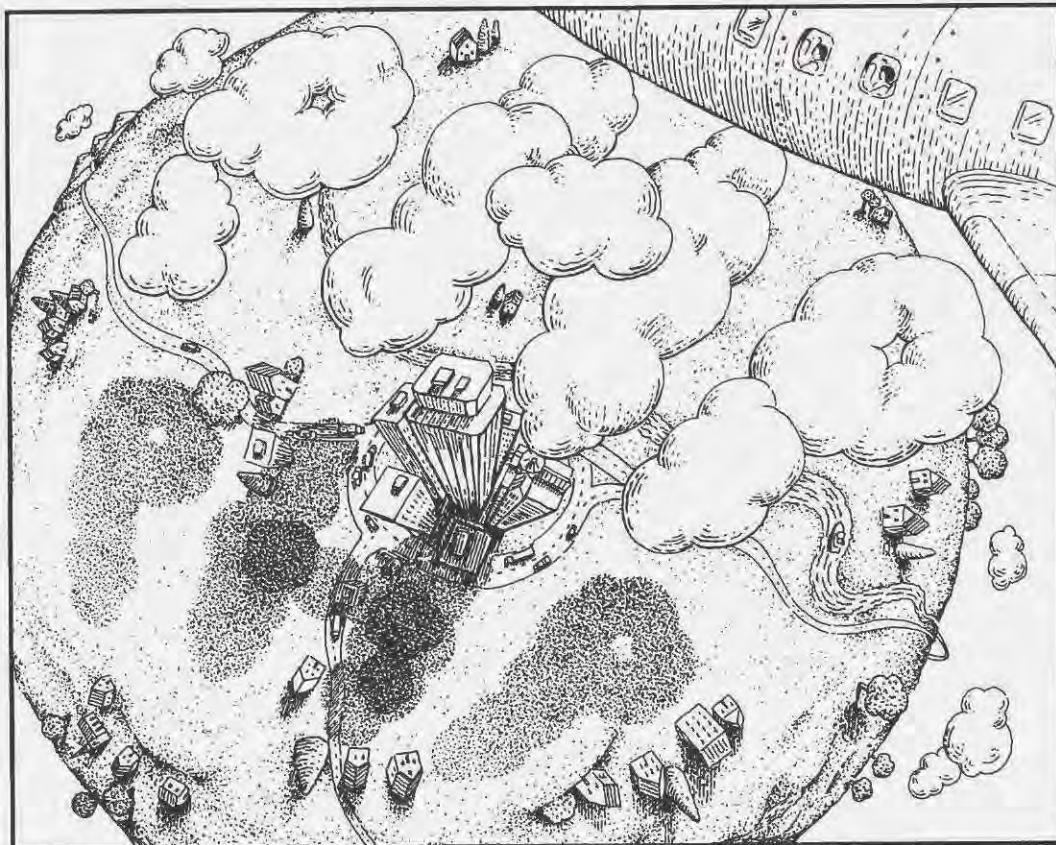
Welfare plan consulting: 28.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; plan supervision including loss review/control, dealing with agents/brokers, annual plan review.

Benefit communications consulting: 1.5% of revenues. Includes communications consulting; benefit statement preparation.

Other services: Risk management consulting.

Staff: 15 total; four benefit consulting

Continued on next page



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BI

BI directory lists benefit consulting firms

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 **founded** and **parent** company, if any.

The **services** heading lists the percent of gross revenues a company derives 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**. Services provided in each area are listed as well as **other services** from non-benefit consulting.

Next are the **locations** of U.S. and foreign offices conducting benefit consulting. **Staff** information includes total staff; environmental consulting staff (for companies that do not generate the majority of their revenue from employee benefit consulting); professional staff assigned to employee benefit consulting and professional designations held.

The total number of **clients** in 1991 and a percent breakdown of clients' by size, based on number of employees, is given. Also included is a breakout based on the client's type of business which usually includes corporations; multiemployer plans, pension or welfare plans jointly run by employers in the same industry and labor union; multiple employer welfare arrangements (MEWA), welfare plans covering a group of unrelated employers-usually small firms; or individuals.

Methods of billing for services are provided under **compensation**. When reported, estimated 1992 benefit consulting gross revenues are provided along with the percent generated from U.S. offices. Estimated 1992 worldwide gross revenues may also be included followed by the manner in which benefit consulting for non-U.S. locations 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.

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

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

Continued from previous page
employees; three professionals, including one CEBS, two attorneys.

Clients: 60 total; 20% with 1-100 employees, 50% with 101-1,000, 30% with 1,001-5,000; 95% corporations, 5% individuals.

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

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

Contact: Charles H. Cox.

The Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst, N.J.
07071; 201-460-6600;
fax: 201-460-6677

Founded: 1934.

Parent: Alexander & Alexander Services Inc.

Services: 75% of revenues from benefit consulting.

Continued on next page

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Continued from previous page

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, pre-retirement consulting, retirement related software/systems consulting, audit and compliance, integrated information technologies consulting.

Welfare plan consulting: 29% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, administration services consulting.

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 admin-

istration, general human resource consulting, organizational effectiveness, integrated information technologies consulting, international benefits/compensation consulting.

Locations: Atlanta; Baltimore and Owings Mills, Md.; Boston and Newburyport, Mass.; Buffalo and New York, N.Y.; Chicago; Detroit; Dallas; District of Columbia; Greenwich, Conn.; Lyndhurst, N.J.; Minneapolis; Pasadena, San Francisco and San Jose, Calif.; Philadelphia; Pittsburgh; Richmond, Va.; St. Louis; Tampa, Fla.; Australia; Belgium; Canada; England; France; Germany; Ireland; Italy; Mexico; Netherlands; New Zealand; Saudi Arabia; Scotland; Singapore; Spain; Sweden; Switzerland.

Staff: 2,100 total; 1,005 professionals, including 86 FSAs, 64 ASAs, 31 CEBSS, 71 CLUs, 13 CPAs, 25 attorneys, 75 EAs.

Clients: 21,000 total; 98% corporations, 1% multiemployer plans and MEWAs, 1% associations/municipalities/non-profit organizations. No minimum size client.

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

Gross revenues: \$205.5 million from worldwide benefit consulting in 1992, (74.1% from U.S. locations). Total worldwide 1992 revenues: \$274 million.

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

Principal officers: A.M. D'Alessandro, chairman/CEO-worldwide; Donald Cleveland, president/COO-worldwide; Richard J. Anthony, chairman/CEO-U.S.; Brian E. Kennedy, chairman/CEO-U.K.; Robert K. Burden, chairman/CEO-Canada.

Contact: Mark W. Kimble, managing director-corporate information.

American Dental Examiners Inc.

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

Founded: 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.

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

Staff: 72 total; 34 professionals.

Clients: 240 total; 20% corporations, 15% multiemployer plans, 65% insurance companies. Minimum size client: 3,000 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$250-\$300; consultant, \$150; president \$375.

Principal officers: Robert J. Leaf, president; Brenda Prunty, vp; Sanford E. Klein, Steven R. Randell and Ronald G. Devincenzi, vps.

Contact: Gerard J. Vyskocil Jr., vp.

Arthur Anderson Compensation & Benefits Practice

33 W. Monroe, Chicago, Ill. 60603; 312-580-0333; fax: 312-507-7210

Founded: 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; workforce reduction.

Other services: Compensation consulting, management consulting, merger and acquisitions consulting, actuarial services.

Locations: 11 offices in the United States.

Staff: 90 benefit consulting employees; 75 professionals.

Compensation: By the hour.

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

Principal officers: Michael S. Kesner, David M. Walker and Alan A. Nadel, partners.

Contact: Michael S. Kesner, 312-507-7014.

Aurora National Corp.

45 Pond St., Norwell, Mass. 02018; 617-878-0085; fax: 617-878-8805

Founded: 1971.

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, actuarial valuations and opinions for self-funded plans, documentation and disclosure reporting services.

Benefit communications consulting: 10% of revenues. Includes communications consulting; booklet and audiovisual preparation; welfare plan documentation.

Other services: Compensation consulting.

Locations: Erie, Pa.; Hartford, Conn.; Norwell, Mass.

Staff: Seven total; including one ASA, one CPA, one attorney.

Clients: 115 total; 23% with 1-100 employees, 76% with 101-1,000, 1% with 1,001-5,000; 100% corporations. Minimum size client: 50 employees.

Compensation: By the project, by the hour: senior consultant, \$150-\$200; consultant, \$100-\$150; clerical, \$35.

Gross revenues: \$800,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: G.A. Studer, president; H. James Gorman Jr. and Michael J. Quinlivan, principal consultants.

Averbeck-Pacific Benefits Inc.

5029 La Mar Drive, Riverside, Calif. 92507; 909-788-1477; fax: 909-788-1549

Founded: 1988.

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, plan administration 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, funding-underwriting.

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

Other services: Brokering, claims administration, executive compensation.

Locations: Ontario, Calif.

Clients: 45% with 1-100 employees, 40% with 101-1,000, 15% with 1,001-5,000; 90% corporations, 10% individuals.

Compensation: By the project, commissions, on retainer.

Gross revenues: \$1.8 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

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

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

Continued on next page

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Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

Examining the ties that bind

By JUDY GREENWALD

The insurance industry today is in ferment.

Driven by an ongoing thrust toward consolidation, property/casualty and life/health insurers are merging and acquiring—as well as divesting—at a healthy pace.

In following this course, insurers are focusing closely on their core businesses and niche marketing rather than trying to be all things to all people.

This attitude has filtered down at least in part from the general American business community, where the current philosophy is to move away from the conglomerations of the 1960s and 1970s.

But factors endemic to the insurance industry itself are also encouraging consolidation. Among them are risk-based capital guidelines and the need to operate more efficiently because of the financial strain from the lengthy soft property/casualty market.

There are differences, however, based on company size. Larger insurers generally tend to divest various units in order to concentrate on their core businesses. At the same time, some smaller insurers—motivated in part by the high cost of technology—merge to achieve economies of scale but still stay essentially within their already established areas of expertise.

European and Japanese insurers' desire to gain a foothold in the largest insurance market in the world also is a factor in merger and acquisition activity. Observers say while these insurers are for now focused more closely on their domestic business, over the long term their interest in the United States is likely to be revived.

Some observers also believe that more leveraged buyouts by financial firms may follow the successful LBO of American Re-Insurance Co. by Kohlberg, Kravis & Roberts (BK, Aug. 24).

"It's been clear for the last 20 years that the industry has been going through consolidation," said Don Kramer, chairman of NAC Re Corp. of Stamford, Conn.

And it will continue, predicted David Seifer, vp with Donaldson, Lufkin & Jenrette Securities in New York. "I think we'll be in a consolidation more for the rest of the decade."

Competition over the past 30 years has put insurers' balance sheets under stress, and the correction has resulted in companies divesting themselves of businesses that don't work, are unprofitable or have a low return, he said.

"The fundamental economics would suggest there would be more merger and acquisition activity simply because the consolidation is needed throughout the

Focus on core business fuels restructuring



insurance industry. It's been suffering from chronic excess capacity for years" and this may help "rationalize" capacity, said Barbara Stewart of Stewart Economics in Atlanta.

The general management philosophy of the 1990s is "sticking to your knitting," finding out what it is that did well and "getting rid of businesses that were not part of your core business," said Sean Mooney, senior vp at the Insurance Information Institute in New York.

This is a move away from the philosophy of the 1960s and 1970s. Diversification was then thought to make sense because a company should not put "all its eggs in one basket," Mr. Mooney said.

Eventually, the attitude may well shift back towards diversification if "foolish" capital once again becomes available as it did in the '60s and '70s, said Allen Weil, senior manager for KPMG Peat Marwick in Philadelphia.

But current factors discourage this, including the risk-based capital guidelines, more intense scrutiny by rating agencies and harsher regulatory oversight, said Mr. Weil. "I don't see it for some time," he said.

Economic factors, including

the perpetual soft market and deteriorating junk bond portfolios, have also influenced companies to sell subsidiaries that do not fit into their core businesses, said Robert Spass, president of New York-based International Insurance Advisers, which is affiliated with Centre Reinsurance (Bermuda) Ltd.

Mr. Spass pointed to Kemper Corp.'s recent announcement that it is leaving the primary property/casualty insurance market by selling two Illinois subsidiaries (BK, Nov. 23). A couple of years ago, that move would have been unthinkable, he said.

Within the property/casualty industry, about 90% of the insurance business is held by 20 companies, and another 2,000 property/casualty companies are fighting over the remaining 10% of the business, pointed out Bill Robinson, vp with San Francisco-based Russell Miller Corporate Finance Inc.

Raising capital can be a problem for these small insurers. And with no increase in premium volume because of the soft market, they must either look elsewhere for economies of scale or cut costs to increase profits, said Mr. Robinson.

"The smaller firms cannot pos-

sibly all survive," he said. There will be continuing merger and acquisition activity in particular among companies in the \$10 million to \$50 million surplus range, he predicted.

Similarly, many small life insurance companies "may find they can't get to a scale where they will be a serious, viable contender long term," said Rick Berry, a vp with Towers Perrin in New York.

These insurers will decide they "can't cut it" by themselves and deliberately seek someone "whose arms they can run into," or a merger with another company that will get them to the point where they can operate on a "reasonable" scale, Mr. Berry said.

Two marginally efficient small firms that merge have the opportunity "to eliminate a substantial number of people and overhead expenses," said Douglas Moat, chairman of the Manhattan Group in New York, a consulting firm.

Another element—particular to the health insurance industry—that is encouraging merger activity is the move toward managed care, which demands a significant investment. "We'll see more and more insurance com-

panies finding ways to combine with HMOs and other components of the system," said John Porter, vp and director of Towers Perrin's insurance management consulting group in Valhalla, N.Y. "It's getting harder and harder to be a smaller player and sustain infrastructure needs."

At the same time, some life companies are deciding to get out of health care because "managed care is very expensive to install," said Aaron Halpert, a principal in KPMG Peat Marwick's New York office.

A number of small mutual insurers have established downstream holding companies and set up stock companies, which use the capital from initial public offerings to acquire other companies, said Terrie Troxel, vp of research and technical services at the National Assn. of Independent Insurers in Des Plaines, Ill. "It has allowed them to have access to the capital markets."

State Automobile Mutual Insurance Co., for instance, established a stock company, State Auto Financial Corp., in 1990 and raised \$22 million in a June 1991 stock offering, in part "to give us the ability to acquire and to expand," said Robert L. Bailey, president and chief executive officer of State Auto. The Columbus, Ohio-based firm has about \$310 million in surplus.

"We think many of the small companies will be looking for parents," said Mr. Bailey, who noted that "hardly a week goes by" that the company does not get one to three queries about a possible acquisition, though none have been finalized to date.

To go public, "You need sufficient size to interest the investment community. It remains to be seen how many are able to do it and do it successfully," said Jim O'Neill, executive vp of the Harleysville, Pa.-based Harleysville Insurance Cos. That company, which is the downstream public holding company of Harleysville Mutual Insurance Co., launched its IPO in 1986.

Also, some mutual companies may convert to stock companies, which would make it easier for them to merge, said Lygia Campbell, an analyst with Fitch Investors Service in New York.

"We don't see any onslaught or mad rush of NAMIC companies to demutualize" or to merge, said Larry Forrester, president of the National Assn. of Mutual Insurance Companies in Indianapolis, which represents mutual property/casualty insurers.

But this is not to suggest that companies are not looking at alternatives that will enable them to grow, strengthen their surplus position and increase market share, he added.

"I see more and more mutual life insurance companies looking
Continued on next page

Insurer Topics

Insurer mergers

Continued from previous page at demutualization or merger" because of their need for capital, said Robert Shapiro, president of The Shapiro Network, a Milwaukee-based consulting firm that works closely with life insurers. Mr. Shapiro predicted the total of 105 mutual life insurance companies now in existence could be cut by more than half by the end of the decade.

Observers say insurers are going to have to specialize either by product line or geographical area to survive. The "generalist" companies that "don't really have anything special" will merge out of existence, said Mr. Spass.

Large companies as well as small ones are specializing. Earlier this month, UNUM Corp., which spe-

cializes in group long-term disability insurance, said it plans to merge with Colonial Cos., which specializes in payroll-marketed personal supplemental accident and health insurance, in a \$570 million transaction.

Soon the two insurers' products, which complement one another, will be sold through the same distribution system, said Sue Sweeney, second vp-corporate development, for UNUM in Portland, Maine.

Over the years UNUM has withdrawn from individual life, group medical and 401(k) planbusiness, and it has divested part of its United Kingdom company, which is in the pension and life insurance business, said Ms. Sweeney.

Divestiture can have a downside. Sometimes insurers unwisely sell off subsidiaries that may actually be

more profitable and have better long-term prospects than their core businesses, said Phil Turberg, managing director of The Firemark Group in Parsippany, N.J. This has particularly been true in the life/health sector, he added.

Europeans are expected to play a role in future U.S. merger activity. European insurers have been relatively quiet as of late because they are absorbed in their own internal problems. But that will not last.

Buying a company in the United States, which comprises 40% of the global insurance market, is the only way to "get access to as large a share in the world market in an immediate way," said James J. Meenaghan, chairman, president and CEO of The Home Insurance Co. Trygg-Hansa SPP Holdings AB of Sweden bought a majority interest

in The Home last year (BI, Feb. 18, 1991).

"To be a major player in the 20th Century, you've got to be global," said the III's Mr. Mooney. Furthermore, competition has driven up the price of European companies, which explains last year's flurry of acquisitions of U.S. companies by European firms, said Mr. Mooney.

"There's really nowhere else for them to go," said Ms. Stewart.

The same is true of Japanese insurers, which for now are focused on their own domestic problems.

"They've got a lot on the plate at the moment," said Charles Brophy, a management consultant with Towers Perrin in Dallas. But, he said, "I don't think they'll be distracted forever."

"Ultimately we're probably going to see a great deal more internation-

alization of the American market," said Ms. Stewart. Over the years, the joint ventures and loose partnerships that have been established "have not really worked well, and it may be that in order to be successful with foreign parties, more of a commitment will be needed going both ways, and that means majority ownership."

One factor that could give foreign insurers "pause for thought" is Bill Clinton's campaign promises to provide more equitable taxation by taxing foreign-owned businesses, said Carlton R. Copp, vp at Hartford, Conn.-based Conning & Co., which recently analyzed industry mergers and acquisitions (see story, page 26D). However, "I don't think it will be an insuperable barrier," he said.

For now, there is little interest by most U.S. companies in making European acquisitions, in part because U.S. companies also are absorbed with their own problems.

"Most U.S. companies are focused on the U.S. market," said Charles Carroll, a partner specializing in mergers and acquisitions at Ernst & Young in New York. "I think they see better opportunities" domestically.

But this is also likely to be temporary, said Mr. Meenaghan. "I think you will see on the part of American companies an increased sophistication in their outlook," particularly among insurers specializing in commercial insurance or other specialty coverages, which will lead to a more global outlook.

Meanwhile, some believe there will be more merger and acquisition activity involving financial buyers such as KKR, although they will be more carefully done than the highly leveraged deals of several years ago.

"I think the marketplace has followed KKR before in some of these forays and certainly if KKR has done it, it has raised the interest on the part of others," said Mark Loizeaux, a partner in mergers and acquisitions at Deloitte & Touche in New York.

The American Re deal gives LBOs "a sign of Good Housekeeping approval that will be followed by others," said Conning's Mr. Copp.

LBO firms tend to buy on bad news, when prices will be relatively low, "and there has certainly been enough bad news," said Peter Porrino, a partner with Ernst & Young in New York.

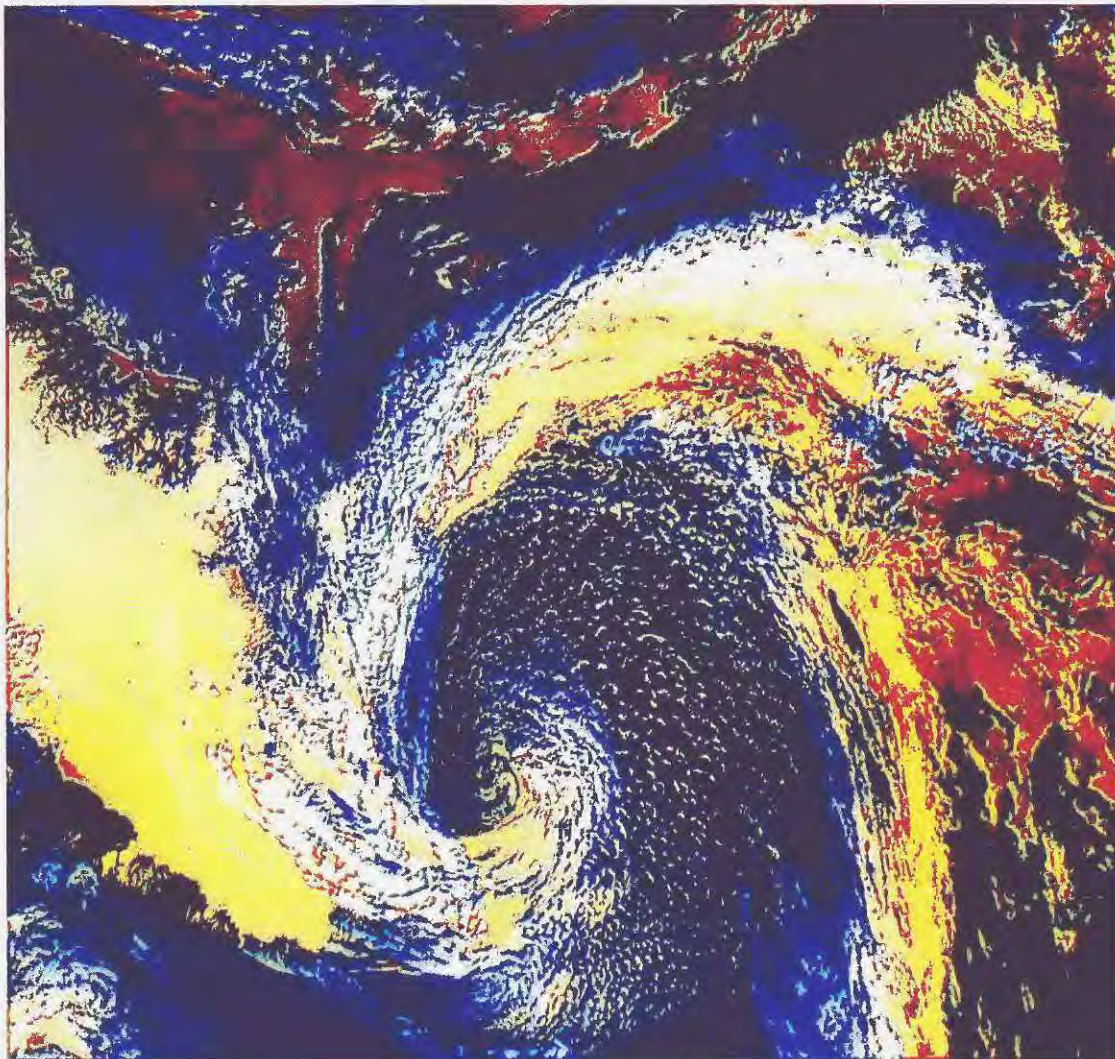
If prudently done, LBOs can work, said Mr. Spass of International Insurance Advisers. "I think they will continue to be a source of some of the transactions you see being done."

But some observers believe the recession may discourage more merger and acquisition activity for now. A company doing poorly because of the recession is a "lot less likely to be picked up" because of its poor performance, said Mr. Mooney.

As an example, he pointed to the attempted merger between a Lincoln National Corp. subsidiary and Seibels Bruce Group Inc. The deal fell apart because of the latter's losses from Hurricane Andrew (BI, Aug. 31).

In addition, the relatively strong stock market "would deter acquisitions because you have to pay a higher price." But it does encourage divestments because insurers can take advantage of the strong market with an initial public offering, said Mr. Mooney.

Firemark's Mr. Turberg predicted, however, that merger activity will pick up soon. "I think 1993 is a year we should see lots of merger activity."



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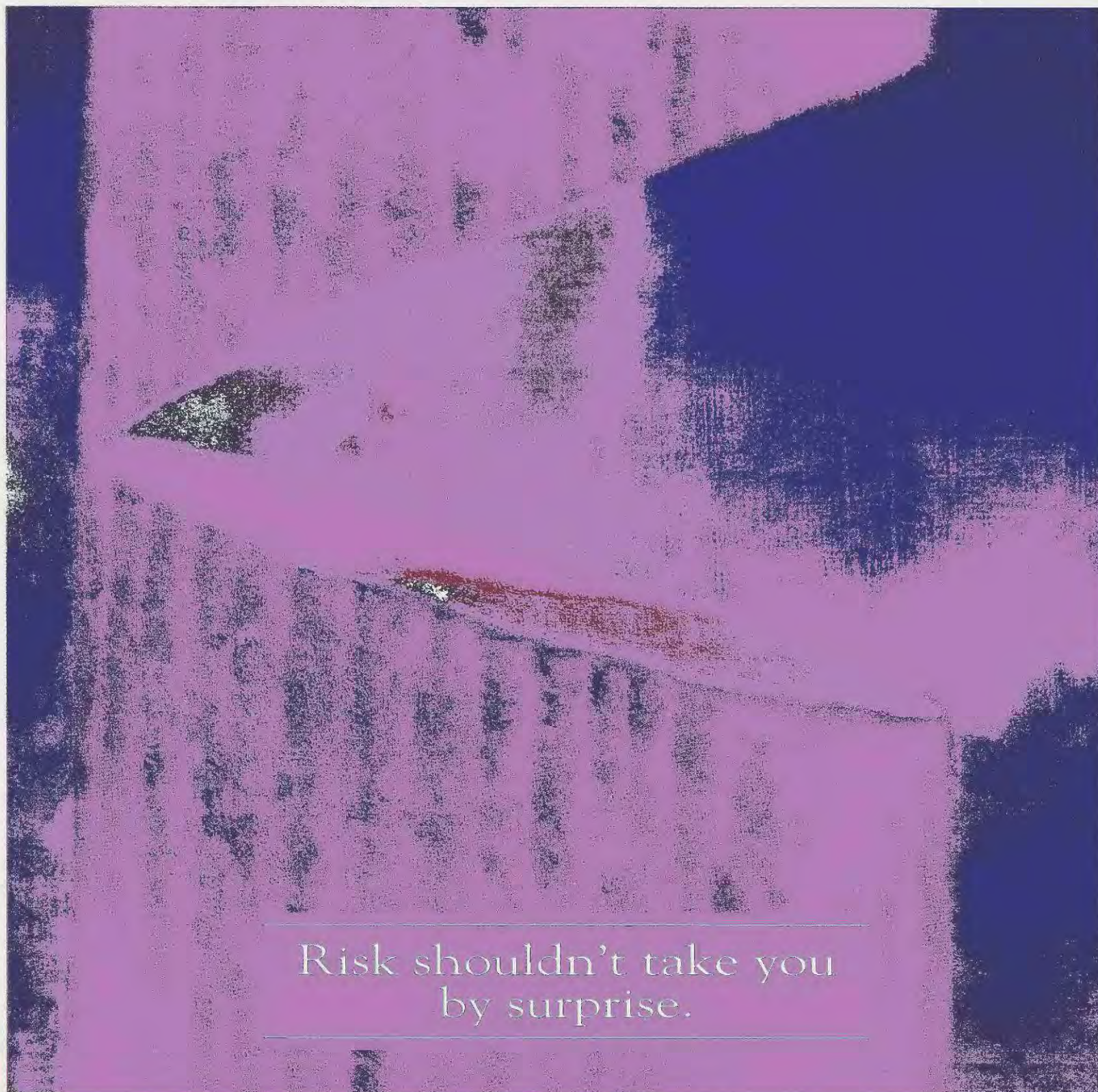
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Insurer Topics

U.S. insurance merger activity

The value of life/health and property/casualty insurer transactions was up 41% last year to \$8.66 billion from \$6.15 billion in 1990, although the number of transactions slipped to 85 from 93.

Transaction value
(in billions)

	1991	1990	% change
Life/health insurers	\$3.52	\$3.37	+5%
Property/casualty insurers	5.14	2.78	+84%

Source: Conning & Co.

GRAPHIC BY CHRIS ROY

Takeover activity increases

Insurers' high-stakes consolidation game continues: Study

By MARK A. HOFMANN

While the pace of mergers and acquisition slowed for most industries, consolidation within the insurance industry accelerated during the early 1990s, according to a recent study.

The transaction value of U.S. insurance company mergers, including both life/health and property/casualty transactions, jumped 41% between 1990 and 1991, the study indicates.

By contrast, it reports, the transaction values for mergers in other U.S. industries fell 34% in

that same period.

Hartford, Conn.-based Conning & Co., which conducted the study, expects the merger trend among insurance companies to pick up speed in the immediate future.

Conning found several economic factors driving consolidations in the U.S. insurance industry:

- Competitive pressures to lower costs.

- Divestitures of non-economic and low-return "non-core" businesses, leaving an increased emphasis by insurers on

Specialization.

- Globalization pushing European and other foreign insurance companies more deeply into U.S. markets.

- Sufficient financing, though on more conservative terms.

- Surplus shrinkage demanding outside help.

- Banks' entry into insurance, which has accelerated distribution and product changes.

Mergers involving property/casualty insurance companies grew more quickly than other deals. The values of these deals rose 82% to \$5.14 billion in 1991 from \$2.78 billion in 1990, Conning reports.

But two big acquisitions accounted for about three-quarters of the 1991 activity.

Those transactions were Allianz A.G. Holding's purchase of Fireman's Fund Insurance Co. for \$1.13 billion (*BI*, Jan. 7, 1991), and the acquisition of The Home Insurance Co. by Trygg Hansa S.P.P. Holding A.B. for about \$541 million in cash and various other commitments (*BI*, Feb. 18, 1991).

In fact, the number—as opposed to the value—of deals involving property/casualty insurance companies declined during the period.

According to Conning, there were 38 transactions involving property/casualty insurance companies in 1991, down from 52 a year earlier.

The value of mergers involving life/health insurance companies increased at a much slower rate, although the number of transactions climbed.

The transaction value of life/health mergers was up only 5% to \$3.52 billion in 1991 from \$3.37 billion a year earlier, while the number of transactions increased 15% to 47 from 41 during the same period.

Despite greater interest in Europe, U.S. insurance companies and brokers acquired foreign companies at a "very slow rate," Conning reported.

Foreign takeovers of U.S. insurance companies and brokers, though, are rising rapidly, according to the report.

In 1991, 25 U.S. firms—11 life insurance companies, six property/casualty companies and eight brokerages—were acquired by foreign concerns; only five foreign firms—one life insurer, one property/casualty insurer and three brokerages—were bought by U.S. companies.

According to Conning, the disparity can be explained in part by noting that European insurance companies, in particular, want to enter the U.S. market because it is the world's largest; acquisitions are more difficult and expensive to execute in Europe; and Europeans take a longer-term view than their American counterparts, "making deals easier to find and consummate."

U.S. insurance companies, on the other hand, have been using "alliances and marketing agreements with leading European firms to implement their strategies of better serving multinational clients," according to the report.

Merger and acquisition activity
Continued on page 26F



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Insurer Topics

Merger study

Continued from page 26D
ity started out "fairly strongly" in the first six months of 1992, Conning found.

"Since then, we really have no change in our analysis," said Carl J. Copp, a Conning vp. "We feel it's going to be a pretty good year."

The survey unearthed no major surprises, said Mr. Copp.

"The trends are basically in place," he said. These trends in-

clude a continued consolidation of the insurance industry and continued foreign interest in U.S. acquisitions.

He added, however, that two factors could slow foreign activity.

One is that Bill Clinton promised during his campaign that he would seek to make foreign companies doing business in the United States pay more taxes. Mr. Copp said new taxes on U.S. subsidiaries of overseas companies "could slow things

down," though such taxes are not likely to put a serious crimp in acquisitions activity.

The other factor is the rising value of U.S. insurance company stocks, said Mr. Copp. Higher share prices logically make the companies less attractive targets.

"1992 Edition, Mergers and Acquisitions" costs \$495. For further information, write to Carl J. Copp, Conning & Co., CityPlace II, 185 Asylum St., Hartford, Conn. 06143-4105.

Concerns for credit rating drive investment strategy for insurers, survey says

By MARK A. HOFMANN

NEW YORK—Private credit rating agencies have had a greater hand in regulating insurance companies' investment quality than state insurance de-

partments, an investment banker concludes in a new survey.

More than two-thirds of the insurance company chief investment officers who participated in "The Goldman Sachs Insurer CIO Survey" said that concerns about possible adverse credit ratings have led them to adopt more conservative investment strategies than they have in the past.

According to the survey—which was conducted by New York-based Goldman, Sachs & Co.'s Insurance Industry Research Group—insurers of all sorts have been liquidating high-risk securities and avoiding commercial real estate investments to bolster their credit ratings.

Forty-eight CIOs representing 61 insurance companies responded to the survey. Twenty-nine CIOs represent insurers that deal solely in life/health insurance, 13 represent multiline insurers and six represent companies that deal solely in property/casualty insurance. As a result, the authors caution, the results are skewed toward the life/health industry.

Nonetheless, a majority of CIOs representing each sector of the industry agree that credit rating concerns have affected their investment strategy.

Seventy-nine percent of the life/health CIOs cited rating agencies' influence, as did 69% of the multiline CIOs and 67% of the property/casualty CIOs.

"Concern with the rating agencies was overwhelmingly the top priority of the CIOs responding to our survey, and with good reason," wrote the survey's authors. "Standard & Poor's and Moody's are still in the process of downgrading much of the life/health industry. A primary concern of the rating agencies is asset quality, especially that of commercial mortgage loans.

"We say the rating agencies are becoming the de facto regulators (of the insurance industry), because they appear far more proactive than state regulators and because their actions have a bottom-line impact. The rating agencies are not the cause of the insurers' problems, but they are a very visible barometer and have a direct impact on insurers' decisions," the survey authors say.

According to Goldman Sachs, insurers "should act to maximize their franchise value." The authors define "franchise value" as "business advantages that can consistently provide above-average returns on capital."

Life insurers "theoretically" enjoy two such advantages, the authors say. These are the ability to price mortality and morbidity risks and the tax-deferred status of the buildup of interest under many life insurance products.

And property/casualty insurers "potentially have a franchise in selecting and pricing a unique set of personal and commercial risks," according to the survey authors.

"The current regulatory environment will affect insurer franchise value. To the degree that tough regulation discour-

Continued on next page

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Facing bankruptcy threats head-on

As mortgage lenders, you've got the upper hand. Don't lose it.

By Douglas E. Wambach
and Gerard D. Ring

LIKE OTHER institutional lenders, many insurance companies now hold non-performing mortgage loans.

This is due to a number of factors: a combination of ill-advised lending practices during the building boom of the 1980s; stagnant or even decreasing property values in most commercial markets; and so-called non-recourse borrowers. Lenders have no alternative but to foreclose and recover what they can through a sale or by holding the property until it appreciates.

But borrowers are rarely anxious to let the property go. Frequently, they either file or threaten to file for bankruptcy as a means of delaying loss of the property and of pressuring lenders to agree to restructuring the debt.

How do lenders get in this position—and how can they get out? Let's look at a typical case.

Suppose, in the mid-1980s, a developer wants to put up an office tower. Typically, a single-asset limited partnership is formed, with the developer as the general partner and numerous other investors as the limited partners. The office tower will be the partnership's only activity, and all financing will be through non-recourse loans, meaning the lender can only foreclose on the collateral (the building) if the borrower defaults on the loan. The lender cannot seek to collect from the general or limited partners.

After using the partners' investment and construction financing to complete and begin leasing the building, the partnership then seeks permanent financing from an institutional lender (in our case, an insurance company). A typical deal in the mid-1980s might be a five- to seven-year loan with payments of interest only and a final balloon payment at the end of the term. Obviously, both the lender and borrower depend on stable or increasing rents to provide cash flow and to maintain or increase the value of the building so that the debt could be refinanced at the end of the term.

Things happen. Instead of the anticipated appreciation, the building depreciates in value.

Credit rating

Continued from previous page
ages companies from investing in high-yield/high-risk securities, for example, profitability may actually increase in the long run, as (investment) liability costs (i.e., credited or guaranteed rates) are rationalized.

"On the other hand, if regulation simply reduces investment returns as higher-yielding alternatives become increasingly restricted, then the long-run profitability of the industry may be in question," the authors say.

Copies of "The Goldman Sachs Insurer CIO Survey" are available free of charge by contacting Lillian Herrera, Goldman Sachs & Co., 85 Broad St., 28th Floor, New York, N.Y. 10004; 212-902-3071.

IT Perspective

Because the commercial office sector has been badly overbuilt, vacancies are high, forcing rents down. Operating expenses are eating up all the property's revenues and the partnership is six months behind in paying the mortgage.

The first step generally is to try to negotiate some kind of workout with the borrower. In the current market, however, many borrowers simply can't offer an acceptable

alternative. Many buildings have very low occupancies, and there is no economic expansion to boost demand for the space. Alternative financing is extremely tight. The property's cash flow simply can't support the debt, no matter how it is structured. Appreciation in the near future is not likely. And the borrower has no equity in the property to serve as a cushion.

The lender's only resort is to foreclose. And the borrower

threatens bankruptcy.

Why? Most lenders would be happy to settle for a deed in lieu of foreclosure—where a borrower turns the property over to the lender, generally in exchange for forgiveness or reduction of outstanding debt or some other consideration without a formal foreclosure action. This would save the lender time and the borrower money. Many borrowers are not interested in this for one simple reason: income taxes.

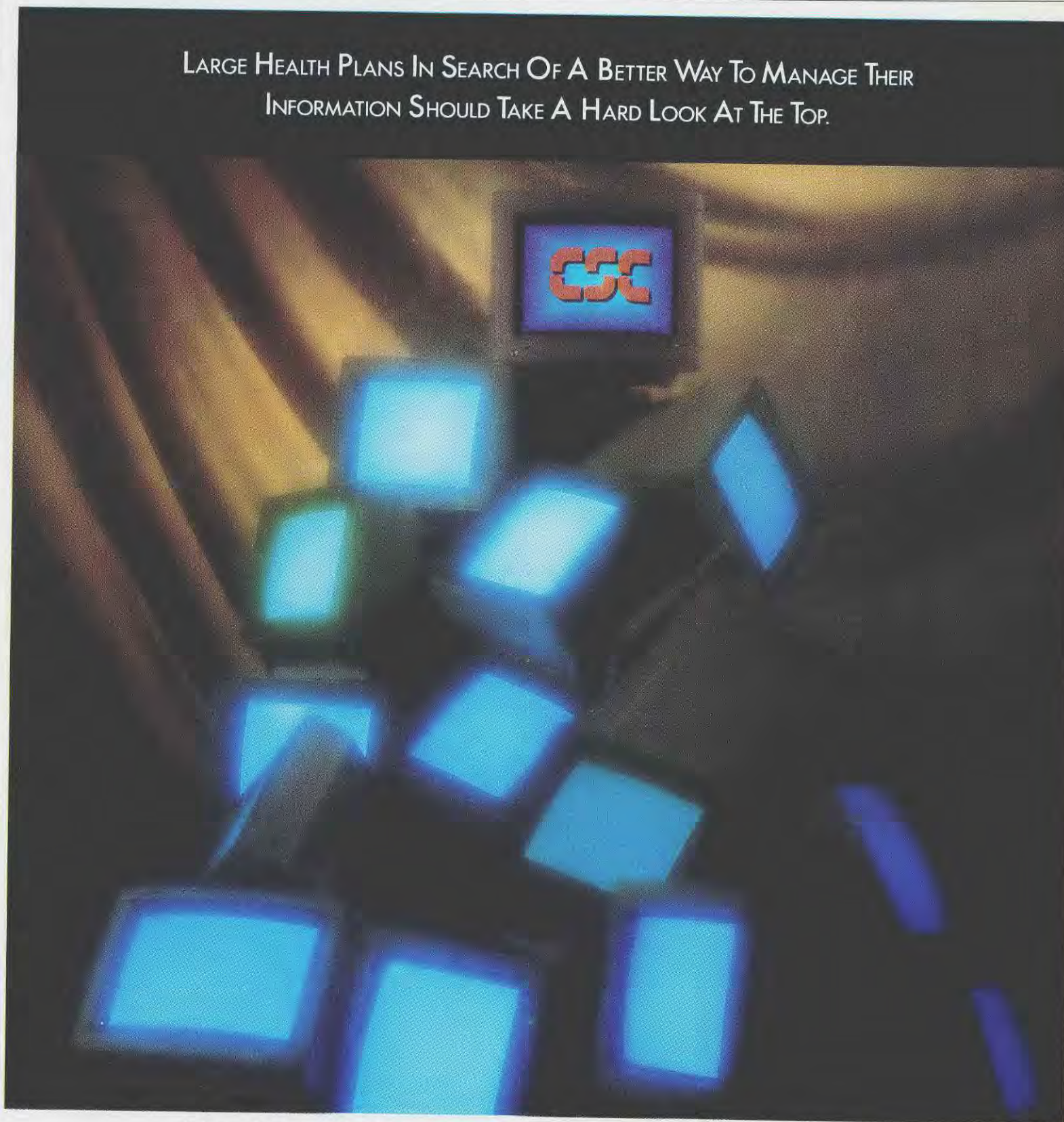
Keep in mind that the limited partnership has been claiming depreciation on the property for several years. In addition, a transfer of the property to the

lender will be treated as a sale of the property, which would force the partnership to recognize a gain based on the difference between the amount of the debt and the partnership's depreciated basis in the property. The investors in the partnership have been using the depreciation deduction to reduce their income taxes. If the building is turned back to the lender—whether through foreclosure or in a deed in lieu of foreclosure—the investors will have to recapture that depreciation and recognize any gain as income.

So they threaten or declare bankruptcy either to force the lender to agree to work out terms or to delay loss of the property long enough for the market to improve their cash flow or to

Continued on next page

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Insurer Topics

Bankruptcy fight

Continued from previous page
increase the value of the property to give them a positive equity position.

If a borrower threatens bankruptcy, what should you do?

Obviously, much depends on your specific situation. Has the borrower presented any realistic workout alternatives? Do alternative financing possibilities exist? Or is the borrower simply using the bankruptcy process for leverage?

In the current overbuilt, often depreciating commercial real estate market, too many borrowers are doing just that. And some lenders have been too ready to capitulate to give in to unreasonable demands just to avoid the time and expense of dealing with a bankrupt mortgagee. However, while dealing with a bankruptcy can be costly and time-consuming, if viable workout alternatives don't exist, it's generally better to pursue foreclosure now and deal with bankruptcy if it happens than to agree to an unfavorable deal or to wait for improved market conditions that are probably years away.

Here are a few tips for dealing with mortgagees who threaten or file bankruptcy:

First, you have certain legal rights. Bankruptcy filings must be made in "good faith," not simply as a delaying tactic or to gain leverage. To be in good faith, there must be a realistic possibility that an effective reorganization plan can be put in place that will return the property to profitability within a reasonable time.

There are a number of circumstances that can lead the court to hold that a filing was not made in good faith:

- Does the debtor have only one asset (as is the case with single asset partnerships)? If so, it may be more difficult for the debtor to convince the court that a reorganization is possible, since there is very little to reorganize with. Many circuits are taking a

harder line with single-asset properties.

- Does the debtor have any equity in the property? If the debtor has equity, the courts generally will allow it to try to reorganize, at least until that cushion is exhausted.

- Does the debtor have few or no employees? In cases where an operation has few, if any, employees, it can serve as evidence that the property is no longer a going concern.

- Is there little or no cash flow? Obviously, some source of funds will be needed to reorganize. In many unleased or under-leased properties, real estate taxes and operating expenses more than eat up rents. This can lead a judge to conclude that an effective reorganization is impossible.

- Is the unsecured creditors' pool relatively small? If you are the only notable creditor and already have rejected various workout options prior to a filing for Chapter 11, the court may conclude that, since your approval will be necessary to approve a reorganization, the likelihood of success is minimal.

- Has a foreclosure suit already been filed? If a foreclosure action has been filed, the court may feel that a bankruptcy filing is a last-ditch effort to avoid losing the property, not a good-faith attempt at reorganization, especially if the foreclosure process has been lengthy and the borrower waits until the last minute before the sheriff's sale to file.

There is no bright-line test of good faith. Any one, but more likely some combination, of the above factors may convince a judge to dismiss a petition for Chapter 11 protection or to convert the filing to a Chapter 7 liquidation. But there are no guarantees. Even if all these criteria are present, a judge still may allow the bankruptcy to proceed.

If the bankruptcy does proceed, the debtor has the exclusive right to present a reorganization plan during the first 120 days. All creditors then vote on the plan.

Generally, the more you are owed, the more influence you have on the voting. That does not mean, however, that a significant creditor—even the most significant creditor—can't have a plan it opposes passed over its objection.

Voters are divided into classes.

There are at least two classes: secured creditors, like mortgage lenders, and unsecured creditors. There can be many classes. For instance, mechanics' liens frequently form a separate class. By presenting a plan favorable to classes not controlled by the mortgage lender, the debtor can "cram down" a plan the lender opposes.

One way a lender can avoid a "cram down" is to buy up enough mechanics' liens and other debts to control the various unsecured voting classes. Obviously, the more creditors, the more they are owed and the more diverse they are in nature, the greater the risk that the mortgage holder could face a "cram down."

After the 120-day period, creditors may present their own plans, which can simply call for the liquidation of the property.

Aside from seeking a dismissal of the bankruptcy filing and defeating unfavorable debtor plans, there are other steps you can take. Remember, in cases where a

borrower is using the bankruptcy procedure to buy time, they are doing so because their property is not generating sufficient income. Aggressive action by the lender can convince the borrower that continuing to hold the property will be too expensive an option.

In many single-asset real estate bankruptcies, adequate protection payments are one option. Consider this example:

Suppose you hold a \$50 million mortgage on an office building. The building was valued at \$55 million when you granted the mortgage, but the value has fallen to \$45 million due to depressed, overbuilt market conditions. Since the building is now worth less than your security interest and is depreciating in value, you can ask the court to require adequate protection payments, which are designed to protect the lender from erosion in the value of its collateral during the bankruptcy process. The court then can require the debtor to turn rents and other revenues over to the lender in spite of Chapter 11 protection.

Check to make sure that property taxes are being paid. If the borrower falls behind, you again should ask the court to order them to continue to make timely payments.

Make sure the debtor is maintaining sufficient insurance on

the property. If the property is underinsured or if the debtor is skipping insurance payments, you can petition the court to force the debtor to maintain coverage.

Upkeep of the property often suffers when a borrower has insufficient cash flow. Lenders should not be shy about checking to make sure that the property is properly maintained, nor should they hesitate to take the debtor to court in cases where it is not.

For the debtor, the main attraction of Chapter 11 protection is relief from constant demands on their cash flow. If those demands continue after the bankruptcy filing, the debtor may quickly realize that surrendering the property is their best option.

Non-performing mortgages are a fact of life for many insurance companies. Before you let borrowers back you into a corner by threatening bankruptcy, carefully consider your alternatives. Facing bankruptcy threats head-on is often a lender's best option.

Remember, bankruptcy costs everyone time and money. And you probably have more of both. **B**

Douglas Wambach and Gerard Ring are attorneys with the Chicago law firm of Burke, Warren & MacKay, P.C.

IT Briefs

Making out like a bandit this season

PALOS HILLS, Ill.—'Tis the season to steal cars and auto equipment, warns the National Insurance Crime Bureau.

The NICB estimates that 175,000 cars and trucks will be stolen between Thanksgiving and New Year's Day. Car thieves will also take about 290,000 valuable items like radios, car phones and gifts from the cars they target.

Altogether, car thieves' take this "season" will be about \$11 billion, projects the Palos Hills, Ill.-based NICB.

The NICB also recently released a report that says car theft remains primarily an urban problem.

According to the NICB's analysis of the FBI's "Uniform Crime Reports" for all municipalities with populations of 50,000 or more, five of the 10 locales reporting the highest vehicle theft rate per 100,000 inhabitants were New Jersey cities. Newark led the list with 5,049 thefts per 100,000 inhabitants.

Rounding out the top 10 were: Irvington, N.J.; Bridgeport, Conn.; Camden, N.J.; Hunting-

ton Park, Calif.; Lawrence, Mass.; Fresno, Calif.; East Orange, N.J.; Trenton, N.J.; and Fort Worth, Texas.

Separately, the NICB also recently announced five executive appointments: Robert H. Mason, formerly vp and acting general counsel, is now vp, secretary and general counsel; William J. Laack, formerly director-operations, training and prevention, was promoted to vp-operations, training and prevention; Rolland R. Smith, director-information services division, was named vp of that division; Timothy J. Kett, director-communications, was named assistant vp-communications; and Stephen P. Palecek, deputy director-information services division, was named assistant vp of that division.

The NICB is a property/casualty insurance industry supported organization dedicated to fighting vehicle theft and insurance fraud. It was formed on Jan. 1 through the merger of the Insurance Crime Prevention Institute and the National Automobile Theft Bureau.

—By Mark Hofmann



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Business Insurance

FREE LITERATURE FOR READERS

Issue Date: DECEMBER 21, 1992

Card Expiration: FEBRUARY 15, 1993

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☐ Government ☐ Actry/Consl ☐ Other _____
☐ Educational Inst ☐ Attorney

2. Number of employees:

- ☐ 150 or less ☐ 151 - 499 ☐ 500 - 999
☐ 1,000 - 4,999 ☐ 5,000 or more ☐ Unknown

3. My title is best defined as:

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4. My purchasing involvement for the requested products is to: ☐ I recommend only ☐ I specify ☐ I approve

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Continued from previous page

B

BAB Consultants Inc.

275 Market St., Suite C24,
Minneapolis, Minn. 55405;
612-341-4252; fax: 612-341-4558

Founded: 1989.

Services: 90% 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, COBRA.

Other services: Compensation consulting, brokering, general evaluations/assessments.

Staff: Two professionals.

Clients: 15 total; 33% with 1-100 employees, 67% with 101-1,000; 100% corporations. Minimum size client: 35 employees.

Compensation: By the project, commissions, by the hour: senior consultant, \$175; consultant, \$85.

Gross revenues: \$300,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Jeffrey L. Bolter, president.

BPI Benefits Planning

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

Founded: 1978.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 20% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 75% of revenues. Includes plan design consulting, evaluation of service providers, vendor management, plan change implementation.

Benefit communications consulting: 5% of revenues. Includes enrollment, wellness and consumerism newsletter.

Other services: Brokering, executive benefit consulting.

Staff: 17 total; five professionals, including one CEBS, one CLU, one attorney.

Clients: 130 total; 12% with 1-100 employees, 80% with 101-1,000, 8% with 1,001-5,000. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer.

Gross revenues: \$3.1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3.1 million.

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

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

Barbanell Associates

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

Founded: 1962.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 33% of revenues. Includes plan design consulting, investment manager selection consulting, pension calculations review, consulting on selection of other providers.

Welfare plan consulting: 57% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment.

Other services: Brokering.

Locations: Los Angeles.

Staff: Seven total.

Clients: 53 total; 53% with 1-100 employees, 9% with 101-1,000, 32% with 1,001-5,000, 6% with 5,001 or more; 6% corporations, 47% multiemployer plans, 47% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200; consultant, \$175; clerical, \$25.

Gross revenues: \$635,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$685,000.

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

Bayside Insurance Marketing Inc.

873 Santa Cruz Ave., Menlo Park, Calif. 94025; 415-321-1230;
fax: 415-322-1109

Founded: 1980.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting.

Welfare plan consulting: 85% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment.

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

Other services: Compensation consulting, brokering, management consulting.

Staff: Eight total; three professionals, including one CPCU.

Clients: 90% with 1-100 employees, 10% with 101-1,000; 100% corporations.

Compensation: Commissions for insurance placed with underwriters.

Gross revenues: \$900,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Patrick J. Goodenough, president; E. Jerry Witt, vp.

Edward R. Beil Associates Inc.

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

Founded: 1974.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 7% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting.

Welfare plan consulting: 91% of revenues. Includes plan design consulting, evaluation of service providers, health care cost containment, managed care-self funding.

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

Other services: Claims administra-

tion.

Locations: Radnor, Pa.

Staff: Eight total; four professionals, including one CEBS, one CLU.

Clients: 52% with 1-100 employees, 40% with 101-1,000, 8% with 1,001-5,000; 80% corporations, 5% individuals, 15% partnerships. No minimum size client.

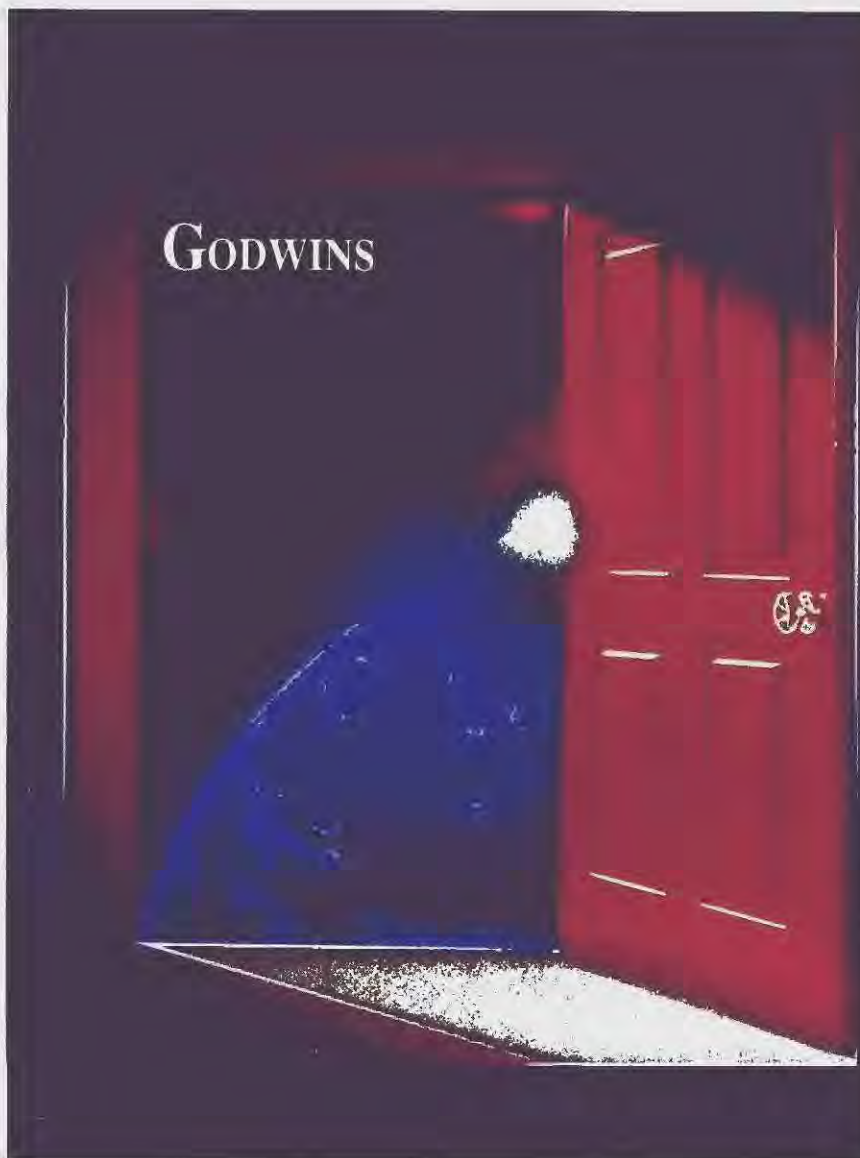
Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$175; consultant, \$125; clerical, \$40.

Principal officers: E.R. Beil, president; Patrick Hehir, senior vp; J.P. Indelli, vp-finance.

Contact: Patrick Hehir.

Continued on next page

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Creating a New Tradition of Excellence

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Continued from previous page

Benefit Consultants Inc.

14500 South Forty Outer Road,
Suite 502, Chesterfield, Mo. 63107;
314-434-4620

Founded: 1982.**Services:** 67% of revenues from benefit consulting.**Welfare plan consulting:** 62% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, claims audits, self-administration implementation, self-insurance feasibility studies.**Benefit communications consulting:** 5% of revenues. Includes communications consulting, benefit booklet preparation.**Other services:** Brokering, claims administration.**Staff:** Nine total; three professionals, including one CEBS, one CLU.**Clients:** 30 total; 10% with 1-100 employees, 67% with 101-1,000, 20% with 1,001-5,000, 3% with 5,001 or more; 50% corporations, 47% multiemployer plans, 3% MEWAs.**Compensation:** By the project, commissions, on retainer, by the hour.**Principal officers:** Alan N. Lemley, president.

Principal officers: William A. Gantt, Donald E. Ward, P. Edwin Icard, Michael A. Hawkins, Robert Lassiter, Douglas Dellinger, William P. Foster, Richard A. Gantt, Laurence K. Provence.

Benefit Matters Inc.

993 Old Eagle School Road, Suite 410, Wayne, Pa. 19087;
215-688-1500; fax: 215-688-8880

Services: 10% 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:** 8% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.**Benefit communications consulting:** 0.5% of revenues. Includes communications consulting, benefit statement, booklet and audiovisual preparation.**Other services:** Brokering.**Locations:** Blue Bell, Pa.**Staff:** 11 total; seven benefit consulting employees; four professionals, all CLUs.**Clients:** 89% with 1-100 employees, 10% with 101-1,000, 1% with 1,001-5,000;**Benefit Controls Cos.**

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

Founded: 1978.**Services:** 72% of revenues from benefit consulting.**Retirement/savings plan consulting:** 4% of revenues.**Welfare plan consulting:** 68% of revenues.**Other services:** Compensation consulting, brokering, claims administration, voluntary plans, non-qualified plans.**Locations:** Atlanta; Charlotte, Hickory and Raleigh, N.C.; Columbia, S.C.**Staff:** 24 total; 19 professionals, including one attorney.**Clients:** 220 total; 30% with 1-100 employees, 30% with 101-1,000, 20% with 1,001-5,000, 20% with 5,001 or more; 97% corporations, 3% individuals. No minimum size client.**Compensation:** By the project, commissions, on retainer, by the hour: senior consultant, \$175; consultant, \$145; clerical, \$50; administrative assistant, \$75.**Gross revenues:** \$2.1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3 million.**Non-U.S. benefit consulting:** From the U.S.

90% corporations, 10% individuals.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150; consultant, \$100; clerical, \$60.**Principal officers:** James S. Grant, president/secretary; William S. Sibson Jr., vp/treasurer.**Benefit Resource Management Group Inc.**

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

Founded: 1987.**Parent:** Blue Cross of Western Pennsylvania.**Services:** 75% of revenues from benefit consulting.**Welfare plan consulting:** 65% of revenues. Includes plan design consulting, health care cost containment.**Benefit communications consulting:** 10% of revenues. Includes general consulting.**Other services:** General management consulting.**Staff:** Five total; four professionals, including one CEBS.**Clients:** 100% corporations. No minimum size client.**Compensation:** By the project, on retainer, by the hour.**Principal officers:** Gregory D. Bivens, consultant; Gloria M. Urbanik, senior consultant; Robert J. Madden, marketing executive.**Contact:** Robert Madden.**Benefits Plus Inc.**

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

Founded: 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, 401K plan implementation, individual enrollment.**Welfare plan consulting:** 20% of revenues. Includes plan design consulting, evaluation of service providers.**Benefit communications consulting:** 10% of revenues. Includes communications consulting, benefit statement preparation, individual meetings with employees with laptop computers.**Other services:** Implementation, enrollment and service for 401K and cafeteria plans.**Staff:** 23 total; 14 professionals, including one CEBS, one CLU, two CPAs, one attorney.**Clients:** 145 total; 75% with 1-100 employees, 25% with 101-1,000; 100% corporations.

Minimum size client: 25 employees.

Compensation: By the project, commissions.**Gross revenues:** \$3 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3 million.**Principal officers:** Mark Wayne, president.**George Beram & Co. Inc.**

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

Founded: 1975.**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, asset/investment consulting.**Welfare plan consulting:** 10% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, post retirement medical consulting.**Benefit communications consulting:** 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; comprehensive benefit statements.**Other services:** Compensation consulting, financial planning.**Locations:** Newton, Mass.**Staff:** 70 total; 50 professionals, including three FSAs, six ASAs, four CEBSs, two CLUs, four attorneys, eight EAs.**Clients:** 200 total; 10% with 1-100 employees, 80% with 101-1,000, 10% with 1,001-5,000; 100% corporations.**Compensation:** By the project, on retainer, by the hour: senior consultant, consultant, clerical.**Non-U.S. benefit consulting:** Via correspondents, from the U.S.**Principal officers:** George Beram, president; Nicholas Abdelahad and Philip Bruno, executive vps; Ruth Ryals, vp.**Contact:** William E. Adams.**R.N. Blomquist & Co.**

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

Founded: 1960.**Services:** 100% of revenues from benefit consulting.**Retirement/savings plan consulting:** 10% of revenues. Includes plan design consulting, defined benefit plan actuarial work, legal document drafting.*Continued on next page***PUBLIC ENTITY INSURANCE PROGRAM**

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plan administration consulting.

Welfare plan consulting: 70% 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 booklet preparation, plan documents.

Staff: Nine total; six professionals, including one CLU.

Clients: 50 total; 2% with 1-100 employees, 23% with 101-1,000, 50% with 1,001-5,000, 25% with 5,001 or more; 100% multiemployer plans.

Compensation: By the project, on retainer, by the hour: senior consultant, \$170; consultant, \$145; clerical, \$60.

Gross revenues: 100% from U.S. locations.

Principal officers: Jack Diem, president; Kurt Starbuck, vp; Paul Hawkins, executive vp.

Contact: Paul Hawkins.

Booke & Co.

P.O. Box 66, 310 W. Fourth St., Winston-Salem, N.C. 27102; 919-748-1120; fax: 919-725-7285

Founded: 1941.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 81% 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, asset/investment consulting, on-line services.

Welfare plan consulting: 13.4% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, claims administration, cafeteria plan counseling/administration.

Benefit communications consulting: 5.6% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; benefits hotline and customer service unit.

Other services: Compensation consulting, claims administration.

Locations: Birmingham, Ala.; Chicago; Columbus, Ohio.

Staff: 358 total; 84 professionals, including 16 FSAs, 11 ASAs, 24 CEBs, 10 CPAs, six attorneys, 23 EAs.

Clients: 1,600 total.

Compensation: By the project, by the hour.

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

Buck Consultants Inc.

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

Founded: 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, executive benefits consulting.

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 (personal computer and voice).

Other services: Compensation consulting.

Locations: 35 offices worldwide, including Atlanta; Boston; Chicago; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; Washington D.C.; Australia; Belgium; Canada; France; Hong Kong; Mexico; Netherlands; Singapore; Spain; United Kingdom.

Staff: 1,300 total; 1,014 professionals, including 63 FSAs, 104 ASAs, 16 CEBs, six CLUs, 11 CPAs, 37 attorneys, 132 EAs.

Clients: 2,000 total; 80% corporations, 20% non-profit and government organizations.

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

Gross revenues: \$161 million from worldwide benefit consulting in 1992. Total worldwide 1992 revenues: \$161 million.

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

Principal officers: William E. Giegerich, president/CEO.

Contact: Carolee P. Martin, marketing manager, 500 Plaza Drive, Secaucus, N.J. 07096-1533; 201-902-2555.

Buckman Van Buren & Fonner Inc.

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

Founded: 1971.

Services: 45% of revenues from benefit consulting.

Retirement/savings plan consulting: 25% 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, 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: 5% of revenues. Includes communications consulting, benefit booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, claims administration.

Staff: 37 total; 24 benefit consulting employees; 11 professionals, including two CEBs, three CLUs.

Clients: 55% with 1-100 employees, 40% with 101-1,000, 5% with 1,001-5,000; 65% corporations, 35% non-profit/professional firms. Minimum size client: 25 employees.

Compensation: By the project, commissions, by the hour: senior consultant, \$125-\$210; consultant, \$70-\$125; clerical, \$45.

Principal officers: Walter H. Van Buren, president/CEO; William W. Fonner, vp/secretary/treasurer; Michael B. Good, vp/COO; Joseph E. Ellis and William A. Salmon, vps.

Contact: Michael B. Good.

R.J. Burns & Associates

1807 W. Sunnyside Suite 2D, Chicago, Ill. 60640; 312-907-9700

Founded: 1980.

Services: 100% of revenues from benefit consulting.

Staff: Two total; both professionals.

Clients: 20% with 1-100 employees, 20% with 101-1,000, 60% with 5,001 or more; 75% corporations, 25% school districts. Minimum size client: 100 employees.

Compensation: By the hour: senior consultant, \$170-\$220; consultant, \$50-\$110; clerical, \$30-\$50.

Gross revenues: \$250,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$250,000.

Principal officers: Richard J. Burns, president; Stephen J. Ford, vp.

Bushnell & Co.

34 Roosevelt Highway, Colchester, Vt. 05446; 802-655-5441; fax: 802-655-3981

Founded: 1992.

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.

Welfare plan consulting: 60% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, plan documents and summary plan descriptions, audits, flexible benefits, electronic interface with TPAs.

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

Other services: Deferred compensation consulting.

Staff: Two total; both professionals, including one CEB, one CLU.

Clients: 21 total; 28% with 1-100 employees, 67% with 101-1,000, 5% with 1,001-5,000; 62% corporations, 38% non-profit organizations. Minimum size client:

50 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$150; consultant, \$100; clerical, \$40; administrator, \$75.

Gross revenues: \$145,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$145,000.

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

Principal officers: James E. Bushnell, president.

* 1992 figures.

Business Resources Associates Inc.

P.O. Box 621, 102 Prospect St. Schoharie, N.Y. 12157; 518-295-7929; fax: 518-295-8556

Founded: 1991.

Services: 45% of revenues from benefit consulting.

Retirement/savings plan consulting: 2.25% of revenues. Includes plan design consulting.

Welfare plan consulting: 40.5% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, actuarial work.

Benefit communications consulting: 2.25% of revenues. Includes communications consulting, benefit booklet preparation.

Other services: Brokering, flex plan administration.

Locations: Armonk and Syracuse, N.Y.

Staff: 11 total, all benefit consulting employees; six professionals.

Clients: 70% with 1-100 employees, 30% with 101-1,000; 80% corporations, 20% school districts. Minimum size client: 10 employees.

Compensation: By the project, commissions, by the hour: senior consultant, \$80; consultant, \$80; clerical, \$30.

Gross revenues: \$40,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$30,000.

Principal officers: Dan Colacino, president; Norm Michaels, vp; Bob Marquardt, principal; Keith Johnson, treasurer; Charles Wright, secretary.

Contact: Dan Colacino.

Byerly & Co. Inc.

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

Founded: 1959.

Services: 88% of revenues from benefit consulting.

Welfare plan consulting: 87.1% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, compliance services.

Benefit communications consulting: 0.9% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting, brokering, management consulting, health care premium administration, service center, flexible spending accounts, COBRA administration.

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

Staff: 71 total; 19 professionals, including seven CEBs, two CLUs.

Clients: 455 total; 49% with 1-100 employees, 46% with 101-1,000, 3% with 1,001-5,000, 2% with 5,001 or more; 93% corporations, 2% multiemployer plans, 5% MEWAs.

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

Gross revenues: \$5.4 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$6.1 million.

Principal officers: Robert N. Morehead, president; Alfred A. Gimbel, executive vp; Mark E. Hogan, senior vp; Gerald A. Peters and Jane M. Gruhl, vps.

The CBI Group

100 S. Prospect Ave., Park Ridge, Ill. 60068; 708-698-1090

Founded: 1983.

Services: 65% of revenues from benefit consulting.

Retirement/savings plan consulting: 3% 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, labor negotiations.

Welfare plan consulting: 57% of revenues. Includes plan design consulting, insurer/broker selection consulting, evaluation of service providers, health care cost containment, cost/risk assessment, claims auditing, claims arbitration, reinsurance placement, labor negotiations.

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

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

Staff: Five total; three professionals, including one FSA, one ASA, one CEB, one CLU, one CPA, one attorney.

Clients: 18% with 1-100 employees, 70% with 101-1,000, 10% with 1,001-5,000, 2% with 5,001 or more; 65% corporations, 20% multiemployer plans, 3% MEWAs, 2% individuals, 10% welfare plans by employee groups.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, consultant and clerical.

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

Principal officers: Joseph Lemmer, president.

Century Financial Services

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

Founded: 1983.

Services: 75% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting, legal document drafting, plan administration consulting, investment manager selection consulting, evaluation of other 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, employee assistance program vendor evaluation, managed mental health strategies, comprehensive monthly financial monitoring system, ERISA compliance, negotiations with insurers and service organizations, preparation of utilization review studies, general plan administration/claims settlement assistance, general research on benefits, update state/federal legislative developments.

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

Other services: Brokering, claims administration, educational seminars for clients on money management and estate planning.

Staff: 25 total; six professionals.

Clients: 88% corporations, 7% individuals, 5% municipalities. Minimum size client: 50 employees.

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

Gross revenues: \$835,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$835,000.

Principal officers: Ronald Reshefsky, president; Richard J. Leonard, president-Benefit 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

Founded: 1991.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 70% of revenues. Includes plan design consulting, defined benefit plan actuarial work, plan administration consulting.

Welfare plan consulting: 30% of revenues. Includes plan design consulting, health care cost containment, retiree medical actuarial consulting.

Staff: Six total; five professionals, including three FSAs, three EAs.

Clients: 22 total; 9% with 1-100 employees, 27% with 101-1,000, 37% with 1,001-5,000, 27% with 5,001 or more;

100% corporations.

Compensation: By the hour: senior consultant, \$200-\$290; consultant, \$120-\$190; clerical, \$60.

Gross revenues: 100% from U.S. locations.

Principal officers: Thomas S. Terry, president; Harold S. Cooper, James G. Peard and Lina F. Hilko, principals.

Contact: Harold S. Cooper.

Chiusano & Co.

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

Founded: 1988.

Services: 55% of revenues from benefit consulting.

Retirement/savings plan consulting: 55% of revenues. Includes investment manager selection consulting, asset/investment consulting, guaranteed investment contract analysis, reverse guaranteed investment contract work, book value bond management, risk reward analysis for 401(k) plans.

Other services: Computerized guaranteed investment contract risk analysis trading and evaluation system, 401(k) investment selection.

Staff: Two total; one professional.

Clients: Six total; 85% corporations, 15% public/municipal organizations. Minimum size client: 250 employees.

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

Principal officers: Michael J. Chiusano, president.

COBRA Compliance Systems Inc.

150 N. Willowbrook Road, P.O. Box 889, Coldwater, Mich. 49036; 517-278-6384; fax: 517-279-9420

Founded: 1986.

Parent: DMT Corp.

Services: 89% of revenues from benefit consulting.

Welfare plan consulting: 53.4% of revenues. Includes evaluation of service providers, COBRA administration.

Benefit communications consulting: 35.6% of revenues. Includes communications consulting, benefit booklet and audiovisual preparation, COBRA systems design and update.

Staff: 30 total.

Clients: 59% with 1-100 employees, 30% with 101-1,000, 8% with 1,001-5,000, 3% with 5,001 or more; 97% corporations, 3% schools and government organizations. Minimum size client: 20 employees.

Compensation: By the project, by the hour: senior consultant, \$150; expert witness/trial law: \$150.

Gross revenues: \$2.65 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.94 million.

Principal officers: Thomas E. Kollasa, chairman; Pieter J. Doerr, president/COO; Donald Carstens, CFO; Matt Carstens, vp; Gail P. Doerr, vp/treasurer.

Comprehensive Benefit Services Inc.

3300 Central Parkway, Cincinnati, Ohio 45225; 513-559-7000; fax: 513-559-7093

Founded: 1988.

Parent: Frederick Rauh & Co.

Services: 90% 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.

Staff: Four total; three professionals, including one CLU.

Clients: 3% with 1-100 employees, 24% with 101-1,000, 21% with 1,001-5,000, 52% with 5,001 or more; 97% corporations, 3% multiemployer plans.

Compensation: By the project, commissions, on retainer.

Principal officers: Eugene A. Brown, Frank A. Fiore and Stephen L. Hopf, principals.

Contact: Frank A. Fiore.

Consulting Group Inc.

5 Country View Road, Suite 200, Malvern, Pa. 19355; 215-889-9100; fax: 215-889-9128

Founded: 1973.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 22.5% of revenues. Includes plan design consulting, plan administration consulting, investment manager selection consulting, asset/investment consulting.

Welfare plan consulting: 45% of revenues.

Spotlight report

Continued from previous page
 enues. Includes plan design consulting; evaluation of service providers; health care cost containment; flexible benefits administration.

Benefit communications consulting: 22.5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation, flexible benefits campaigns.

Other services: Brokering; management consulting; human resource consulting; management training.

Locations: Boston; Princeton, N.J.; Wilkes Barre, Pa.

Staff: 52 total; 12 professionals, including one CLU.

Clients: 100 total; 15% with 1-100 employees, 50% with 101-1,000, 35% with 1,001-5,000; 100% corporations. Minimum size client: 100 employees.

Compensation: On retainer, by the hour: senior consultant, \$200; consultant, \$150; clerical, \$65.

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

Consulting Managers of California

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

Founded: 1975.

Services: 90% 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 pricing.

Other services: Claims administration.

Staff: Two total; one professional.

Clients: 14 total; 40% with 101-1,000 employees, 60% with 1,001-5,000; 10% corporations, 70% MEWAs, 20% bona fide trade association plans. Minimum size client: 100 employees.

Compensation: By the hour: senior consultant, \$150-\$200; clerical, \$40.

Gross revenues: \$250,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Larry D. Felton, president.

Coopers & Lybrand, Human Resource Advisory Group

1251 Ave. of the Americas, New York, N.Y. 10020; 800-232-2717; fax: 212-536-2163

Founded: 1898.

Services: 86% of revenues from benefit consulting.

Retirement/savings plan consulting: 59% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consult-

ing; legal document drafting; 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: 2% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation, interactive voice and multimedia benefits design.

Other services: Compensation consulting; management consulting; claims administration.

Locations: San Francisco; Stamford, Conn.; District of Columbia; Tampa, Fla.; Syracuse, N.Y.; Seattle; Australia; Belgium; Bermuda; Brazil; Canada; France; Germany; Ireland; Italy; Mexico; Netherlands; New Zealand; Switzerland; Spain; United Kingdom.

Staff: 2,131 total; 1,731 professionals.

Clients: 31% with 1-100 employees, 29% with 101-1,000, 27% with 1,001-5,000, 13% with 5,001 or more. Minimum size client: 100 employees.

Compensation: By the project, by the hour.

Gross revenues: \$201 million from worldwide benefit consulting in 1992, (51% from U.S. locations). Total worldwide 1992 revenues: \$235 million.

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

Principal officers: Reed A. Keller, vice chairman-human resource advisory group; Jerome Y. Halperin, executive partner; Harold M. Dankner, national director-technical/marketing.

Contact: Doris Brown.

Corporate Benefit Consultants

300 Cahaba Park Circle, Suite 207, Birmingham, Ala. 35242; 205-991-2815; fax: 205-995-0418

Founded: 1990.

Parent: W.H. Shepherd Cos. Inc.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; managed care negotiations.

Other services: Administrative audits of claims.

Staff: 21 total; six professionals, including one CLU, one CPA, one attorney.

Clients: 40 total; 5% with 1-100 employees, 60% with 101-1,000, 30% with 1,001-5,000, 5% with 5,001 or more; 75% corporations, 5% multiemployer plans, 20% government agencies. Minimum size client: 75 employees.

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

Gross revenues: \$512,332 from worldwide benefit consulting in 1992,

(100% from U.S. locations). Total worldwide 1992 revenues: \$2.5 million.

Principal officers: W. Hal Shepherd, executive vp; Dudley Albright, CEO; Timothy Hawk, CFO; Debbie Bostic, senior benefit analyst; Patti White, senior claims auditor.

Corporate Communicators Inc.

P.O. Box 393, Pleasant Valley, Conn. 06063; 203-738-0033; fax: 203-738-3456

Founded: 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 total; 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.

Principal officers: Freeman M. Butland, president.

W.F. Corroon

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

Founded: 1905.

Parent: Willis Corroon Group P.L.C.

Services: 49% of revenues from benefit consulting.

Retirement/savings plan consulting: 32% 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: 14% 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 and Knoxville, Tenn.; Dallas/Fort Worth and Houston; Salt Lake City; Seattle; Milwaukee; Canada; England; Ireland; Scotland.

Staff: Professionals include FSAs, ASAs, CEBs, CLUs, CPAs, attorneys, EAs.

Clients: No minimum size client.

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

Gross revenues: \$74.3 million from worldwide benefit consulting in 1992, (70% from U.S. locations). Total worldwide 1992 revenues: \$152 million.

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

Principal officers: Warren J. Winer, Brian Morris, Michael Minkoff, James Levine.

Contact: Warren Winer, 231 S. Bemiston, Suite 400, St. Louis, Mo. 63105; 314-725-0114.

Crosby Benefit Systems Inc.

75 Second Ave., Suite 650, Needham Heights, Mass. 02194; 617-449-0500; fax: 617-449-2530

Founded: 1976.

Services: 50% of revenues from benefit consulting.

Welfare plan consulting: 50% of revenues. Includes plan design consulting; health care cost containment.

Other services: Brokering; flex plan administration.

Staff: 10 total; four benefit consulting employees; two professionals.

Clients: 150 total; 70% with 101-1,000 employees, 25% with 1,001-5,000 employees, 5% with 5,001 or more employees; 100% corporations. Minimum size client: 100 employees.

Compensation: By the project, com-

missions.

Principal officers: Leanne Anderson, president.

Contact: Harvey Crosby.

Carl A. Curcio & Associates Inc.

Suite 302, Merchants Bank Building, Centre Square, Easton, Pa. 18042; 215-250-0660; fax: 215-250-9315

Founded: 1979.

Services: 38% 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: 15% 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 benefit statement and booklet preparation.

Other services: Brokering.

Staff: Three benefit consulting employees; two professionals.

Clients: 77 total; 20% with 1-100 employees, 80% with 101-1,000; 50% corporations, 25% multiemployer plans, 5% individuals, 20% Taft-Hartley Trust.

Compensation: By the project, commissions, by the hour: senior consultant, \$125; consultant, \$75; clerical, \$35.

Principal officers: Carl A. Curcio Jr.

Deloitte & Touche, Actuarial, Benefits & Compensation Consulting

10 Westport Road, P.O. Box 820, Wilton, CT 06897-0820; 203-761-3000; fax: 203-834-2246

Founded: 1947.

Services: 75% 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; OPEB valuations, consulting and design of plans.

Welfare plan consulting: 21% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; managed care; benchmarking; utilization reviews; benefits diagnostic; benefits management; 24 hour coverage; outsourcing human resources departments.

Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; communications seminars; major firm proposals; presentations & training; communicating major corporate change; corporate image programs.

Other services: Compensation consulting; claims administration.

Locations: Los Angeles and San Francisco, Calif.; Hartford; Chicago; Detroit; Minneapolis; New York; Dallas.

Staff: 217 total; 172 professionals, including 18 FSAs, 19 ASAs, 16 CEBs, four CLUs, 10 CPAs, two attorneys, 38 EAs.

Clients: 2% with 1-100 employees, 71% with 101-1,000, 20% with 1,001-5,000, 7% with 5,001 or more; 80% corporations, 5% multiemployer plans, 5% MEWAs; 10% public entities.

Compensation: By the project, by the hour: senior consultant, \$95-\$160; consultant, \$90-\$135; clerical, \$40-\$60; principal/director, \$250-\$430; senior manager, \$195-\$375; managers, \$140-\$250.

Non-U.S. benefit consulting: Via correspondents.

Principal officers: Maurice M. Smith, national director; Ainar Ayala, Susan Achenbach, Richard Berens, Robert Starkey, principals.

Contact: Maurice M. Smith; Deloitte & Touche, 1000 Wilshire Boulevard, Suite 1500, Los Angeles, CA 90017-2472; 213-688-5373.

Robert F. Driver Co. Inc.

1620 Fifth Ave., San Diego, Calif. 92101; 619-238-1828; fax: 619-699-1378

Founded: 1925.

Services: 35% of revenues from ben-

efit consulting.

Retirement/savings plan consulting: 7% of revenues. Includes plan design consulting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

Welfare plan consulting: 28% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Staff: 220 total; 22 benefit consulting employees; 15 professionals, including five CLUs.

Clients: 1,000 total; 76% with 1-100 employees, 20% with 101-1,000, 3% with 1,001-5,000, 1% with 5,001 or more; 60% corporations, 30% MEWAs, 10% municipal. No minimum size client.

Compensation: Commissions.

Gross revenues: \$3.3 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$9.5 million.

Principal officers: Irwin B. Sklar, chairman; Richard B. Gulley, CEO; John T. Freeman, vp/secretary/treasurer; Roger A. Combe, executive vp/director property/casualty division; Robert A. D'Angelo, vp/director employee benefits division.

Contact: Robert A. D'Angelo; 619-699-1305.

EBS/Atlanta

3340 Peachtree Rd. N.E., Suite 710, Atlanta, Ga. 30326/P.O. Box 53055, Atlanta, Ga. 30355; 800-647-3709; fax: 404-231-5646

Founded: 1982.

Parent: First Benecorp (USA), Inc.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 2% of revenues. Includes Section 457 Defined Compensation Hardship Review/Research.

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: Claims administration.

Staff: 14 total; four professionals.

Clients: 80% with 101-1,000 employees, 20% with 1,001-5,000; 10% corporations, 90% municipal/county governments, subdivisions/schools districts. Minimum size client: 100 employees.

Compensation: By the project, on retainer.

Non-U.S. benefit consulting: Via overseas correspondents.

Principal officers: B. Richard Cooper, president/CEO; Wayne C. Wong, executive vp/CFO.

Contact: Dale K. Darracott, manager, marketing services.

Employee Benefit Specialists Inc.

450 Sansome St., Suite 555, San Francisco, Calif. 94111; 415-788-7683; fax: 415-788-7846

Founded: 1987.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 20% 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.

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

Other services: Brokering; management consulting.

Staff: 25 total; 16 benefit consulting employees; nine professionals, including one FSA, two CEBs, one attorney.

Clients: 315 total; 30% with 1-100 employees, 60% with 101-1,000, 8% with 1,001-5,000, 2% with 5,001 or more; 100% corporations. Minimum size client: 25-50 employees.

Compensation: By the project, commissions, by the hour: senior consultant, \$185; consultant, \$85; clerical, \$65.

Gross revenues: \$375,000 from worldwide benefit consulting in 1992.

Continued on next page

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Continued from previous page
Total worldwide 1992 revenues: \$1.6 million.

Principal officers: Joan L. Rhodes, CEO; Chimane Rhodes, vp; Elizabeth Juen, treasurer/COO.

Employee Benefit Specialist Inc.

701 Devonshire Drive, Suite 209,
P.O. Box 3608, Champaign, Ill.
61826-3608; 217-355-1530;
fax: 217-355-2610

Founded: 1990.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting; TPA startup and operations consulting.

Other services: Compensation consulting; management consulting; claims administration.

Staff: Two total.

Clients: 20 total; 80% with 1-100 employees, 20% with 101-1,000; 10% multiemployer plans; 90% TPAs, HMOs, PPOs, self-administered employees. Minimum size client: 100 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$100.

Principal officers: Richard T. Wickert, president; Barbara A. Wickert, vp/COO.

Contact: Richard Wickert.

The Epler Company

450 B. St. Suite 750, San Diego,
Calif. 92101; 619-239-0831

Founded: 1971.

Services: 90% 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; legal document drafting; plan administration consulting; investment manager selection consulting; asset/investment 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: 10% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting.

Locations: Los Angeles

Staff: 14 total; including one FSA, one attorney, one EA.

Clients: 60 total; 10% with 1-100 employees, 60% with 101-1,000, 20% with 1,001-5,000, 10% with 5,001 or more.

Compensation: By the project, by the hour.

Principal officers: Jane Barry, president/CEO; Lee Hindenach, executive vp; Lin Ball, vp.

Equitable Benefit Insurance Services Inc.

3505 Cadillac Ave., Building O,
Suite 201, Costa Mesa, Calif.
92626; 714-850-0300;
fax: 714-754-7976

Founded: 1982.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Other services: Brokering; claims administration.

Locations: Phoenix, Ariz.; Palm Desert, Calif.; Durango, Colo.

Staff: 15 total; three professionals, including two CEBSs.

Clients: 76 total; 28% with 1-100 employees, 60% with 101-1,000, 10% with 1,001-5,000, 2% with 5,001 or more; 95% corporations, 5% multiemployer plans. Minimum size client: 50 employees.

Compensation: By the project, commissions.

Gross revenues: \$1.2 million from worldwide benefit consulting in 1992.

Principal officers: Roi W. Young, president; Marguerita M. Nanos, James J. Johnstone, vps.

Contact: James J. Johnstone.

Ernst & Young Actuarial, Benefits & Compensation Consulting Services

787 Seventh Ave., New York, N.Y.
10019; 212-773-1000;
fax: 212-773-5986

Founded: 1903.

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; claims audits; managed care studies; flexible benefits design and implementation.

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

Other services: Compensation consulting; management consulting; international benefits and compensation consulting; tax planning; personal financial consulting.

Locations: Offices in 110 U.S. cities; 100 countries.

Continued on next page

PROFESSIONALS SERVING PROFESSIONALSSM UPDATE: OCEAN MARINE LINES

MARKET

STIMULUS: Some insurers have dropped individual Ocean Marine risks based on the class loss history.

HOME

RESPONSE: "Home underwrites its Ocean Marine policies on a per-risk basis, not by the overall loss history of the class of business."

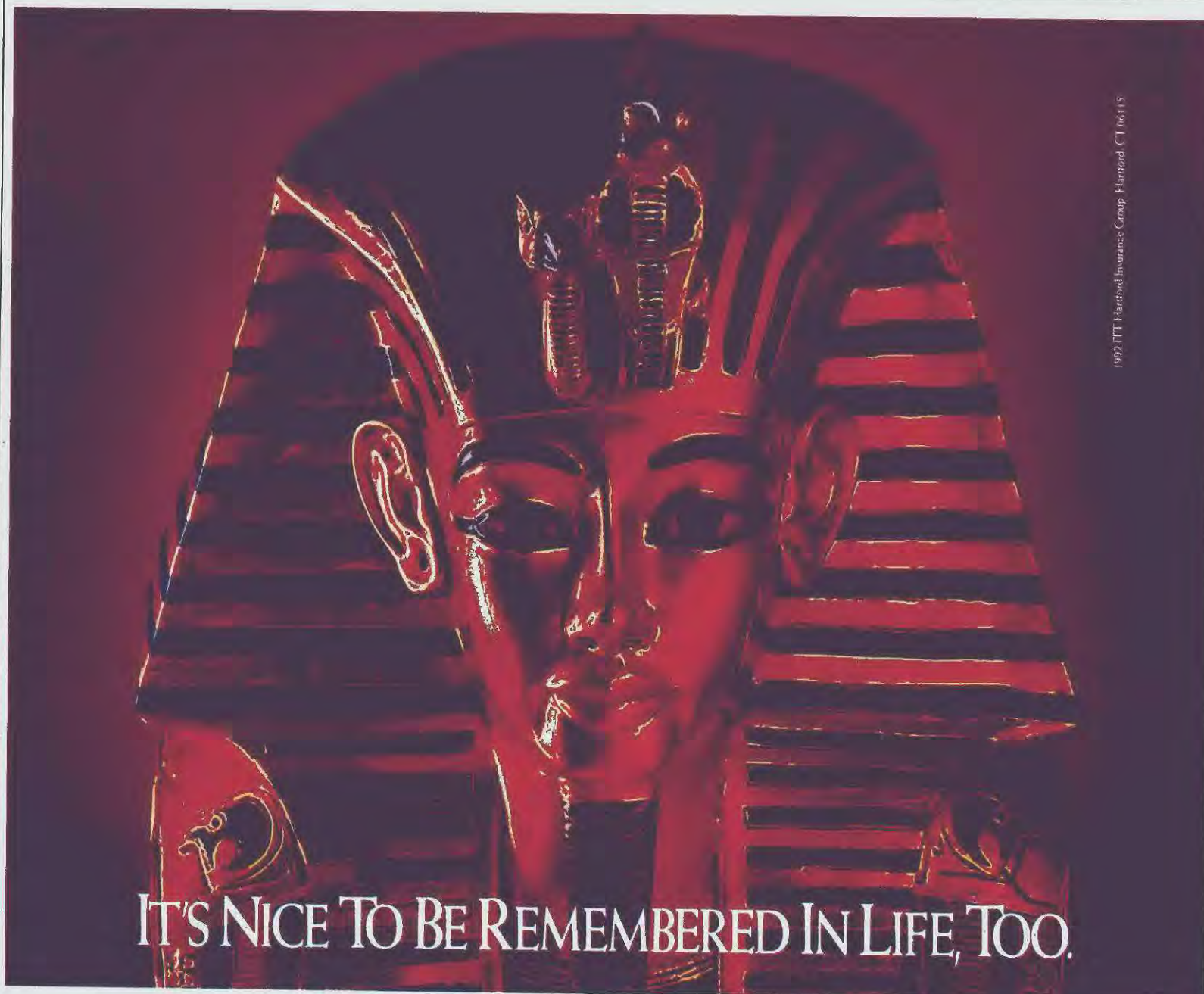


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ITT HARTFORD

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Spotlight report

Continued from previous page

Staff: 425 benefit consulting employees; 350 professionals, including 12 FSAs, 50 ASAs, 10 CEBs, five CLUs, 12 CPAs, 72 attorneys, 47 EAs.

Clients: 10% with 1-100 employees, 40% with 101-1,000, 35% with 1,001-5,000, 15% with 5,001 or more; 90% corporations, 10% government agencies.

Compensation: By the project, by the hour.

Gross revenues: \$80 million from worldwide benefit consulting in 1992, (60% from U.S. locations). Total worldwide 1992 revenues: \$92 million.

Non-U.S. benefit consulting: Via overseas branches.

Principal officers: Ray Groves, chairman; William Grant, Robert Kelly, co-chairmen-operations; Albert J. Kleinberg Jr., national director-Actuarial, Benefits and Compensation Consulting Services.

Contact: Lisa Guss, national marketing, 212-773-6157.

Executive Group**Consultants Inc. (EGC)**

2929 E. Camelback Road, Suite 124, Phoenix, Ariz. 85016; 602-954-7511; fax: 602-954-8153

Founded: 1978.

Services: 14% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

Welfare plan consulting: 7% 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.

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

Locations: Phoenix; St. Louis.

Clients: 275 total; 29% with 1-100 employees, 66% with 101-1,000, 5% with 1,001-5,000; 92% corporations, 7% multiemployer plans, 1% individuals.

Compensation: By the project, commissions, by the hour: senior consultant, \$225; consultant, \$175; clerical, \$50.

Gross revenues: \$10 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: R. Ed Duley, CEO; D. Andy Bolwar Jr., president; Karen S. Moore, secretary; Keith B. Kitsis, executive vp.

Contact: D. Andy Bolwar Jr.

F**Findley, Davies & Co.**

1000 Edison Plaza, Toledo, Ohio 43604; 419-255-1360; fax: 419-259-5658

Founded: 1969.

Services: 95% of revenues from benefit consulting.

Retirement/savings plan consulting: 66.5% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting.

Welfare plan consulting: 19% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; managed care program evaluation.

Benefit communications consulting: 9.5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting.

Locations: Charlotte, N.C.; Rocky River, Ohio.

Staff: 48 total; 35 professionals, including one FSA, two ASAs, two CEBs, two CPAs, two attorneys, three EAs.

Clients: 750 total; 23% with 1-100 employees, 65% with 101-1,000, 9% with 1,001-5,000, 3% with 5,001 or more; 94% corporations, 1% multiemployer plans, 5% individuals.

Compensation: By the hour: senior consultant, \$175-\$225; consultant, \$80-\$150; clerical, \$35-\$80.

Gross revenues: \$4.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$4.5 million.

Principal officers: James B. Findley, chairman; John W. Davies Jr., vice chairman; Robert J. Rogers, president; Gary P.

Thieman, vp; Marc E. Stockwell, treasurer; Brian C. Hubbell, vp; Scott E. Hamner, secretary.

Contact: Lawrence P. Cryan.

First Corp.-**Health Care Consulting**

38 Fulton St. W., Suite 300, Grand Rapids, Mich. 49503; 616-676-3258; fax: 616-676-8884

Founded: 1987.

Services: 90% of revenues from benefit consulting.

Welfare plan consulting: 85% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; direct contracting of health care providers.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit statement preparation; use of preferred health care providers.

Other services: Management consulting; claims administration; direct contracting.

Locations: Detroit.

Staff: Six total; 3 professionals, including one CPA.

Clients: 10 total; 10% with 1-100 employees, 10% with 101-1,000, 80% with 5,001 or more; 80% corporations, 20% health care providers.

Compensation: By the project, by the hour: senior consultant, \$150; consultant, \$75; clerical, \$20.

Principal officers: Craig Woodman, owner/president; Norman J. Bandemer, managing partner.

Contact: Norman J. Bandemer.

Flexible Benefit Associates

4740 Folsom Blvd., Suite B, Sacramento, Calif. 95819; 916-455-3539; fax: 916-454-5614

Founded: 1990.

Services: 56% of revenues from benefit consulting.

Welfare plan consulting: 50.4% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; flexible benefit plan design and management.

Benefit communications consulting: 5.6% of revenues. Includes booklet preparation.

Other services: Brokering.

Staff: Nine total; four professionals, including one CEBs, two CLUs.

Clients: 33% with 1-100 employees, 62% with 101-1,000, 5% with 1,001-5,000; 95% corporations, 5% MEWAs. Minimum size client: 25 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150; consultant, \$105; clerical, \$25.

Gross revenues: \$272,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$272,000.

Principal officers: David Fear, William Chatham, partners; Fred Besana, associate; Daniel Tosi, associate; Terri Fetters, controller.

Contact: David Fear.

G**Gallagher Benefit Services**

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143; 708-773-3800; fax: 708-285-4000

Founded: 1927.

Parent: Arthur J. Gallagher & Co.

Services: 30% 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.

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

Other services: Brokering; management consulting; claims administration.

Locations: Boston; Chicago, Downers Grove and Schaumburg, Ill.; Dallas; Denver; Houston; Los Angeles; Miami and Tampa, Fla.; San Francisco; St. Louis; Valhalla, N.Y.

Staff: 250 total; including two CEBs, one CLU, three CPAs.

Clients: 700 total; 50% corporations; 50% public sector.

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

Principal officers: J. Patrick Gallagher Jr., president/COO; Robert E. Gallagher, CEO/chairman; John P. Gallagher, vice chairman; Michael J. Cloherty, vp-finance; James W. Durkin Jr., vp.

Garner Consulting

199 S. Los Robles Ave., Suite 560, Pasadena, Calif. 91101; 818-440-0399; fax: 818-440-0496

Founded: 1987.

Services: 73% of revenues from benefit consulting.

Welfare plan consulting: 72% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 1% of revenues. Booklet preparation.

Other services: Brokering.

Staff: Seven total; five professionals, including CLUs, CPAs.

Clients: 32 total; 25% with 1-100 employees, 22% with 101-1,000, 19% with 1,001-5,000, 34% with 5,001 or more; 75% corporations, 3% multiemployer plans, 3% MEWAs; 19% governmental, including school districts.

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

Principal officers: John C. Garner, president; Gerti Reagan, vp.

Godwins International Holdings Inc. (including Miller Mason & Dickenson)

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4800; fax: 312-701-2313

Founded: 1988.

Parent: Aon Corp.

Services: 83% 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.

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Reader Reply Service

Products & Services Listing

Issue of December 21

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☐ D) Government ☐ I) Actry/Const ☐ N) Healthcare Inst
☐ E) Educational Inst ☐ J) Attorney ☐ O) Other _____

2. Number of employees:

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☐ 4) 1,000 - 4,999 ☐ 5) 5,000 or more ☐ 6) Unknown

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☐ B) Financial Mgt ☐ E) Loss prevention Mgt
☐ C) Risk Mgt ☐ F) Other _____

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Continued from previous page
asset/investment consulting; investment and tax planning advice for employees and dependents.

Welfare plan consulting: 27% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; COBRA recordkeeping.

Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting; brokering; claims administration; investment and tax planning advice for private individuals.

Locations: Atlanta; Boston; Briarcliff Manor, New York, N.Y.; Cedar Rapids, Iowa; Chicago; Conshohocken, Pa.; Coral Gables, Jacksonville, Tampa, Fla.; Costa Mesa, Los Angeles, Oxnard, Palo Alto, San Francisco, Calif.; Detroit, Grand Rapids, Mich.; Houston; Minneapolis; Nashville, Tenn.; Omaha, Neb.; Parsippany, N.J.; Philadelphia; Pittsburgh; Portland, Ore.; Providence, R.I.; Roanoke, Va.; Seattle, Wash.; St. Louis; 24 offices in the U.K. and 43 other offices worldwide.

Staff: 1,471 total; 902 professionals, including 16 FSAs, 28 ASAs, 34 CEBSS, 12 CPAs, 15 attorneys, 40 EAs.

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

Gross revenues: \$123.3 million from worldwide benefit consulting in 1992, (58% from U.S. locations). Total worldwide 1992 revenues: \$148.1 million.

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

Principal officers: David J.D. McLeish, chairman/CEO-Godwins International Holdings Inc.; Robert M. Bishop, president/COO-Godwins Overseas Inc.; Joseph J. Stahl III, president-Godwins Inc.; J. Hunter Devine, managing director-Godwins Ltd.

Group Dynamic Inc.

1 Monument Way, P.O. Box 7507, Portland, Maine 04112; 207-761-7670

Founded: 1989.

Services: 57% of revenues from benefit consulting.

Welfare plan consulting: 37% of revenues. Includes plan design consulting; flexible benefit plans.

Benefit communications consulting: 20% of revenues. Includes communications consulting; booklet preparation.

Staff: Eight total; two professionals, including one CEBSS.

Clients: 150 total; 50% with 1-100 employees, 49% with 101-1,000, 1% with 1,001-5,000; 60% corporations, 30% multiemployer plans; 10% public sector employers.

Compensation: By the project, on retainer, by the hour: senior consultant, \$125; consultant, \$85; clerical, \$30.

Gross revenues: 100% from U.S. locations.

Principal officers: John F. Locke, president; Cathy Gavin, vp.

Contact: John F. Locke.

Grubbs & Co. Inc.

10216 Royal Road, Silver Spring, Md. 20903; 301-434-1540; fax: 301-445-4471

Founded: 1986.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 80% 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; asset/investment consulting; multiemployer plan consulting.

Welfare plan consulting: 10% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; actuarial work.

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

Staff: Three total; including one FSA, one ASA, one attorney, one EA.

Clients: 26 total; 20% with 1-100 employees, 40% with 101-1,000, 12% with 1,001-5,000, 28% with 5,001 or more; 84% corporations, 4% multiemployer plans, 4% individuals; 8% government, union.

Compensation: By the hour: senior consultant, \$280; consultant, \$96; clerical, \$51.

Gross revenues: \$320,000 from worldwide benefit consulting in 1991, (100% from U.S. locations). Total worldwide 1992 revenues: \$320,000.

Principal officers: Donald S. Grubbs Jr., president.

H

Halliwell & Associates Inc.

18th Floor, 2 Gateway Center, Pittsburgh, Pa. 15222; 412-288-0822; fax: 412-288-0863

Founded: 1973.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: 81% 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: 3% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; renewal negotiation, plan documentation, retired lives liability determination, flex benefit design & implementation, FAS 106 consulting and report preparation.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; employee opinion surveys.

Other services: Risk management consulting (provided by Professional Risk subsidiary), hazard management consulting (provided by Hazard Management subsidiary).

Staff: 41 total; 25 professionals, including two FSAs, three ASAs, four CEBSS, one attorney, six EAs.

Clients: 450 total; 41% with 1-100 employees, 49% with 101-1,000, 8% with 1,001-5,000, 1% with 5,001 or more; 80% corporations, 10% multiemployer plans, 10% municipalities.

Compensation: By the project, on retainer, by the hour: senior consultant, \$120-\$160; consultant, \$85-\$105; clerical, \$35-\$65.

Gross revenues: \$3 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3 million.

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

Principal officers: Paul D. Halliwell, president; David B. Thomas, vp; Thomas S. Baily, vp/president-Professional Risk Management Consultants.

Contact: David B. Thomas.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2300; fax: 215-875-2833

Founded: 1911.

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.

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

Other services: Compensation consulting; management consulting; claims administration.

Locations: Los Angeles; San Francisco; District of Columbia; Atlanta; Chicago; Boston; New York; Brussels; London; Paris; Toronto; Utrecht, Netherlands.

Staff: 250 total; including 30 FSAs, 15 ASAs, 20 CEBSS, five CLUs, five attorneys, 60 EAs.

Clients: 1,000 total; 10% with 1-100 employees, 40% with 101-1,000, 40% with 1,001-5,000, 10% with 5,001 or more; 70% corporations, 10% multiemployer plans, 20% other.

Compensation: By the hour: senior consultant, \$275; consultant, \$175; clerical, \$100.

Principal officers: Kenneth Shapiro, president; Kent Fichthorn, Ed Husted, Mike Cotter, Marie Dufresne, Don Samples, senior vps.

Contact: Kenneth Shapiro.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880; fax: 404-512-6230

Founded: 1971.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting:

ing: 90% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consulting; plan administration consulting; full-service solution (trustee, recordkeeping, investments).

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

Locations: Bellevue, Wash.

Staff: 170 total; 130 professionals.

Clients: 220 total; 10% with 101-1,000, 50% with 1,001-5,000, 40% with 5,001 or more; 98% corporations, 2% multiemployer plans. Minimum size client: 500 employees.

Compensation: By the project, by the hour.

Gross revenues: 95% from U.S. locations.

Non-U.S. benefit consulting: Via North American Actuarial Consultings Services.

Principal officers: James C. Pope, president; R. David Parsons, chairman/principal; David M. Gladstone, T. Ray McKinney, executive vps.

Contact: R. David Parsons.

Health Decisions Inc.

409 Plymouth Road, Suite 220, Plymouth, Mich. 48170; 313-451-2230; fax: 313-451-2835

Founded: 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; COB recovery and claims audits.

Benefit communications consulting: 20% of revenues. Includes communications consulting; positive enrollments and employee surveys.

Staff: 10 total; three professionals.

Clients: 50 total; 20% with 1-100 employees, 30% with 101-1,000, 40% with 1,001-5,000, 10% with 5,001 or more; 100% corporations.

Compensation: By the project, on retainer, by the hour: senior consultant, \$100-\$150; consultant, \$75-\$100; clerical, \$25-\$35; programming, \$45-\$65; contingency percent of documented savings.

Principal officers: Si Nagra, president; Judy Mardigan, executive vp.

Contact: Si Nagra.

Health Information Management

355 Oak Trail Drive, Lewisville, Texas 75067; 817-491-3593; fax: 817-491-3593

Founded: 1986.

Services: 50% of revenues from benefit consulting.

Welfare plan consulting: 40% of revenues.

Benefit communications consulting: 10% of revenues.

Other services: Management consulting; claims administration; provider reimbursement/contracting.

Staff: Two total; both professionals, including one CEBSS.

Clients: 10 total; 80% with 101-1,000 employees, 20% with 1,001-5,000; 100% corporations. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant,

\$80-\$135; clerical, \$20-\$40.

Principal officers: Frederic R. Curtiss, president.

Health Systems Management

2840 W. River Parkway, Minneapolis, Minn. 55406; 612-729-1733; fax: 612-724-9586

Founded: 1986.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 90% of revenues.

Benefit communications consulting: 10% of revenues.

Clients: 100% with 1,001-5,000 employees; 100% corporations.

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

Principal officers: Laird L. Miller, president; Joanne E. Miller, partner.

Contact: Laird L. Miller.

HealthPlan Management Services

2727 Paces Ferry Road, Suite 400, Atlanta, Ga. 30339; 404-641-5850; fax: 404-641-5865

Founded: 1986.

Parent: Cost Care.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 85% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; HMO management services.

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

Other services: Management consulting.

Clients: 5% with 1,001-5,000 employees, 95% with 5,001 or more; 100% corporations. Minimum size client: 5,000 to 10,000 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$275; consultant, \$180; clerical, \$45.

Principal officers: James F. Wermert, executive director.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Founded: 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; flexible benefit design/administration.

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

Other services: Compensation consulting; claims administration.

Locations: Los Angeles, Newport Beach, San Francisco and Walnut Creek, Calif.; Denver; Rowayton, Conn.; District of Columbia; Tampa, Fla.; Atlanta; Chicago and Lincolnshire, Ill.; Boston; Detroit; Minneapolis; St. Louis; Westminster, N.J.; New York; Charlotte, N.C.; Cleveland and Dayton, Ohio; Philadelphia; Houston, Las Colinas, San Antonio and The Woodlands, Texas; Richmond, Va.; Seattle; Milwaukee.

Staff: 3,125 total; including 131 FSAs, 133 ASAs, 135 EAs.

Clients: 2,500 total.

Compensation: By the hour.

Gross revenues: \$283 million from worldwide benefit consulting in 1992, (92% from U.S. locations). Total worldwide 1992 revenues: \$333 million.

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

Principal officers: Dale L. Gifford.

A. Foster Higgins & Co. Inc.

125 Broad St., New York, N.Y. 10004-2424; 212-574-9000; fax: 212-574-9100

Founded: 1845.

Parent: Johnson & Higgins.

Services: 69% of revenues from benefit consulting.

Retirement/savings plan consulting: 27% 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; retiree healthcare; administrative consulting; executive benefits consulting.

Welfare plan consulting: 37% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; managed care; flexible compensation; workers compensation consulting.

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

Other services: Compensation consulting; brokering.

Locations: 80 locations worldwide.

Staff: 1,878 total; including 47 FSAs, 59 ASAs, 48 CEBSS, eight CPAs, 24 attorneys, 68 EAs.

Compensation: By the project, commissions, on retainer, by the hour: \$40-\$375 depending on level of consultant.

Gross revenues: \$161 million from worldwide benefit consulting in 1992, (81% from U.S. locations). Total worldwide 1992 revenues: \$232 million.

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

Principal officers: Robert F. Powell, chairman/CEO; John R. Feldtmose, president.

Contact: Ed Emerman.

Continued on next page

For an explanation of directory terms and criteria see directory guide, page 25.

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Spotlight report

Continued from previous page

Hogg Robinson Inc./
Benefit Services Division
 20 Custom House St., 7th Floor,
 Boston, Mass. 02110; 617-330-5100;
 fax: 617-330-6940

Services: 21% of revenues from benefit consulting.

Retirement/savings plan consulting: 7.8% 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: 11.1% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 2.1% of revenues. Includes communications consulting; booklet and audiovisual preparation.

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

Locations: Culver City, Calif.; Boca Raton, Fla.; Atlanta; Hinsdale, Ill.; Marshfield and Springfield, Mass.; Saginaw, Mich.; Bloomington, Minn.; Manchester, N.H.; Beachwood, Ohio; Bala Cynwyd, Pa.; Austin, Lubbock and Irving, Texas; Alexandria, Va.

Staff: 384 total; 68 benefit consulting employees; 34 professionals, including FSAs, ASAs, CEBSS, CLUs, CPCUs, CPAs, attorneys, EAs.

Clients: 700 total; 40% with 1-100 employees, 55% with 101-1,000, 5% with 1,001-5,000. No minimum size client.

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

Gross revenues: \$5.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$26.5 million.

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

Principal officers: Richard I. Citron; Thomas D. Ucko; Larry Wheeler.

Contact: Thomas D. Ucko, 355 Lexington Ave., 22nd Floor, New York, N.Y. 10017; 212-682-7500.

Holzman Post
Ludwig & Schwartz
 125 S. Wilke Road, Suite 300,
 Arlington Heights, Ill. 60005;
 708-342-2999; fax: 708-392-1053

Founded: 1977.

Services: 93% of revenues from benefit consulting.

Retirement/savings plan consulting: 78% 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; commissions on investments.

Staff: 33 total; 24 professionals, including seven CPAs, two attorneys, two EAs.

Clients: 700 total; 85% with 1-100 employees, 15% with 101-1,000; 85% corporations, 15% individuals.

Compensation: By the project, by the hour: senior consultant, \$125-\$200; consultant, \$55-\$115; clerical, \$35-\$45.

Gross revenues: \$2.2 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.3 million.

Principal officers: Mark Schwartz, president; George F. Castillo, vp; William C. Ludwig, treasurer; Ira A. Post, secretary; Thomas Doherty, enrolled actuary.

Hunter & Associates

RR1, Box 169-E, Derby, Vt. 05829;
 802-766-4717

Founded: 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 manuals (drafting); general consulting.

Staff: Five total; three professionals.

Clients: 126 total; 26% with 1-100 employees, 68% with 101-1,000, 3% with 1,001-5,000, 3% with 5,001 or more; 98% corporations, 2% multiemployer plans. Minimum size client: 25 employees.

Compensation: By the project, by the hour: senior consultant, \$160; consultant, \$80.

Principal officers: David H. Gluck, president; Susan L. Wayburn, vp; D. Bentley, director of operations.

Contact: David H. Gluck.

Information Learning Systems

38 Winters St., City Island, N.Y.
 10464; 212-885-0155;
 fax: 212-885-1572

Founded: 1985.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 25% of revenues.

Welfare plan consulting: 50% of revenues.

Benefit communications consulting: 25% of revenues.

Locations: Siesta Key, Fla.

Staff: 12 total.

Clients: 15 total; 10% with 1,001-5,000 employees, 90% with 5,001 or more; 100% corporations. Minimum size client: 2,000 employees.

Compensation: By the project, by the hour: senior consultant, \$175.

Gross revenues: \$750,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

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

Principal officers: Joan Breiner, president; Laurence Kurzner, national sales

manager; Diana Daffner, production manager.

Contact: Larry Kurzner.

Insurance Management & Planning

110 Cottage Hill, Suite 250
 Elmhurst, Ill. 60126; 708-832-1330;
 fax: 708-834-7878

Founded: 1989.

Services: 50% of revenues from benefit consulting.

Welfare plan consulting: 35% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers.

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

Other services: Risk management.

Staff: One professional.

Clients: 25 total; 15% with 1-100 employees, 80% with 101-1,000, 5% with 1,001-5,000; 30% corporations; 70% municipalities/school districts.

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

Principal 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

Founded: 1981.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: Includes plan design consulting; evaluation of service providers; health care cost containment; benefit services; special projects.

Other services: Claims administration.

Staff: 12 total; five professionals, including one CEBSS, one CPCU.

Clients: 30 total; 10% with 101-1,000 employees, 30% with 1,001-5,000, 60% with 5,001 or more; 90% corporations, 10% multiemployer plans. Minimum size client: 100 employees.

Compensation: By the project, by the hour: senior consultant, \$125; consultant, \$100; clerical, \$45; medical/psychiatric case management: \$75-\$90.

Gross revenues: 100% from U.S. locations.

Principal officers: Walter G. Isenberg, president; Danny P. Gordon, vp; Lois Parrott, treasurer.

JGK Associates

14464 Kerner Drive, Sterling Heights, Mich. 48313; 313-247-9055

Founded: 1986.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 85% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; director purchasing arrangements; data analysis.

Benefit communications consulting: 15% of revenues. Includes communications consulting; benefit booklet and

audiovisual preparation; flexible benefit communications; wellness.

Staff: Three total, all professionals.
Clients: Nine total; 22% with 1-100 employees, 11% with 101-1,000, 22% with 1,001-5,000, 44% with 5,001 or more; 78% corporations, 22% MEWAs. No minimum size clients.

Principal officers: Joseph G. Kozlowski.

The Jefferson Group

1341 G St. N.W., Suite 1100,
 Washington, D.C. 20005;
 202-638-3535; fax: 202-638-3536

Founded: 1987.

Services: 5% of revenues from benefit consulting.

Welfare plan consulting: 5% of revenues. Includes health care cost containment; managed care consulting.

Other services: Management consulting; environmental/OSHA audits.

Locations: Los Angeles; Denver; San Juan, Puerto Rico.

Staff: 64 total; five benefit consulting employees; three professionals.

Clients: 98% corporations, 1% MEWAs, 1% other. Minimum size client: 5,000 employees.

Compensation: On retainer, by the hour.

Principal officers: Mark D. Cowan, CEO; Frederick J. Hannett, executive vp.

Contact: Sharon Graugnard, vp.

Howard Johnson & Co.

1111 Third Ave., Seattle, Wash.
 98101; 206-625-1040;
 fax: 206-682-8562

Founded: 1965.

Services: 94% of revenues from benefit consulting.

Retirement/savings plan consulting: 77% 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: 14% 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.

Locations: Los Angeles and San Francisco, Calif.; District of Columbia; Chicago; Portland, Ore.; Dallas; Seattle and Spokane, Wash.

Staff: 222 total; 184 professionals, including ten FSAs, nine ASAs, ten CEBSS, four attorneys, 26 EAs.

Clients: 800 total; 12% with 1-100 employees, 30% with 101-1,000, 47% with 1,001-5,000, 11% with 5,001 or more; 98% corporations, 2% multiemployer plans.

Compensation: By the project, by the hour: senior consultant, \$300; consultant, \$211; clerical, \$68.

Gross revenues: \$19.7 million from worldwide benefit consulting in 1992 (100% from U.S. locations). Total worldwide 1992 revenues: \$21 million.

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

Principal officers: Howard J. Johnson, CEO; Brendan O'Farrell, Richard B. Wyman, executive vps; Nancy B. Greer, vp/CFO; John R. Claus, vp/secretary.

Contact: Howard J. Johnson.

Johnson & Muir

Suite 302, Merchants Bank Bldg.;
 Centre Square, Easton, Pa. 18042;
 215-250-0660; fax: 215-250-9315

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 18% of revenues. Includes plan design consulting; plan administration consulting; investment manager selection consulting.

Welfare plan consulting: 18% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 14% of revenues. Includes benefit statement and booklet preparation.

Other services: Compensation consulting; brokering.

Staff: 4 total; 2 professionals, including 1 CEBSS.

Clients: 22 total; 20% with 1-100 employees, 80% with 101-1,000 employees; 50% corporations, 15% multiemployer plans, 10% individuals, 25% Taft-Hartley trusts.

Compensation: By the project, commissions, by the hour: senior consultant, \$125; consultant, \$75; clerical, \$35.

Principal officers: Carl A. Curcio, president; James W. Baker, treasurer.

K

KBC Inc.

919 Third Ave., New York, N.Y.
 10022-3970; 212-688-9700;
 fax: 212-319-7509

Founded: 1983.

Parent: The Kornreich Organization.

Services: 30% 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: 20% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; financial consulting; rate guarantees; performance guarantees.

Benefit communications consulting: 5% of revenues. Includes communications consulting.

Other services: Brokerage; administration of flex; COBRA; billing procedures.

Locations: West Palm Beach, Fla.; New York.

Staff: Professionals include two CEBSS, two CLUs, one CPA, one attorney.

Clients: 395 total; 75% with 1-100 employees, 18% with 101-1,000, 5% with 1,001-5,000, 2% with 5,001 or more; 90% corporations, 5% multiemployer plans, 5% MEWAs.

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

Gross revenues: \$755,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.5 million.

Principal officers: Philip Ruggieri, senior vp; Robin Mancuso, vp; Steven Grossberg, executive vp/COO; James Kornreich, Thomas Kornreich, William Kornreich, executive vps.

Contact: Philip Ruggieri.

KM Consulting Group

346 Westbury Ave., Carle Place,
 N.Y. 11514; 516-333-2001;
 fax: 516-333-2253

Founded: 1902.

Parent: Kalvin-Miller International/Whitehall Financial Group.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 8% 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: 48% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; self-funded TPA audits.

Benefit communications consulting: 24% of revenues.

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

Locations: Los Angeles; Carle Place, N.Y.

Staff: 180 total; 18 professionals, including 11 FSAs, two CLUs, two CPCUs, two CPAs, three attorneys, one EA.

Clients: 220 total; 10% with 1-100 employees, 75% with 101-1,000, 10% with 1,001-5,000, 5% with 5,001 or more; 90% corporations, 5% multiemployer plans, 5% MEWAs. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150-\$250; consultant, \$125-\$175; clerical, \$50-\$75.

Gross revenues: \$2.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

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

Principal officers: David Moross, chairman; Susan White, vp; Robert Munao, CEO; Myrna Feinman, executive vp.

Contact: Susan White.

Continued on next page

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Continued from previous page

KPMG Peat Marwick-Compensation and Benefits Practice

767 Fifth Ave., New York, N.Y.
01053; 212-909-5000;
fax: 212-909-5299

Founded: 1897.

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 work.

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: Atlanta; Boston; Chicago; Cleveland; Dallas; Houston; Los Angeles; San Francisco; Short Hills, N.J.

Staff: 280 professionals, including 18 FSAs, 20 ASAs, eight CEBs, 12 CPAs, 10 attorneys, 23 EAs.

Clients: 3,000 total.**Compensation:** By the hour.

Non-U.S. benefit consulting: Via overseas branches.

Principal officers: David C. Smith, partner in charge-tax; Lester L. Oliver, national practice director; James T. Colburn, actuarial practice leader; Neal A. Weber, DCAS practice leader; James E. Buckley, group benefits practice leader.

Contact: Lester L. Oliver, 725 S. Figueroa St., Los Angeles, Calif. 90017; 213-955-8837.

Keenan & Associates

2355 Crenshaw Blvd., Suite 200,
Torrance, Calif. 90501;
310-212-3344; fax: 310-328-6793
mail to: P.O. Box 4328, Torrance,
Calif. 90510

Founded: 1972.

Services: 37% of revenues from benefit consulting.

Welfare plan consulting: 37% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Other services: Brokering; claims administration; risk management; adjusting; insurance pools administration.

Locations: Campbell, Emeryville, Fresno, Riverside, Sacramento, San Diego, Santa Ana and Westland Village, Calif.

Staff: 340 total; 87 benefit consulting employees; 50 professionals, including three CEBs, four CLUs, three CPAs, one attorney.

Clients: 500 total; 80% with 101-1,000 employees, 20% with 1,001-5,000; 8% corporations; 92% public sector. Minimum size client: 100 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$175; consultant, \$150; clerical, \$40.

Gross revenues: \$10.4 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$27.8 million.

Principal officers: John R. Keenan, CEO/president; Harwood J. Bren, David J. De Wenter and Dave Balak, executive vps; Merton L. Munson and Jenise Tomasello, senior vps.

Kennedy Consulting Group

1460 Renaissance Drive, Suite 310,
Park Ridge, Ill. 60068;
708-299-7000; fax: 708-299-7071

Founded: 1990.

Services: 95% 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; managed care assessment; network development.

Benefit communications consulting: 5% of revenues. Includes communications consulting; benefit booklet preparation; summary plan descriptions.

Other services: Management consulting.

Staff: Six total; five professionals, including one CLU, one attorney.

Clients: 40 total; 17.5% with 1-100 employees, 52.5% with 101-1,000, 12.5%

with 1,001-5,000, 17.5% with 5,001 or more; 75% corporations, 7.5% multiemployer plans, 17.5% municipalities/schools/associations/law firms.

Compensation: By the project, by the hour: senior consultant, \$125-\$175; consultant, \$75-\$100.

Gross revenues: \$570,000 from worldwide benefit consulting in 1992. Total worldwide 1992 revenues: \$600,000.

Principal officers: James P. Kennedy, president; Stephen N. Pierson, director-group benefit consulting services; Linda R. Eldridge, director-managed care plans/services; John S. Pope, director-tax/legal services.

Kimball Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154;
617-894-2111; fax: 617-894-3781

Founded: 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; introduction to investment managers.

Welfare plan consulting: 10% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; COBRA compliance; post retirement benefit design measurement (FAS 106); flexible benefit consulting.

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

Other services: Introduction to other professional consultants for services not provided by KAB.

Staff: 16 total; 15 professionals, including four ASAs, one attorney, four EAs.

Clients: 130 total; 45% with 1-100 employees, 50% with 101-1,000, 4% with 1,001-5,000, 1% with 5,001 or more; 80% corporations, 20% multiemployer plans.

Compensation: By the project, on retainer, by the hour: senior consultant, \$130-\$160; consultant, \$90-\$125; clerical, \$30-\$45.

Gross revenues: \$1.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$1.5 million.

Principal officers: C. Charles Akins Jr., president; Emmet M. Bonner, Joanne O'Donnell and 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

Founded: 1966.

Services: 80% of revenues from benefit consulting.

Welfare plan consulting: 80% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers.

Other services: Brokering.

Staff: 20 total; 12 benefit consulting employees.

Clients: 450 total; 50% with 1-100 employees, 35% with 101-1,000, 10% with 1,001-5,000, 5% with 5,001 or more; 100% corporations. Minimum size client: 25 employees.

Compensation: By the project, commissions, on retainer.

Gross revenues: \$3.1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3.7 million.

Principal officers: Michael Kooper, president; Susan Crocker, executive vp.

Kral, Goodenough & Kral

660 First Bank Drive, Palatine, Ill.
60067; 708-934-1104;
fax: 708-934-3157

Founded: 1991.

Services: 52% of revenues from benefit consulting.

Retirement/savings plan consulting: 16% of revenues. Includes plan design consulting; pension plan record keeping; administration systems consulting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

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: 6% of revenues. Includes communications consulting; benefit statement and

Continued on next page



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Spotlight report

Continued from previous page
booklet preparation; surveys for feasibility of flex plans.

Other services: Compensation consulting; brokerage; non-qualified compensation; business succession planning; estate and financial planning.

Staff: Nine total; including one ASA, two CLUs, one CPA.

Clients: 110 total; 71% with 1-100 employees, 25% with 101-1,000, 2% with 1,001-5,000, 2% with 5,001 or more; 96% corporations, 4% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150-\$200; consultant, \$75; clerical, \$28-\$35.

Gross revenues: \$260,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$500,000.

Principal officers: Terry Kral; Larry R. Goodenough; Marianne T. Kral.

Kushner & Co.

141 E. Michigan Ave., Suite 400,
Kalamazoo, Mich. 49007;
616-342-1700; fax: 616-342-1606

Founded: 1982.

Services: 82% of revenues from benefit consulting.

Retirement/savings plan consulting: 17% of revenues. Includes plan design consulting; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting.

Welfare plan consulting: 55% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; flexible benefit plan implementation.

Benefit communications consulting: 10% of revenues. Includes communications consulting; audiovisual benefit presentation preparation.

Other services: Compensation consulting; claims administration.

Locations: Grand Rapids, Mich; District of Columbia.

Staff: Seven total; three professionals.

Clients: 412 total; 6% with 1-100 employees, 89% with 101-1,000, 5% with 1,001-5,000; 96% corporations; 4% government entities.

Compensation: By the project, on retainer, by the hour: senior consultant, \$100-\$175; consultant, \$75-\$100; clerical, \$35.

Gross revenues: \$458,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$539,000.

Principal officers: Gary B. Kushner, president; Rita C. Light, vp-business development.

Contact: Gary B. Kushner.

Kwasha Lipton

2100 N. Central Road, Fort Lee,
N.J. 07024; 201-592-1300;
fax: 201-592-9012

Founded: 1944.

Services: 95% 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; GIC selection and contract negotiations.

Welfare plan consulting: 15% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; group and flex benefits administration software.

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

Other services: Software design, systems consulting.

Staff: 360 total; 330 professionals, including 23 FSAs, 24 ASAs, one CEBS, two CPAs, six attorneys, 43 EAs.

Clients: 275 total; 4% with 1-100 employees, 25% with 101-1,000, 36% with 1,001-5,000, 35% with 5,001 or more; 98% corporations, 2% multiemployer plans.

Compensation: By the project, on retainer.

Principal officers: David A. Skovron, chief executive partner; Robert S. Byrne Jr., chief operating partner.

Contact: R.T. Whitman, partner.

L

LFS Benefit Services

271 W. Cerritos Ave., Anaheim,
Calif. 92805-6549; 714-774-8051;
fax: 714-239-6862

Founded: 1974.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 8% of revenues. Includes plan design consulting; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting.

Welfare plan consulting: 12% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers.

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

Other services: Brokerage; claims administration.

Staff: 13 total.

Clients: 120 total; 40% with 1-100 employees, 60% with 101-1,000 employees; 95% corporations, 5% individuals.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$120; consultant, \$100; clerical, \$40.

Principal officers: Alfred O. Long, president; Mark E. Long, vp-administration; Marcia E. Lichte, vp-sales/marketing.

Contact: Alfred Long.

Lambert Associates

898 Ethan Allen Highway,
Ridgefield, Conn. 06877;
203-431-6420; fax: 203-431-3197

Founded: 1987.

Services: 33% of revenues from benefit consulting.

Welfare plan consulting: 32% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; managed care and Section 125 planning.

Benefit communications consulting: 1% of revenues. Includes communi-

cations consulting; benefit statement and booklet preparation.

Other services: Brokering.

Staff: Three total; all benefit consultants; two professionals, including one CEBS, two CLUs.

Clients: 48 total; 15% with 1-100 employees, 76% with 101-1,000, 9% with 1,001-5,000; 90% corporations, 5% multiemployer plans, 5% individuals.

Compensation: By the project, commissions, on retainer.

Principal officers: Maurice N. Lambert, Paul E. Lambert, partners.

Contact: Paul E. Lambert.

The Laughlin Group of Cos.

12655 S.W. Center St., Suite 280,
Beaverton, Ore. 97005;
503-643-7032; fax: 503-644-5321

Founded: 1972.

Services: 60% of revenues from benefit consulting.

Retirement/savings plan consulting: 40% of revenues. Includes plan design consulting; legal document drafting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

Benefit communications consulting: 20% of revenues. Includes communications consulting; benefit statement and audiovisual preparation.

Other services: Brokerage; retail annuity sales; plan termination/close-outs; credit reviews on insurance carriers.

Locations: West Hartford, Conn.; Louisville, Ky.

Staff: 65 total; 14 professionals, including one FSA, one CLU, one CPA.

Clients: 125 total; 5% with 1-100 employees, 95% with 1,001-5,000; 95% corporations (banks); 5% consulting firms.

Compensation: By the project, commissions, by the hour: senior consultant, \$100-\$150; consultant, \$50-\$100; clerical, \$25-\$50.

Gross revenues: \$2.2 million from worldwide benefit consulting in 1992 (100% from U.S. locations).

Principal officers: Paul A. Laughlin, chairman; Herb Shaw, president; Bill Gardner, Russ Cobler, managing directors; Dave McLung, president-Laughlin Strategies.

Contact: John Parenti, 1001 Farmington Ave., Suite 305, West Hartford, Conn. 06107.

Legacy Enterprises L.P.

7400 Shoreline Drive, Suite 3,
Stockton, Calif. 95219;
209-957-3185; fax: 209-957-7843

Founded: 1990.

Services: 81% of revenues from benefit consulting.

Welfare plan consulting: 60% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; plan effectiveness evaluations.

Benefit communications consulting: 21% of revenues. Includes communications consulting; benefit statement and booklet preparation.

Other services: Brokerage; Section 125 plans.

Staff: Six total; two professionals.

Clients: 10 total; 2% with 101-1,000 employees, 38% with 1,001-5,000, 61% with 5,001 or more; 7% corporations, 1% individuals, 92% municipalities.

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

Principal officers: Charlynn Musick.

Contact: Monica Harman or Charlynn Musick.

A.J. LePenske & Associates Ltd.

907 N. Elm St., Hinsdale, Ill. 60521;
708-323-0336; fax: 708-323-0421

Founded: 1989.

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.

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

Other services: Brokerage.

Staff: Three total; two benefit consulting employees; both professionals, including one CEBS, one CLU.

Clients: 30% with 1-100 employees, 40% with 101-1,000, 20% with 1,001-5,000, 10% with 5,001 or more; 95% corporations, 5% individuals. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer.

Principal officers: Fred LePenske, president.

M

MG Communications

94 Paterson Road, Farwood, N.J.
07023; 908-322-4176

Founded: 1991.

Services: 86% of revenues from benefit consulting.

Retirement/savings plan consulting: 3% of revenues. Includes consultant client communications.

Welfare plan consulting: 82% of revenues. Includes consultant and carrier client communications.

Benefit communications consulting: 1% of revenues. Includes communications consulting.

Other services: Consultant, carrier, and HMO marketing services.

Staff: One total.

Clients: Seven total; 57% with 1-100 employees, 14% with 101-1,000, 15% with 1,001-5,000, 14% with 5,001 or more; 14% corporations; 86% consultants and publishers.

Compensation: By the project, by the hour: senior consultant, \$60-\$75.

Gross revenues: 100% from U.S. locations.

Principal officers: Marc Grobman, principal.

Mahoney & Associates Inc.

Suite 2116, Baystate West, Springfield,
Mass. 01115; 413-788-7303

Founded: 1963.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 10% of revenues. Includes plan design consulting; asset/investment consulting.

Welfare plan consulting: 10% 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: Compensation consulting; brokering; claims administration.

Locations: Ft. Lauderdale, Fla.

Staff: 30 total; 11 professionals, including two CEBSs, two CLUs, one CPA, one attorney.

Clients: 200 total; 5% with 1-100 employees, 60% with 101-1,000, 35% with 1,001-5,000; 100% corporations. Minimum size client: 200 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$175; consultant, \$125; clerical, \$35.

Gross revenues: \$1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$3 million.

Principal officers: William E. Mahoney Jr., president; Martha L. Mahoney, executive vp; Larry Brand, vp.

Contact: William E. Mahoney Jr.

Mammel, Schropp, Swartzbaugh, Engler & Jones Inc.

175 Embassy Plaza, 9110 W.
Dodge Road, Omaha, Neb. 68114;
402-397-7000; fax: 402-398-2458

Founded: 1959.

Parent: The Redland Group.

Services: 27% of revenues from benefit consulting.

Retirement/savings plan consulting: 25% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consulting; plan administration consulting; asset/investment consulting.

Welfare plan consulting: 1% of revenues. Includes plan design consulting; insurer/broker selection consulting.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Brokerage; claims administration.

Staff: 116 total; 87 benefit consulting employees; 28 professionals, including three FSAs, four CEBSs, eight CLUs, three CPAs, five attorneys, three EAs.

Clients: 2,081 total; 40% with 1-100 employees, 60% with 101-1,000; 55% corporations, 15% multiemployer plans, 30% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$130-\$196; consultant, \$100; clerical, \$25-\$50; actuaries, \$124-\$148; administrators, \$40-\$74.

Gross revenues: \$2.1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$8 million.

Principal officers: Carl Mammel, chairman; Gary Hurley, vice chairman; Robert Swartzbaugh, president/CFO; Omer C. Trout, executive vp/COO; Donn Jones, senior vp.

Contact: Omer C. Trout.

Don Mayes & Associates

360 Maple Ave., Hershey, Pa.
17033; 717-533-1681;
fax: 717-533-5954

Founded: 1990.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; dental assurance quality assessments; dental PPO-capitation network development; dental office audits.

Other services: Claims administration.

Staff: Four total.

Clients: 13 total; 18% with 1-100 employees, 21% with 101-1,000, 23% with 1,001-5,000, 38% with 5,001 or more; 89% corporations, 11% multiemployer plans.

Compensation: By the project, on retainer, by the hour: senior consultant, \$200-\$250; consultant, \$150; clerical, \$35.

Gross revenues: \$250,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Don Mayes, president.

McGohan/Brabender Inc.

3445 S. Dixie Drive, Suite 200, Dayton,
Ohio 45439-2321; 513-293-1600;
fax: 513-293-1681

Founded: 1970.

Services: 5% of revenues from benefit consulting.

Welfare plan consulting: Includes plan design consulting.

Other services: Brokerage.

Staff: 12 total; five professionals, including one CPCU.

Clients: 287 total; 65% with 1-100 employees, 33% with 101-1,000, 2% with 1,001-5,000; 99% corporations, 1% individuals.

Compensation: Commissions, on retainer.

Gross revenues: \$2.6 million from worldwide benefit consulting in 1992.

Principal officers: Patrick L. McGohan, president; Timothy T. Brabender, vp.

William M. Mercer Cos. Inc.

1166 Ave. of the Americas, New York,
N.Y. 10036-2708; 212-345-7000

Founded: 1975.

Parent: Marsh & McLennan Cos. Inc.

Services: 89% of revenues from benefit consulting.

Retirement/savings plan consulting: 65% 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; single-source administrative servicing with un-

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Continued from previous page
bundled providers.

Welfare plan consulting: 20% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; health care data analysis; electronic claims audits; workers compensation medical management; flexible benefit plans.

Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive benefit communication systems, including voice response systems.

Other services: Compensation consulting; human resources management consulting and actuarial consulting on issues unrelated to employee benefit plans.

Locations: Birmingham, Ala.; Anchorage, Alaska; Phoenix, Irvine, Los Angeles, Orange, San Francisco and San Jose, Calif.; Denver, Stamford, Conn.; District of Columbia; Tampa, Fla.; Atlanta; Chicago and Deerfield, Ill.; Indianapolis; Louisville, Ky.; New Orleans, La.; Baltimore, Md.; Boston; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Albuquerque, N.M.; New York and Rochester, N.Y.; Charlotte, N.C.; Cincinnati, Cleveland and Columbus, Ohio; Portland, Ore.; Philadelphia and Pittsburgh, Pa.; Memphis, Tenn.; Dallas, Ft. Worth and Houston, Texas; Richmond, Va.; Seattle; Milwaukee; Australia; Belgium; Canada; Denmark; France; Germany; Hong Kong; Hungary; Ireland; Italy; Japan; Malaysia; Mexico; Netherlands; New Zealand; Puerto Rico; Singapore; South Korea; Spain; Sweden; Switzerland; Taiwan; United Kingdom. (58 foreign offices).

Staff: 6,358 total; 4,387 professionals, including 543 FSAs, 329 ASAs, 50 CEBSs, 150 attorneys, 100 EAs.

Clients: 17,500 total; 97% corporations, 3% multiemployer plans. Minimum size client: 100 employees.

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

Gross revenues: \$657 from worldwide benefit consulting in 1992, (59% from U.S. locations). Total worldwide 1992 revenues: \$918*.

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

Principal officers: Peter Coster, president; Robert A. Brochu, executive vp/president-U.S.; Peter E. Felton, Ronald M. Walker, Thomas R. Waylett, executive vps.

* Figure includes revenues from William M. Mercer Cos. and other Mercer Consulting Group entities.

Meridian Resource Corp.

2 East Mifflin St., Suite 12, Madison, Wis. 53703; 608-258-3350; fax: 608-258-3359

Founded: 1991.

Parent: United Wisconsin Services, Inc.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 16% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; plan administration consulting; investment manager selection 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: 24% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; employee surveys.

Other services: Management consulting; claims administration; strategic assessment, design, and implementation of communication and marketing strategies.

Locations: Milwaukee.

Staff: Eight total; five professionals.

Clients: 60% corporations, 20% multiemployer plans, 20% governmental.

Compensation: By the project, on retainer, by the hour: senior consultant, \$150-\$200; consultant, \$100-\$150; clerical, \$65.

Principal officers: Roger A. Formisano, president; Michael T. Miller, Mark I. Phelps, Kate M. VanderVelde, Laurie M. Shanks, consultants.

Contact: Kate M. VanderVelde.

Metropolitan Actuarial Services Inc.

5000 McKnight Road, Suite 406, Pittsburgh, Pa. 15237; 412-367-4555; fax: 412-367-7579

Founded: 1986.

Services: 98% of revenues from benefit consulting.

Retirement/savings plan consulting: 93% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; legal document drafting.

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

Staff: Six total; three professionals, including one FSA, one EA.

Clients: 160 total; 96% with 1-100 employees, 4% with 101-1,000 employees; 92% corporations, 8% individuals.

Compensation: By the project, by the hour: senior consultant, \$125-\$150; consultant, \$85-\$95; clerical, \$35-\$40; analyst, \$55-\$60.

Gross revenues: \$370,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: David M. Lipkin, president; Diane M. Maier, vp.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800, Seattle, Wash. 98101-2605; 206-624-7940; fax: 206-340-1380

Founded: 1947.

Services: 34% 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: 2% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting; claims administration.

Locations: Phoenix; Los Angeles, San Diego and San Francisco, Calif.; Denver; Hartford, Conn.; District of Columbia; Atlanta; Chicago; Indianapolis; Boston; Minneapolis; St. Louis; Omaha, Neb.; Albany and New York, N.Y.; Cincinnati; Portland, Ore.; Philadelphia; Dallas, Houston and Irvine, Texas; Salt Lake City; Seattle; Milwaukee; Australia; Austria; Belgium; Bermuda; Canada; Channel Islands; Denmark; France; Germany; Ireland; Italy; Mexico; Netherlands; New Zealand; Norway; Philippines; Spain; United Kingdom; West Indies.

Staff: 900 total; 306 benefit consulting employees; 119 professionals, including FSAs, ASAs, CPAs, attorneys, EAs.

Clients: 5,000 total; 40% with 1-100 employees, 30% with 101-1,000, 20% with 1,001-5,000, 10% with 5,001 or more; 80% corporations, 5% multiemployer plans, 5% MEWAs, 10% public entities.

Compensation: By the project, on retainer, by the hour: senior consultant, \$180-\$295; consultant, \$120-\$215; clerical, \$25-\$90.

Gross revenues: \$41 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$120 million.

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

Principal officers: James A. Curtis, chairman; Robert L. Collett, president/CEO; L. Jerry Lee, treasurer.

Contact: F.T. Lhamon.

Lawrence Mitchell Inc.

5525 Oakdale Ave., Suite 50, Woodland Hills, Calif. 91364-2695; 818-888-3344; fax: 818-347-9251

Founded: 1964.

Services: 70% of revenues from benefit consulting.

Retirement/savings plan consulting: 50% of revenues. Includes plan design consulting; defined benefit plan actuarial work; administration systems consulting; legal document drafting; plan administration consulting; investment manager selection consulting.

Welfare plan consulting: 15% of revenues.

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

Other services: Compensation consulting; management consulting; expert witness; insurance company consulting.

Staff: One total; one professional, including one FSA, one EA.

Clients: 100 total; 98% corporations, 2% individuals. No minimum size client.

Compensation: By the hour: senior consultant, \$280; clerical, \$60.

Gross revenues: 70% from U.S. locations.

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

Principal officers: Lawrence Mitchell, president.

Mockenhaupt, Mockenhaupt, Cowden & Parks Inc.

11th Floor, One Gateway Center, Pittsburgh, Pa. 15222; 412-394-9300; fax: 412-261-1207

Services: 63% 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; mergers and acquisitions; compliance management.

Welfare plan consulting: 7% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; special studies per client request.

Benefit communications consulting: 1% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Other services: Compensation consulting; claims administration; specialized data processing.

Staff: 98 total; including three FSAs, one ASA, three CEBSs, two CLUs, two CPAs, two attorneys, five EAs.

Clients: 1,103 total; 75% with 1-100 employees, 23% with 101-1,000, 2% with 1,001-5,000; 50% corporations, 30% MEWAs, 20% government employees.

Compensation: By the project, by the hour: senior consultant, \$150; consultant, \$120; clerical, \$60.

Gross revenues: \$4.9 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$7.8 million.

Principal officers: John P. Parks, president; Richard C. Mockenhaupt and Jere L. Cowden, vps; Paul A. Mockenhaupt, treasurer; Barbara A. Klaczak, secretary.

R.C. Morris Inc.

7209 Chagrin Road, Suite A, Chagrin Falls, Ohio 44023; 216-247-1221; fax: 216-247-1215

Founded: 1988.

Services: 80% 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; plan administration consulting.

Welfare plan consulting: 20% of revenues. Includes plan design consulting.

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

Other services: Claims administration.

Staff: Three total; all professionals, including one EA.

Clients: 65 total; 85% with 1-100 employees, 15% with 101-1,000; 100% corporations.

Compensation: By the project, by the hour: senior consultant, \$100; consultant, \$85.

Principal officers: Robyn C. Morris, president; Catherine Wolford, vp.

G. Murray & Associates Inc.

2100 Manchester Road, Wheaton, Ill. 60187; 708-682-0030; fax: 708-682-0169

Founded: 1986.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 35% of revenues. Includes plan design consulting; legal document drafting; plan administration consulting; investment manager selection consulting.

Welfare plan consulting: 40% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; audits of benefit payments; technical administration assistance and training.

Benefit communications consulting: 25% of revenues. Includes communications consulting; benefit booklet and audiovisual preparation; employee orientation and enrollment; financial planning educational assistance.

Staff: Seven total; four professionals, including one CEBS, one attorney.

Clients: 10% with 1-100 employees, 80% with 1,001-5,000, 10% with 5,001 or more; 100% corporations.

Compensation: By the project, by the hour: senior consultant, \$100-\$125; consultant, \$60-\$100; clerical, \$25-\$35.

Gross revenues: \$530,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Glenn Murphy, managing principal; Lee Murphy, senior consultant; Jane Carpenter, consultant.

Contact: Glenn Murphy.

N

Nagler & Nagler/Sierra Benefits

2140 Federal Ave., Los Angeles, Calif. 90025-5327; 310-444-9991; fax: 310-444-9760

Founded: 1957.

Services: 41% of revenues from benefit consulting.

Retirement/savings plan consulting: 35% of revenues. Includes plan design consulting; record keeping for defined benefit and defined contributions plans; record keeping and administration systems consulting; plan administration consulting.

Welfare plan consulting: 5% of revenues. Includes plan design consulting; insurer/broker selection consulting; health care cost containment.

Benefit communications consulting: 1% of revenues.

Other services: Brokerage; management consulting; claims administration; COBRA administration.

Locations: San Francisco, Sacramento and San Diego, Calif.

Staff: 32 total; 10 professionals.

Clients: 2,100 total; 85% with 1-100 employees, 10% with 101-1,000, 5% with 1,001-5,000.

Continued on next page

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Spotlight report

Continued from previous page
1,001-5,000; 80% corporations, 5% multiemployer plans, 5% MEWAs, 5% individuals; 5% COBRA clients.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200; consultant, \$90-\$200; clerical, \$30.

Gross revenues: \$3.2 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Lawrence Nagler, CEO; David Nagler, executive vp; Elise Barrett, Lee Rosello, vps; Jon Wolin, CFO.

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 313-932-4020; fax: 313-932-4119

Founded: 1968.

Services: 40% of revenues from benefit consulting.

Retirement/savings plan consulting: 26% 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.

Welfare plan consulting: 10% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 4% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

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

Locations: Chicago.

Staff: 25 total; seven benefit consulting employees; one FSA, one CPA.

Clients: 600 total; 80% with 1-100 employees, 20% with 101-1,000; 75% corporations, 10% multiemployer plans, 5% MEWAs, 10% individuals.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200; consultant, \$100; clerical, \$50.

Gross revenues: 100% from U.S. locations.

Principal officers: Harold H. Lambert, president; Brian V. Stevens, secretary/treasurer; Michael T. Stacey, vp.

The Nemirow Group

3401 Katella Ave., Suite 209, Los Alamitos, Calif. 90720; 310-430-8231; fax: 310-799-1377

Founded: 1989.

Services: 50% of revenues from benefit 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: 10% of revenues. Includes communications consulting; benefit statement, booklet preparation.

Staff: Two total; both professionals.

Clients: 20 total; 25% with 1-100 employees, 70% with 101-1,000, 5% with 5,001 or more; 100% corporations. Minimum size client: 50 employees.

Compensation: By the project, by the hour: senior consultant, \$195.

Principal officers: Lawrence H. Nemirow; Shari D. Nemirow.

Contact: Lawrence H. Nemirow.

Nico Insurance Services Inc.

7432 Jackson Drive, San Diego Calif. 92119-2319; 619-287-4488; fax: 619-462-2094

Founded: 1979.

Services: 30% of revenues from benefit consulting.

Retirement/savings plan consulting: 0.3% 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: 2.7% of revenues. Includes communications consulting; benefit booklet preparation.

Other services: Brokering; general management consulting.

Locations: San Diego, Calif.

Staff: Five total, all benefit consulting employees; four professionals.

Clients: 107 total; 52% with 1-100 employees, 48% with 101-1,000; 95% corporations, 5% non-profit corporations. Minimum size client: 10 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$175; consultant, \$100; clerical, \$25-50.

Gross revenues: \$500,000 from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Phillip D. Nico, president; Gale R. Seaman, consultant; Steven P. Nico, consultant; Patricia J. Head, consultant.

Noble Lowndes

3 Becker Farm Road, Roseland, N.J. 07068; 201-533-4500; fax: 201-535-1440

Founded: 1934.

Services: 96% 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.

Welfare plan consulting: 19% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; actuarial determinations.

Benefit communications consulting: 9% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; interactive voice technology systems.

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

Locations: Atlanta; Boston; Chicago; Cincinnati; District of Columbia; Dover, Del.; Garden City, N.Y.; Newtown, Philadelphia; San Francisco; Australia; Belgium; France; Germany; Hungary; Ireland; Netherlands; New Zealand; Nigeria; Spain; U.K.

Staff: 2,930 total; 288 professionals in the United States, including 14 FSAs, 12 ASAs, 15 CEBSs, 12 CLUs, four CPAs, 11

attorneys, 36 EAs.

Clients: 9,500 total in the U.S.; 60% with 1-100 employees, 27% with 101-1,000, 9% with 1,001-5,000, 4% with 5,001 or more; 96% corporations, 4% multiemployer plans.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200-\$275; consultant, \$150-\$200; clerical, \$50-\$75; paraprofessional/actuarial student, \$75-\$150.

Gross revenues: \$204.3 million from worldwide benefit consulting in 1992, (17% from U.S. locations). Total worldwide 1992 revenues: \$212.5 million.

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

Principal officers: Peter R. Brew, CEO; R. Rene M. Mathis, CFO; Theodore Benna, Donald L. Gallie, managing vps; Gerald I. Kranson, managing vp/general counsel.

Contact: Fiach R. Maguire, vp.

Northeast Benefit Plans Services

P.O. Box 703, Milford, Mass. 01757; 508-478-6214; fax: 508-478-3199

Founded: 1990.

Services: 34% of revenues from benefit consulting.

Retirement/savings plan consulting: 25.2% of revenues. Includes plan design consulting; pension plan record keeping; investment manager selection consulting.

Welfare plan consulting: 8.8% of revenues. Includes IRC Section 125 consulting.

Other services: Brokering.

Staff: Two total; both professionals, including CLUs.

Clients: 33 total; 85% with 1-100 employees, 15% with 101-1,000; 91% corporations, 3% individuals; 6% partnership. No minimum size client.

Compensation: By the project, commissions.

Principal officers: J. Paul Freniere, principal.

Northeast Consulting Group

11 Commerce Drive, Cranford, N.J. 07016; 908-709-1600; fax: 908-709-1615

Founded: 1972.

Services: 97% 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.

Welfare plan consulting: 2% of revenues. Includes filings and testing.

Staff: 31 total; 24 professionals, including one FSA, two CEBSs, 4 EAs.

Clients: 1,150 total; 93% with 1-100 employees, 7% with 101-1,000; 91% corporations, 9% individuals. No minimum size client.

Compensation: By the project, on retainer, by the hour: senior consultant, \$250; consultant, \$150; clerical, \$45.

Gross revenues: \$2.2 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: Marvin A. Scherb; Stephen Dolce.

P

Paris

International Corp.

2 Linden Place, Great Neck, N.Y. 11021; 516-487-2630; fax: 516-466-6055

Founded: 1970.

Services: 60% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting; pension plan record keeping; legal document drafting; plan administration consulting; investment manager selection consulting; asset/investment consulting; 401(k) communication.

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: Brokering.

Staff: 12 total; seven professionals, including one CEBS, two CLUs, one CPA, two attorneys.

Clients: 10% with 1-100 employees, 50% with 101-1,000, 40% with 1,001-5,000; 60% corporations, 40% individuals.

Compensation: Commissions, on retainer.

Gross revenues: \$1 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$1.7 million.

Principal officers: Stuart A. Paris, president; Irene Marra, vp.

Contact: Catherine Smith or Marta Fosco.

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Founded: 1976.

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; plan administration consulting.

Welfare plan consulting: 25% of revenues. Includes plan design consulting; health care cost containment; flexible benefits consulting.

Benefit communications consulting: 25% of revenues. Includes communications consulting; benefit statement, booklet preparation; interactive touch-screen communications.

Locations: Charlotte, N.C.

Staff: 20 total; 17 professionals, including two attorneys, two EAs.

Clients: 10% with 1-100 employees, 40% with 101-1,000, 40% with 1,001-5,000, 10% with 5,001 or more; 90% corporations, 10% multiemployer plans.

Compensation: By the hour: senior consultant, \$200; consultant, \$120; clerical, \$50.

Gross revenues: \$1.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

Principal officers: John R. Parsons, president; Mark S. Sommers, vp/managing principal; Annette Abramczyk, consultant.

Contact: John R. Parsons.

Pension

Planning Co. Inc.

355 Lexington Ave., New York, N.Y. 10017; 212-867-4100; fax: 212-953-7765

Founded: 1945.

Parent: Hogg Group P.L.C.

Services: 75% 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.

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.

Other services: Claims administration.

Locations: Alexandria, Va.; Boston; Cleveland; Dallas; Philadelphia; Los Angeles; Manchester, N.H.

Staff: 40 total; 20 professionals, including one FSA, three ASAs, two CEBSs, one attorney, five EAs.

Clients: 25% with 1-100 employees, 75% with 101-1,000; 95% corporations, 4% multiemployer plans, 1% individuals. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200-300; consultant, \$110-175; clerical, \$55.

Principal officers: Donald A. Lockwood, president/senior actuary; Paul D. Robinson, senior vp; Jack Warshawchik, vp; Heather Buyers, vp-recordkeeping; Doug Rabbino, vp-group operations.

Pension Resources

401 N. Michigan Ave., Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423

Founded: 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 recordkeeping; legal document drafting; plan administration consulting.

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

Staff: 250 total employees; 24 benefit consulting employees; 20 professionals, including two CPAs, one attorney, two EAs.

Clients: 700 total; 85% with 1-100 employees, 15% with 101-1,000; 98% corporations, 2% sole proprietors/partnerships. No minimum size client.

Compensation: By the project, by the hour: senior consultant, \$195; consultant, \$140; clerical, \$58; plan administrator, \$100.

Gross revenues: \$1.9 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$30.0 million.

Principal officers: Michael Schwartz, principal; Irwin Steinberg, managing partner.

Contact: Michael Schwartz.

Preferred Health Inc.

6 Neshaminy Interplex, Suite 205, Trevose, Pa. 19053; 215-639-6208; fax: 215-639-2672

Services: 45% of revenues from benefit consulting.

Welfare plan consulting: 40.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; FSA; Section 125; COBRA.

Benefit communications consulting: 4.5% of revenues. Includes general consulting on communications programs; benefit statement and booklet preparation.

Other services: Brokering; management consulting; claims administration; PPO ownership; precertification; nurse audits; workers compensation; retirees; college A&S; sports consulting/coverages; pre-paid dental plans.

Locations: Matawan, N.J.

Staff: 26 total; eight benefit consulting employees; five professionals, including one CEBS, one CLU.

Clients: 250 total; 90% with 1-100 employees, 8% with 101-1,000, 1% with 1,001-5,000, 1% with 5,001 or more; 2% corporations, 90% multiemployer plans, 1% individuals, 7% other. No minimum size client.

Compensation: By the project, commissions.

Gross revenues: \$2.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.5 million.

Principal officers: Larry W. Driscoll, president; Richard L. Matthew, executive director-managed care; Robert McCloskey, vp.

Contact: Larry E. Driscoll.

Price Waterhouse-Employee Benefits

1801 K St. N.W.; Washington, D.C. 20001; 202-296-0800; fax: 202-331-0281

Services: Less than 10% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting; defined benefit plan actuarial work; legal document drafting.

Welfare plan consulting: Includes plan design consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: Includes communications consulting; benefit booklet preparation.

Other services: Compensation consulting.

Locations: Atlanta; Chicago; Cleveland; Dallas; District of Columbia; Houston; Los Angeles; New York; Pittsburgh; San Francisco; St. Louis.

Staff: 115 benefit consulting employees; 80 professionals.

Clients: 95% corporations, 5% other.

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

Principal officers: Richard Spanger, John D. Caplan, Curtis L. Muncy, Lawrence B. Leisure.

R

Retirement Plans of America-Division of Benefit Dynamics Inc.

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

Founded: 1977.

Services: 100% of revenues from benefit consulting.

Continued on next page

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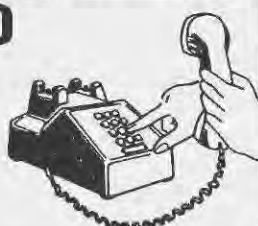
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Reliance Specialty
Programs, Inc.



Continued from previous page
 Retirement/savings plan consulting.

Retirement/savings plan consulting: 50% of revenues. Includes plan design consulting; pension plan record keeping; defined benefit plan actuarial work; legal document drafting; plan administration consulting.

Welfare plan consulting: 45% of revenues. Includes plan design consulting; health care cost containment; Section 125 administration.

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

Staff: 45 total; all professionals, including one CEBS, one CLU, one EA.

Clients: 2,350 total; 70% with 1-100 employees, 20% with 101-1,000, 8% with 1,001-5,000, 2% with 5,001 or more; 88% corporations, 12% individuals. No minimum size client.

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

Gross revenues: 100% from U.S. locations.

Principal officers: Joann Massanova, president/secretary; Carmen LaVerghetta, vp/treasurer.

Contact: Joann Massanova or Mark Moran.

Reynolds & Reynolds Inc.

300 Walnut, Suite 200, Des Moines, Iowa 50309; 800-767-1724; fax: 515-243-6664

Founded: 1976.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 15% of revenues. Includes plan design consulting; plan administration consulting; asset/investment consulting.

Benefit communications consulting: 20% of revenues. Includes general consulting on communications programs; benefits statements; wellness programs.

Other services: Brokering.

Staff: 25 total; two professionals.

Clients: 25% with 1-100 employees, 75% with 101-1,000; 80% corporations, 20% individuals. No minimum size client.

Compensation: By the project, commissions.

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

Principal officers: Stanley J. Reynolds, president; Ron J. Fry, vp; Jean E. Johnston, treasurer; Jody Reynolds, secretary.

Contact: Stephen C. Gooding director-employee benefits.

Risk Control Inc.

216 Water St., Excelsior, Minn. 55331; 612-474-3144; fax: 612-474-3144

Services: 40% of revenues from benefit consulting.

Welfare plan consulting: 25% of revenues. Includes plan design consulting; evaluation of service providers; health care cost containment; worksite wellness.

Benefit communications consulting: 15% of revenues. Includes communications consulting; benefit booklet preparation; employee communications.

Other services: Brokering.

Staff: Five total, all benefit consulting employees; one professional.

Clients: 20% with 1-100 employees, 80% with 101-1,000; 100% corporations. Minimum size client: two employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$95; clerical, \$30.

Gross revenues: \$120,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$160,000.

Principal officers: Jerry Brooke, president.

Contact: Patty Lee.

Risk Management Consulting Associates Inc.

400 W. Main St., P.O. Box 39, Wyckoff, N.J. 07481; 201-847-0200; fax: 201-847-9244

Founded: 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; negotiation and implementation of programs.

Staff: Five total, three benefit consulting employees; all professionals.

Clients: 25% with 1-100 employees, 45% with 101-1,000, 30% with 1,001-

5,000; 95% corporations, 3% multiemployer plans, 2% MEWAs. Minimum size client: 50 employees.

Compensation: By the project, on retainer.

Principal officers: Gary D. Salr, president.

Risk Management Group Inc.

P.O. Box 357, Newtown Square, Pa. 19073; 215-358-1776; fax: 215-359-9576

Founded: 1984.

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 16% of revenues. Includes plan design consulting; administration systems consulting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

Welfare plan consulting: 52% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; risk assessment.

Benefit communications consulting: 12% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; executive defense compensation.

Other services: Management consulting; claims administration; human resource information system; employee benefit information system.

Staff: Nine total; three professionals, including one attorney.

Clients: 52 total; 10% with 1-100 employees, 80% with 101-1,000, 10% with 1,001-5,000; 100% corporations. Minimum size client: 50 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150; consultant, \$90; clerical, \$45.

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

Principal officers: Jerald D. Adair, president; Donald V. Barbuto, executive vp; Susan B. Weise, secretary; Judith G. Adair, treasurer.

Roller Consulting Co. Inc.

Mellow Bank Center, 1735 Market St., Suite 3750, Philadelphia, Pa. 19103-7593; 215-979-3450; fax: 215-979-3459

Founded: 1983.

Services: 40% of revenues from benefit consulting.

Retirement/savings plan consulting: 20% 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; flexible benefit plan design and administration.

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

Other services: Brokering; claims administration.

Staff: Five total, all benefit consulting employees; four professionals, including FSAs.

Clients: 55 total; 40% with 1-100 employees, 25% with 101-1,000, 25% with 1,001-5,000, 10% with 5,001 or more; 100% corporations.

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

Principal officers: Kevin N. Roller, president.

S

San Diego Associates Inc.

2515 Camino Del Rio S., Suite 226, San Diego, Calif. 92108; 619-293-3388; fax: 619-297-6370

Founded: 1984.

Services: 40% of revenues from benefit consulting.

Retirement/savings plan consulting: 24% 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: 14% 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 statement and audiovisual preparation.

Other services: Brokering; claims administration.

Staff: Six total, all benefit consulting employees; three professionals.

Clients: 40% with 1-100 employees, 50% with 101-1,000, 10% with 1,001-5,000, 100% corporations. Minimum size client: 10 employees.

Compensation: By the project, commissions, on retainer, by the hour, composite rate is \$100-\$200 per hour.

Gross revenues: \$382,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$955,000.

Principal officers: David N. Peterson, president; Bruce N. Kesler, director.

Contact: Bruce N. Kesler.

San Diego Pension Consultants Inc.

1202 Morena Blvd., Suite 300, San Diego, Calif. 92110; 619-275-5005; fax: 619-275-3291

Founded: 1981.

Services: 94% of revenues from benefit consulting.

Retirement/savings plan consulting: 88.4% 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: 3.8% of revenues. Includes section 125 administra-

tion and claims processing.

Benefit communications consulting: 1.8% of revenues. Includes communications consulting; benefit statement.

Other services: Management consulting.

Staff: 22 total; 16 professionals, including one FSA, one ASA, one EA.

Clients: 1,600 total; 97% with 1-100 employees, 3% with 101-1,000; 75% corporations, 25% other. No minimum size client.

Compensation: By the project.

Gross revenues: \$2.2 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.2 million.

Principal officers: Thomas J. Pancheri, president; Todd A. Flores and James Peterson, vps.

Savoy Associates

15 James St., P.O. Box 239, Florham Park, N.J. 07932; 201-377-2220; fax: 201-377-6887

Founded: 1971.

Services: 70% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting; plan administration consulting.

Welfare plan consulting: 60% 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.

Other services: Brokering; claims ad-

ministration.

Staff: Five total; three professionals, including one CEBS.

Clients: 120 total; 60% with 1-100 employees, 40% with 101-1,000; 95% corporations, 5% individuals. Minimum size client: two employees.

Compensation: By the project, commissions.

Gross revenues: \$425,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$500,000.

Principal officers: Donald C. Savoy Jr.

Schmidt, Long & Associates

4 Seagate Building, 5th Floor, Toledo, Ohio 43604; 419-249-7220 or 800-733-8228; fax: 419-249-7221

Services: 80% of revenues from benefit consulting.

Retirement/savings plan consulting: 4% of revenues. Includes plan design consulting; administration systems consulting; plan administration consulting.

Welfare plan consulting: 64% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 12% of revenues. Includes communications consulting; benefit statement and audiovisual preparation; interactive telephone enrollment and benefit information services.

Other services: Health claim audit services.

Continued on next page

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Spotlight report

Continued from previous page

Staff: 12 total; six professionals.
Clients: 32 total; 70% with 1,001-5,000 employees, 30% with 5,001 or more; 90% corporations, 10% multiemployer plans. Minimum size client: 500 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$175-\$200; consultant, \$150-\$175; clerical, \$35; part-time programmers/enrollment assistants, \$25-\$65.

Gross revenues: \$1.5 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$1.8 million.

Principal officers: Ralph W. Long, CEO; Timothy L. Schmidt, president/COO; James A. Mauntler, vp; Tedd A. Long, president-Digital Horizons.

Contact: Timothy L. Schmidt.

Sedgwick James Consulting Group

600 Montgomery St., 3rd Floor, San Francisco, Calif. 94111;
415-983-5250; fax: 415-983-4907

Founded: 1858.

Parent: Sedgwick Group Ltd.

Services: 55% of revenues from benefit consulting.

Retirement/savings plan consulting: 5.5% of revenues. Includes plan design consulting; defined benefit plan actuarial work; pension plan record keeping; administration systems consulting; legal document drafting; plan administration consulting.

Welfare plan consulting: 49% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; financial planning.

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

Other services: Compensation consulting; brokering.

Locations: Atlanta; Boise, Idaho; Boston; Chicago; Dallas; Denver; District of Columbia; Harrisburg, Philadelphia and Pittsburgh, Pa.; Irvine, Los Angeles and San Francisco, Calif.; Kansas City, Mo.; Memphis, Tenn.; Minneapolis; New York and Rochester, N.Y.; Orlando and West Palm Beach, Fla.; Phoenix; Portland, Ore.; Reno, Nev.; Seattle, Spokane and Yakima, Wash.; Short Hills, N.J.; London.

Staff: 360 total.

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

Gross revenues: \$45,500 from worldwide benefit consulting in 1992.

Principal officers: Carroll Cox, president; Scot Smith, COO; Ted Wood, executive vp; Jeff Everson, Jack Doerr, Sue Gilbert and Mike McDermott, executive vps.

The Segal Co.

1 Park Ave., New York, N.Y.
10016-5895; 212-251-5000;
fax: 212-251-5490

Founded: 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; Segal Telephone Active Response System.

Other services: Compensation consulting; brokering; computer/management consulting; flex administration software.

Locations: Atlanta; Boston; Chicago; Cleveland; Denver; District of Columbia; Hartford, Conn.; Houston; Los Angeles; New Orleans; New York; Phoenix; San Francisco; Seattle; West Palm Beach, Fla.; Canada; United Kingdom; France; Norway; Germany; Netherlands; Switzerland.

Staff: 654 total; 501 professionals, including 15 FSAs, 23 ASAs, 49 EAs.

Clients: 3,000 total; 48% corporations, 52% multiemployer plans.

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

Gross revenues: \$73.4 million* from worldwide benefit consulting in 1992.

Non-U.S. benefit consulting: Two Canadian offices and Europe via the Multinational Group of Actuaries and Consultants.

Principal officers: Robert D. Paul, chairman; Robert D. Krinsky, president; Howard Fluhr and Dale B. Grant, executive vps.

Contact: Mary L. Feldman, vp, 212-251-5029.

* BI estimates.

Silva Financial Group

1550 The Alameda, Suite 305, San Jose, Calif. 95126; 408-554-6600;
fax: 408-554-0449

Founded: 1976.

Services: 85% of revenues from benefit consulting.

Retirement/savings plan consulting: 21.25% of revenues. Includes plan design consulting; plan administration consulting; investment manager selection consulting; asset/investment consulting.

Welfare plan consulting: 42.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 21.25% of revenues.

Other services: Compensation consulting; brokering; management consulting.

Staff: 12 total; four professionals, including four CEBSs, one CPA, one EA.

Clients: 500 total; 85% with 1-100 employees, 15% with 101-1,000; 100% corporations. Minimum size client: 25 employees.

Compensation: By the project, commissions.

Gross revenues: 100% from U.S. locations.

Principal officers: Robert E. Silva, president.

Siver Insurance Management Consultants

9400 Fourth Street N., Suite 119, St. Petersburg, Fla. 33702; 813-577-2780
fax: 813-579-8692

Founded: 1970.

Services: 35% of revenues from benefit consulting.

Retirement/savings plan consulting: 5% of revenues. Includes plan design consulting; legal document drafting.

Welfare plan consulting: 26.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; provider negotiations.

Benefit communications consulting: 3.5% of revenues. Includes communications consulting.

Other services: Risk management; property/casualty insurance; litigation support.

Staff: 22 total; 10 benefit consulting employees; 17 professionals, including one CEBS, four CLUs, four attorneys.

Clients: 96 total; 5% with 1-100 employees, 5% with 101-1,000, 60% with 1,001-5,000, 30% with 5,001 or more; 40% corporations, 8% individuals, 52% government entities/cities/counties/school boards/hospitals and government agencies. No minimum size client.

Compensation: By the project, by the hour: senior consultant, \$125-\$195; consultant, \$70-\$125; clerical, \$35-\$45.

Gross revenues: \$1.3 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$1.3 million.

Principal officers: Edward W. Siver, president; Jim Marshall, vp; Stephanie M. Barnhill, secretary.

Contact: Edward W. Siver.

Donald F. Smith & Associates

3120 Princeton Pike, P.O. Box 6509, Lawrenceville, N.J.
08648-0509; 609-895-1616;
fax: 609-895-1511

Founded: 1961.

Services: 22% of revenues from benefit consulting.

Retirement/savings plan consulting: 12% 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: 10% 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: Norfolk and Richmond, Va.; Wallingford, Conn.

Staff: 104 total; 11 benefit consulting employees, including one attorney.

Clients: 83 total; 36% with 1-100 employees, 57% with 101-1,000, 7% with

1,001-5,000; 100% corporations. No minimum size client.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$200-\$250; consultant, \$100-\$200; clerical, \$40.

Principal officers: Donald F. Smith, chairman; William B. Stephenson, president, Robert M. Neumann, senior vp; Ronald G. Keefe and Gerald A. Lister, vps.

Contact: Robert M. Neumann.

Smith Kazarian Inc.

350 W. Arden Ave., Suite 201, Glendale, Calif. 91203;
818-409-0821

Founded: 1987.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 100% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; compliance consulting; financing evaluation.

Staff: Six total; all professionals.

Clients: 17 total; 20% with 101-1,000 employees, 35% with 1,001-5,000, 45% with 5,001 or more; 100% corporations. Minimum size client: 200 employees.

Compensation: By the hour: senior consultant, \$180-\$325; consultant, \$140-\$200.

Principal officers: Vine H. Smith, president; Alice Kazarian, vp.

Contact: Vine H. Smith.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 550, Houston, Texas 77056;
713-622-8930; fax: 713-622-6705

Founded: 1987.

Services: 90% of revenues from benefit consulting.

Retirement/savings plan consulting: 31.5% 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: 49.5% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment; post retirement benefit calculations.

Benefit communications consulting: 9% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; pre-retirement counseling.

Other services: Compensation consulting.

Staff: 14 total; 11 professionals, including three ASAs, one CPA, two EAs.

Clients: 28% with 101-1,000 employees, 40% with 1,001-5,000, 32% with 5,001 or more; 95% corporations, 5% municipalities/taxing authorities. Minimum size client: 250 employees.

Compensation: By the project, by the hour: senior consultant, \$200; consultant, \$165; clerical, \$45.

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

Principal officers: J. Stone, managing director; K. Haynes, T. McCord, C. Rennpage and E. Sanborn, principals.

Contact: J.E. Stone.

Strategic Health Development Corp.

9315 N.E. Sixth Ave., Miami Shores, Fla. 33138; 800-874-2378
fax: 305-751-1029

Founded: 1985.

Services: 60% of revenues from benefit consulting.

Retirement/savings plan consulting: Includes plan design consulting.

Welfare plan consulting: Includes insurer/broker selection consulting; health care cost containment.

Other services: Utilization review, medical case management.

Staff: 40 total; 13 professionals, including one attorney.

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

Compensation: By the hour: senior consultant, \$150; consultant, \$100; clerical, \$25; registered nurse, \$85 plus hotel and travel.

Gross revenues: \$1.5 million from worldwide benefit consulting in 1992, (90% from U.S. locations).

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

Principal officers: Alfred J. Karnicwicz, CEO; Nigel D. Wallbank, president; Lucy Guadalupe, senior vp.

Contact: Nigel D. Wallbank.

T

Towers Perrin

245 Park Ave., New York, N.Y.
10167-0128; 212-309-3400;
fax: 212-309-0950

Founded: 1934.

Services: 66% 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: 13% 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; brokering; management consulting; claims administration.

Locations: Atlanta; Austin, Dallas, Houston and San Antonio, Texas; Boston; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Denver; Detroit; District of Columbia; Irvine, Los Angeles, San Diego and San Francisco, Calif.; Kansas City, Kansas; Milwaukee; Minneapolis; New York and Valhalla, N.Y.; Philadelphia; Pittsburgh; Saddle Brook, N.J.; St. Louis; Seattle; Stamford, Conn.; Tampa, Fla.; Argentina; Australia; Belgium; Brazil; Canada; France; Germany; Hong Kong; Italy; Japan; Mexico; Netherlands; Singapore; Spain; Switzerland; United Kingdom; Venezuela.

Staff: 4,742 total; 2,466 professionals, including 287 FSAs, 262 ASAs.

Clients: 8,000 total; 100% corporations, non-profit and public sector employers.

Compensation: By the hour.

Gross revenues: \$442 million from worldwide benefit consulting in 1992, (73% from U.S. locations). Total worldwide 1992 revenues: \$672 million.

Non-U.S. benefit consulting: Via overseas branches.

Principal officers: John T. Lynch, president/CEO; J. Russell Southworth, managing director-North America; John G. Kneen, managing director-Towers Perrin International; Alan H. Dugan, vp/managing director-health/welfare; Marvin H. Green, vp/managing director-retirement; C. Roland Stichweh, vp/managing director-human resources/communication.

Contact: George McNoran.

Treacy & Rhodes Consultants

462 Stevens Ave., Suite 308, Solana Beach, Calif. 92075;
619-481-1191; fax: 619-481-9545

Founded: 1985.

Services: 90% of revenues from benefit consulting.

Welfare plan consulting: 81% of revenues. Includes plan design consulting; insurer/broker selection consulting; evaluation of service providers; health care cost containment.

Benefit communications consulting: 9% of revenues. Includes communications consulting; benefit statement.

Other services: Management consulting.

Staff: 12 total; eight professionals, including one ASA, one attorney.

Clients: 10 total; 10% with 101-1,000 employees, 90% with 5,001 or more; 100% corporations.

Compensation: By the hour: senior consultant, \$200-\$300; consultant, \$140-\$200; clerical, \$50-\$70; benefit analyst, \$80-\$140.

Gross revenues: \$1.9 million from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$2.1 million.

Principal officers: Michael Treacy, president/CEO.

V

VJT Associates Inc.

2182 E. Fifth St., Brooklyn, N.Y.
11223-4827; 718-627-0700;
fax: 718-375-3389

Founded: 1991.

Services: 100% of revenues from benefit consulting.

Retirement/savings plan consulting: 15% of revenues. Includes plan design consulting; administration systems consulting; legal document drafting; plan administration consulting; investment manager selection 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: 5% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation.

Staff: Two total; one professional.

Clients: Five total; 40% with 1-100 employees, 20% with 101-1,000, 20% with 1,001-5,000, 20% with 5,001 or more; 100% corporations. Minimum size client: 10 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$100-\$150; consultant, \$75; clerical, \$20.

Gross revenues: \$125,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$125,000.

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

Principal officers: Vincent J. Tomo, president.

A.W. Vidmer & Co.

214 Overlook Court, Suite 250, Brentwood, Tenn. 37027;
615-373-1851; fax: 615-370-0351

Founded: 1988.

Services: 70% of revenues from benefit consulting.

Benefit communications consulting: 70% of revenues. Includes communications consulting; benefit booklet and audiovisual preparation; interactive benefits kiosk.

Staff: Seven total; two professionals.

Clients: 15 total; 5% with 101-1,000 employees, 45% with 1,001-5,000, 50% with 5,001 or more; 100% corporations.

Compensation: By the hour: senior consultant, \$100; consultant, \$80; clerical, \$40; graphic designers for printed materials, \$80.

Gross revenues: \$330,000 from worldwide benefit consulting in 1992, (100% from U.S. locations). Total worldwide 1992 revenues: \$500,000.

Principal officers: A.W. Vidmer, president; Kathryn H. Vidmer, secretary/treasurer.

W

Walston & Addicks

2424 Herodian Way, Suite 100, Smyrna, Ga. 30267; 404-980-9423;
fax: 404-980-1181

Founded: 1983.

Services: 100% of revenues from benefit consulting.

Welfare plan consulting: 90% of revenues. Includes administrator auditing.

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

Staff: Two total; one professional.

Clients: 10 total; 20% with 1-100 employees, 60% with 101-1,000, 20% with 5,001 or more; 100% corporations. Minimum size client: 25 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$145; consultant, \$95; clerical, \$30.

Principal officers: Thomas F. Walston II, president; Ray Addicks; Jim Wiley, vp-benefits consulting.

Contact: Jim Wiley.

J.B. Walton Co. Inc.

Chesley Office Campus, 108 Chesley Drive, Media, Pa.
19063-1712; 215-566-8001

Services: 50% of revenues from benefit consulting.

Retirement/savings plan consulting: 2.5% of revenues. Includes plan design consulting; plan administration consulting; investment manager selection consulting.

W

Trade groups voice concern for risk-based capital rules

By MEG FLETCHER

ATLANTA—A proposal to establish risk-based capital standards for property/casualty insurers could be approved in a year if regulators continue to make progress testing and refining a formula.

If this timetable stands, property/casualty insurers would have to comply with risk-based capital standards beginning with their 1994 annual statements, filed in early 1995.

The current risk-based capital formula, however, is causing concern among three major insurer trade associations.

The National Assn. of Insurance Commissioners' proposed formula, which is being developed with the help of an industry advisory group, has not yet been formally released to the public or the industry.

Regulators have kept the proposed formula as confidential as possible because they fear that if it is applied to a specific insurer before it is refined, the insurer could be unfairly characterized as financially troubled, said Vincent Laurenzano, assistant deputy superintendent of the New York Insurance Department and chairman of the NAIC subgroup drafting the proposal.

"There is a lot of fear and hysteria out there because people do not know what is going on," he said.

Mr. Laurenzano's group is now considering an advisory committee suggestion to draft different standards for smaller insurers, since their results can be more widely varied, according to a report he made to the NAIC's Internal Administration Subcommittee.

In a preliminary test of insurers in the NAIC's data base, 112 companies fell below an unspecified threshold level. Of those companies, 98 had capital of less than \$1 million.

Although the working group has adopted many changes, there still seem to be "significant problems" with the risk-based capital formula, said Phillip L. Schwartz, vp-financial reporting and associate general counsel for the American Insurance Assn.

According to the AIA's calculations, "some insurers have less surplus than the amount required by the formula, although these insurers are actually very sound," he said in a statement. "It is imperative that the formula finally adopted by the NAIC not show a capital deficiency for financially sound insurers."

In addition, the Reinsurance Assn. of America says the current proposed formula may be "too narrow and unrealistic" when used as a tool to measure solvency.

The RAA is urging insurance commissioners and other public policy makers to "step back from the technical aspects of the formula to look at its practical effects." These could include discouraging new capital for start-up insurers, deterring U.S. insurers from investing in foreign markets, encouraging reinsurers to move offshore and fostering the consolidation of insurers.

In addition, the Alliance of

American Insurers recently financed a report by consultants that warned regulators not to set risk-based capital standards too high (*BI*, Nov. 30).

Both the RAA and Alliance, citing parallels between the insurance and banking industry, note the credit-tightening impact of new risk-based capital standards for banks.

Despite such complaints, the NAIC working group is now preparing to send a survey to insurers this month asking them to send additional information needed to test the formula by Feb. 1. The survey seeks information such as the percentage of an insurer's ownership of an affiliate, which is not available from annual statements, Mr. Laurenzano said.

The current schedule calls for the working group to present a formula for public comment in June 1993, followed by NAIC adoption in December 1993. Insurers would then be required to report key numbers in their 1994 annual statements, he said.

In other NAIC action:

• Members of the Reinsurance Task Force agreed to schedule a teleconference sometime early next year to resolve differences over treatment of captive insurers in an NAIC staff-written draft of the proposed model fronting law.

Most regulators appeared sympathetic with a Vermont proposal to exempt "pure" captives that insure only their owners' related risks. "Entrepreneurial" captives that write unrelated business should not be exempt, said Vermont Commissioner Elizabeth Costle.

However, New York regulators continue to emphasize that no captives should be exempt from the proposed model law, which includes reporting and contract requirements (*BI*, Nov. 23).

But, New York has softened its position by requiring that fewer non-domiciliary regulators be given secondary authority over fronting transactions, said Superintendent Salvatore Curiale.

Previously, New York maintained that regulators in states in which 15% of the fronting transaction's premium is derived should have authority over the transaction. Now, New York proposes that only one non-domiciliary regulator have the opportunity to regulate a fronting transaction.

The industry advisory committee described the latest version of the proposal as "workable," said Edmond Rondepierre, senior vp, general counsel and secretary of General Reinsurance Corp. in Stamford, Conn. It plans to incorporate its suggestions into proposed model law format and return it to regulators before year end, he said.

• The NAIC's Filing/CGL Policies Working Group and the Insurance Services Office Inc. resolved several months of discussions over the wording of a contractual liability clause in the commercial general liability policy.

At issue were the conditions under which, for example, a large company's insurer would be willing to pay defense costs for a small contractor that caused damage while working on

the large company's premises.

ISO earlier this year suspended a newly worded clause and brought the matter to the NAIC subgroup for review after agents groups complained that the new wording reduced consumers' coverage (*BI*, Feb. 10).

The issue was settled when ISO agreed to a subgroup's proposal "that the filing be amended so there is reduction of the aggregate defense limits if a commensurate reduction of premium is provided and that fact is clearly disclosed to the insured."

• A heated discussion between regulators who belong to a subgroup on urban insurance issues underscored regulators' difficulty in dealing with "redlining" charges.

Arkansas Deputy Commissioner Ron Sheffield emphasized that the insurance industry has a problem dealing with "minorities," rather than "urban areas."

Richard Hsia, deputy superintendent of the New York Insurance Department, responded that there are many parts to the redlining problem, which some states have previously addressed.

However, he and two Missouri regulators said regulators should define and research the issue before drawing conclusions. Part of the problem stems from few minorities in the industry, said California Insurance Commissioner John Garamendi.

Missouri Insurance Director Lewis Melahn said he plans to ask for a lengthy, closed meeting on the issue before the NAIC's spring meeting so subcommittee members can air their views.

An AIA spokeswoman said insurers are willing to help.

• The Financial Regulation Standards and Accreditation Committee recommended that the NAIC adopt several additional model laws, regulations or standards as requirements for state insurance department accreditation.

The committee proposes to require states to adopt measures on: credit for reinsurance, life/health reinsurance agreements, annual audited financial statements, investment valuation, actuarial opinions and diskette filing by insurers. In addition, increased communication among states would be encouraged through the reporting of complaints, regulatory actions and investigatory information to the NAIC's data bases.

The NAIC as a whole is expected to consider the committee's recommendation at its spring meeting in March. If adopted, states would have until Jan. 1, 1996, to comply, or adopt substantially similar rules.

• The NAIC is expected to vote in March on a proposal to increase and clarify reporting requirements in the standard trust agreement used by surplus lines insurers.

• The Long Term Care Insurance Task Force continues to study a controversial proposal about requiring the non-forfeiture of benefits and a 5% cap on rate increases.

• The NAIC honored Robert M. Solitro, deputy commissioner of the New Hampshire Insurance Department, with its annual award to a regulator who advances insurance regulation. **[B]**

Staff: Two total; one professional.
Clients: 25 total; 20% with 101-1,000 employees, 60% with 1,001-5,000, 20% with 5,001 or more; 100% corporations.
Compensation: By the project, on retainer, by the hour: senior consultant, \$175; consultant, \$100-\$150; clerical, \$35; artists, \$50-\$100.
Gross revenues: Total worldwide 1992 revenues: \$500,000.
Principal officers: Ronald H. Wohl, president.

The Wyatt Co.

601 Thirteenth St. N.W., Suite 1000,
Washington, D.C. 20005-3808;
202-508-4846; fax: 202-508-4758

Founded: 1943.

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; 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 consulting/managed care.

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: 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; Fort Lee and Little Falls, N.J.; New York; Cleveland and Columbus, Ohio; Lake Oswego and Portland, Ore.; Memphis, Tenn.; Dallas and Houston, Texas; Seattle; Milwaukee; Argentina; Australia; Belgium; Canada; Colombia; France; Germany; Hong Kong; Indonesia; Italy; Japan; Malaysia; Mexico; Netherlands; New Zealand; Norway; Philippines; Puerto Rico; Singapore; Spain; Sweden; Switzerland; Taiwan; United Kingdom; West Indies.

Staff: 3,400 total; including 176 FSAs, 271 ASAs.

Clients: 15,000 total; 40% with 1-100 employees, 35% with 101-1,000, 13% with 1,001-5,000, 12% with 5,001 or more; 95% corporations, 3% multiemployer plans, 2% government entities. No minimum size client.

Compensation: By the hour.

Gross revenues: \$365 million from worldwide benefit consulting in 1992. Total worldwide 1992 revenues: \$425 million.

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

Principal officers: Michael H. Davis, president/CEO; Leroy B. Parks Jr., executive vp/treasurer.

Yaffe & Co. Inc.

409 Washington Ave., Suite 70,
Towson, Md. 21204; 410-494-4100;
fax: 410-494-4151

Founded: 1976.

Services: 97% of revenues from benefit consulting.

Retirement/savings plan consulting: 73% 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: 18% 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.

Other services: Compensation consulting.

Staff: 32 total; 27 professionals, including three ASAs, three CEBs, one CPA, five EAs.

Clients: 69 total; 5% with 1-100 employees, 40% with 101-1,000, 55% with 1,001-5,000; 100% corporations.

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

Principal officers: Rian M. Yaffe, president/CEO. **[31]**

Continued from previous page

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

Other services: Brokering.

Staff: One professional CLU.

Clients: 30% with 1-100 employees, 35% with 101-1,000, 35% with 1,001-5,000; 85% corporations, 10% MEWAs, 5% individuals. Minimum size client: 10 employees.

Compensation: By the project, commissions, on retainer, by the hour: senior consultant, \$150-\$175.

Principal officers: John B. Walton, president.

Webber Consulting Group Inc.

630 Colonial Park Drive, Suite 200,
Roswell, Ga. 30075; 404-641-1868;
fax: 404-641-1899

Founded: 1984.

Services: 40% 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; occupational health.

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

Other services: Risk management consulting (property/casualty).

Staff: Four total; two professionals.

Clients: Seven total; 72% with 101-1,000 employees, 14% with 1,001-5,000, 14% with 5,001 or more; 43% corporations, 57% government entities.

Compensation: By the project, by the hour: senior consultant, \$150; clerical, \$18; senior analyst, \$75.

Principal officers: Steven R. Webber, president; Patricia I. Webber, vp.

Williams, Thacher & Rand

630 Third Ave., New York, N.Y. 10017;
212-949-1344; fax: 212-682-9147

Founded: 1975.

Services: 90% 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.

Welfare plan consulting: 33% 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.

Other services: Compensation consulting; claims administration; software, international and systems consulting.

Locations: Baltimore; Denver; District of Columbia; Richmond, Va.; Indianapolis; Philadelphia.

Staff: 175 total; 133 professionals, including two FSAs, 12 ASAs, three CEBs, two CLUs, one attorney, 17 EAs.

Clients: 950 total; 10% with 1-100 employees, 55% with 101-1,000, 30% with 1,001-5,000, 5% with 5,001 or more; 80% corporations, 5% multiemployer plans, 15% partnerships and associations. Minimum size client: 50 employees.

Compensation: By the project, on retainer, by the hour: senior consultant, \$200-\$300; consultant, \$135-\$185; clerical, \$38-\$60; administrative, \$60-\$120.

Gross revenues: \$17 million from worldwide benefit consulting in 1992, (100% from U.S. locations).

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

Principal officers: Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes, principals.

Contact: Charles Thacher.

R.H. Wohl & Associates/ In Plain English

14501 Antigone Drive, North
Potomac, Md. 20878;
301-340-2821; fax: 301-279-0115

Founded: 1977.

Services: 45% of revenues from benefit consulting.

Benefit communications consulting: 45% of revenues. Includes communications consulting; benefit statement, booklet and audiovisual preparation; administration manual; human resource policy manuals; human resource policy development.

Other services: Readability consulting; plain English writing and business writing seminars.

Locations: Gaithersburg and Columbia, Md.; District of Columbia; Alexandria, Va.

GM incentives

Continued from page 2
ceive monthly benefits of \$30 to \$31.45 times years of service. Workers age 50 to 61 will receive an additional \$30 times years of service per month until age 62, when they become eligible for Social Security benefits.

This is essentially the same early retirement program offered to employees in 1990, the spokesman said. It's just been "sweetened up with the vouchers" and extended to employees 50 years old.

While consultants agree that giving a voucher for a new car is innovative, they question whether the enticement is big enough to induce early retirement.

The incentive of a new car is "pretty clever," said Andy Stratton, principal for A. Foster Higgins & Co. Inc. in Atlanta. But they are "not improving their unreduced pension benefits," which can be a big incentive to early retirement, he said.

Dennis Coleman, a partner with Kwasha Lipton in Fort Lee, N.J., agreed. While the car incentive is a novel approach, "that's not really as significant a benefit when looking at 20 to 25 years of retirement," he said.

However, consultants point out that workers may not have better alternatives than the early retirement offer.

"There is a certain fear that unless workers take (the early retirement offer)," they will be laid off, Mr. Coleman said.

This fear comes on the heels of GM's announcement that it hopes to reduce its hourly workforce by 54,000 employees by the mid-1990s. GM currently employs 288,000 hourly workers, down from 304,000 in December 1991.

An additional 20,000 "white-collar" jobs will also be eliminated by the mid-1990s, the GM spokesman said.

Financing the early retirement

incentive with money from the training fund shows "where (GM's) priorities are set," said Joel Rich, a principal at William M. Mercer Cos. Inc. in Morristown, N.J. It "sounds like jobs are going to be gone forever."

"They're robbing Peter to pay Paul," Mr. Coleman said of the financing.

However, under a 1990 UAW contract with GM, Ford Motor Co. and Chrysler Corp., no union member, with few exceptions, can be terminated during the life of the contract.

If a job is eliminated and union members are without work for more than 37 weeks, they are registered in a jobs bank where they receive 100% of base pay plus any cost-of-living increase received by other workers until another position is open.

With the new early retirement package, GM hopes to fill the positions of retired employees with laid-off workers in the jobs bank, the UAW spokesman said.

Currently, 20,500 workers are in the bank, according to GM.

Some employees eligible for early retirement might spurn the offer and instead choose to be placed in the jobs bank with full pay.

However, the current contract expires in September. Although job security programs will be a priority item in bargaining, the types of programs to be offered under the new contract are uncertain, the UAW spokesman said. Employees who decide not to take the retirement package will have to wait until September to find out.

On the other hand, those employees who decide to take the early retirement package are guaranteed a certain amount of money until they reach Social Security eligibility, the union spokesman said. In addition, they can find additional work on their own to supplement their retirement benefits instead of waiting for another position to open in the auto industry. **BI**

Extra time for plan terminations

PBGC grants 15 months to wind up defined benefit plans

By JERRY GEISEL

WASHINGTON—Employers terminating defined benefit pension plans will now have more time to complete several key steps in the termination process.

Final rules issued last week by the Pension Benefit Guaranty Corp. will give employers up to 15 months to complete a plan termination, compared with the current 11-month maximum.

As part of the extension, which takes effect Jan. 28, employers will have up to six times longer to distribute plan assets and to purchase annuities used to replace participants' vested pension benefits.

This extra time is especially important to employers because of increased scrutiny by the Labor Department of annuities used to replace benefits following the collapse of Executive Life Insurance Co., a major provider of annuities to employers terminating pension plans (*BI*, June 24, 1991).

In fact, the Labor Department has sued a number of employers that purchased Executive Life annuities, charging that the purchases violated various Employee Retirement Income Security Act rules.

Benefit experts welcome the increased time the PBGC is providing for plan terminations.

"It is a recognition that things take longer in practice than might be anticipated," said Kyle Brown, an attorney with The Wyatt Co.'s Research and Information Center in Washington.

"The deadlines are substantially longer and in the right places," agreed Rick Davids, a consultant with Hewitt Associates in Lincolnshire, Ill.

The PBGC rules, published in the Dec. 14 issue of the Federal Register, lay down new deadlines

for the multiple steps that employers must follow when terminating a pension plan:

- In the first step, an employer will have to propose a termination date that is no sooner than 60 days and no later than 90 days after they notify plan participants that they intend to terminate their pension plan.

Under current PBGC rules, the termination date also can be no earlier than 60 days after the notice is sent out, but the proposed termination date can be up to 180 days after notification.

While the time frame for the first step actually is being cut back, benefit experts say the change will not adversely affect employers.

"It helps to keep the time frame manageable," said Wyatt's Mr. Brown.

- In the second step, employers will have 120 days beyond the proposed termination date to inform participants what their benefits will be or to provide an estimate of the benefits. Employers also will have to file a termination notice with the PBGC within this time frame.

Under 1987 PBGC proposed rules, employers had 60 days to complete these steps, while 1989 PBGC guidelines gave employers 90 days.

- In the third step—unchanged from earlier rules—the PBGC has 60 days after receiving notice to review the proposed termination. Among other things, the PBGC examines

whether plan assets are sufficient to cover promised benefits.

Unless the PBGC notifies the employer that the termination is not in compliance with agency rules, the termination is considered approved.

- In the last step, employers will have up to 180 days after the expiration of the PBGC termination review period to distribute plan assets, including the distribution of plan assets to purchase annuities from an insurer.

Under current PBGC rules, employers only have 30 days after review to distribute plan assets. But 30 days often is not enough to complete distribution of plan assets, employers complained.

For example, more time was needed if an employer had to dispose of a relatively illiquid asset, like real estate, that was held by the plan, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

More importantly, this six-fold increase in the time available to distribute plan assets will give employers much more time to receive and evaluate bids from annuity insurers.

"An employer may not want to solicit bids from annuity insurers until it is sure that the termination will not be rejected. There will be much more time now to evaluate bids," after PBGC review is finalized, said Hewitt's Mr. Davids.

The new rules take effect Jan. 28. **BI**

Crum & Forster announces plan for restructuring units

BASKING RIDGE, N.J.—Crum & Forster Inc. is realigning its operations into specialized units, each focusing on specific market segments.

Crum & Forster's parent, Xerox Corp., recently allocated \$444 million in realized capital gains for unspecified future "restructuring." That third-quarter allocation raised speculation that Xerox would sell all or part of its insurance unit (*BI*, Nov. 2).

Though the announced reorganization is related to the capital restructuring plans, its actual cost is "fairly nominal," said a Crum & Forster spokeswoman. She said the capital restructuring plans have not been completed.

Joanne Morrissey, a principal with Firemark, in Parsippany, N.J., said the a realignment makes sense.

If Xerox retains the insurer, the realignment makes it a more profitable unit, she said.

And, if Xerox decides to sell all or parts of the insurer, the realignment makes the insurer and its units more attractive to prospective buyers, she said.

Until now, different Crum & Forster profit units in some cases wrote the same business. But, beginning Jan. 1, the realignment will clean up that structure, the spokeswoman said. The new operating units will be:

- Crum & Forster Commercial Insurance, which will become a national property/casualty insurer for individual commercial accounts. The unit, which will operate primarily through a retail network of independent cus-

tom agents, will write about \$780 million in gross premiums annually. James A. Stark will continue as chief executive officer of the Basking Ridge, N.J., insurer, which next year will be based in Parsippany, N.J.

- Industrial Indemnity Co. of San Francisco. The company, headed by CEO Robert A. Puccinelli, will become a workers compensation specialty company with national capability. Its annual gross written premiums will total about \$475 million.

- A new, yet unnamed operating unit based in Chicago will be devoted to property/casualty program business and professional liability coverages on a national basis. The unit will have annual gross written premiums of about \$415 million. It will be headed by CEO Courtney C. Smith, currently president of Industrial Indemnity's custom property/liability division.

- The London Agency of Atlanta and Industrial Underwriters Inc. of San Francisco will continue to handle wholesale umbrella, excess casualty and special property business. Both companies will report to a new holding company led by CEO Dennis B. Reding, currently president and CEO of The London Agency. The two companies' annual premium volume will total about \$370 million.

The changes do not affect two stand-alone Crum & Forster subsidiaries—Constitution Reinsurance Corp. of New York and Viking Insurance Co. of Wisconsin, a non-standard personal automobile insurer.

—By Judy Greenwald

Asbestos damage awards delayed

By JOANNE WOJCIK

BALTIMORE—Defendants in the nation's largest asbestos bodily injury case will not have to pay any punitive damages until after they have paid compensatory damages to all 8,555 plaintiffs in the case, a Baltimore judge has ruled.

The Dec. 9 decision by Circuit Court Judge Marshall Levin came in response to plaintiffs' motions that the compensatory and punitive judgments, awarded last summer in the consolidated asbestos case, be officially entered into the court record.

A Baltimore jury awarded \$11.2 million in compensatory damages and \$7 million in punitive damages to three sample claimants last summer (*BI*, Aug. 17; July 27; July 20).

Compensatory damages have not yet been apportioned among the defendants.

Punitive assessments will be based on the compensatory damages each defendant must pay.

The awards were to set the stage for hundreds of mini-trials. Beginning in March, these trials would be designed to award damages to the remaining claimants.

Judge Levin said postponing the punitive damages payments was a protective measure.

The measure ensures that the

other plaintiffs would receive some compensation in case the damages set at the mini-trials exceed the defendant companies' assets.

"There is a very real threat that the unrestricted and simultaneous payment of punitive damages and compensatory damages will inevitably bankrupt all of the defendants," the judge said.

To date, 15 major asbestos producers—including Celotex Corp., Eagle-Picher Industries and Manville Corp.—have filed for bankruptcy. A 16th company—North American Asbestos Corp.—has dissolved, the court pointed out.

Defense attorney Louis G. Close Jr., who represents asbestos installer Porter-Hayden Co. in the case, called Judge Levin's decision "innovative." Mr. Close is with Whiteford, Taylor & Preston in Baltimore.

Asbestos liability expert Irene C. Warshauer, who was not involved in the case but has represented asbestos defendants, was equally please.

"To impose punitive damages on top of these huge compensatory damages is a violation of their due process rights," said Ms. Warshauer, who is with Anderson, Kill, Olick & Oshinsky in New York.

Lawyers for the asbestos victims say the ruling was too inno-

vative. They say it is without precedent in Maryland case law.

"I don't believe the judge has the authority to make such a ruling," said Peter Angelos of Baltimore, who asks in a post-trial motion that the defendants pay punitive damages when they pay compensatory damages.

Mr. Angelos also contends that the defendants' financial conditions are not as precarious as they have suggested to the court. "They've got plenty of insurance and plenty of assets," he asserted.

He said he would most likely appeal if his motion is not granted.

Most of the compensatory and punitive damage awards would be covered by insurance, Mr. Close confirmed.

But, he declined to identify Porter Hayden's or the other defendants' insurers or their policy limits.

"In Maryland, punitive damages are covered, unless they are specifically excluded," Mr. Close said.

Mr. Close plans to file a post-trial motion asking that the jury verdict be overturned. He said he would probably appeal the jury award if his motion is not granted.

• *Abate, et al. vs. AC&S Inc., et al., Baltimore Circuit Court Consolidation File No. 89236704.*

INTERNATIONAL

INTERNATIONAL DIGEST

German monopoly insurers sold to banks

BONN, Germany—European Community regulators have forced the sale of two German public monopoly insurers, which cover building owners for fire, storms, earthquakes and floods.

Württembergische Gebäudebrandversicherung and the Badische Gebäudeversicherung have been sold to banking and insurance groups Sparkassen-Versicherung and OVA Öffentliche Versicherungs-Anstalt der badischen Sparkassen. The two monopoly insurers will be reorganized into a single insurer within a new private insurance group that the two banking and insurance groups plan to form after Jan. 1.

The buyers paid 1.1 billion deutsche marks (\$700 million) to the state government for the two insurers—about half of the 2 billion deutsche marks (\$1.28 billion) in annual gross premiums that the new insurance group expects to write.

By 1994, Germany must give up 12 of its traditional monopoly insurers—some of which have operated for 200 years—to comply with E.C. guidelines. With their monopoly on selling the compulsory insurance, these firms violate fair competition guidelines. German monopoly insurers write 1.6 billion deutsche marks (\$1.02 billion) of gross premiums annually. In western Germany, they write nearly half of all building coverage.

The sales of the two public monopoly insurers are the first sales of such insurers. The banking and insurance groups initially will hold a 74.9% share in the new private insurance group. The regional government of Baden-Württemberg will hold the remaining 25.1% but will likely sell it by 1997.

Separately, the cartel office found no anti-competitive effects from allowing extensive cooperation between German Allianz AG Holding after it acquired a 22.3% stake in Dresdner Bank.

Brazil bill would outlaw kidnap and ransom cover

BRASILIA, Brazil—A bill that would make kidnap and ransom insurance illegal in Brazil will not likely make much difference to kidnap and ransom business written for Brazilian companies, London sources say.

Acting President Itamar Franco is pressing the national congress to quickly pass the bill because of growing kidnap threats. The bill, which is similar to one pending in Colombia (BI, Nov. 30; Oct. 12), also includes provisions that would: increase penalties for kidnappers; make the failure of notifying authorities of a kidnapping a criminal act; and freeze the assets of kidnap victims and their relatives to stop ransom payments.

But, most kidnap and ransom policies Brazilian firms buy cover North American and European executives and are written offshore as part of a larger global program, sources note.

Hafnia sells Prolific Group to Scottish Provident

COPENHAGEN, Denmark—Denmark's Hafnia Holdings A/S is selling Prolific Group, its U.K.-based life insurer affiliate, to Edinburgh, Scotland-based life insurer Scottish Provident Institution for 81.75 million pounds (\$128.2 million) in cash.

Hafnia expects the sale will be completed in March, pending regulatory approval and the completion of audits.

The Prolific Group has three main operations: Kendal, England-based Prolific Life & Pensions Ltd.; London-based Prolific Financial Management Ltd.; and Isle of Man-based Hafnia Prolific International Life Assurance Ltd. Hafnia is attempting to sell other insurance units, too (BI, Dec. 14).

UAP provides cash infusion to Banque Worms

PARIS—French state-owned insurer Union des Assurances de Paris will inject 1.4 billion French francs (\$260 million) into troubled banking subsidiary Banque Worms.

The bank expects losses of at least 600 million francs (\$112 million) this year, largely due to outstanding real estate loans. UAP's contribution, which will enable the bank to meet European Community solvency requirements, is more than the 1 billion francs (\$190 million) that the insurer previously projected and is larger than many analysts had expected.

Part of the infusion will be used to set up three investment subsidiaries, of which UAP will own 49% and Banque Worms will own 51%. Two subsidiaries will manage the bank's real estate portfolios, and the other will be a holding company. UAP entered into a similar plan in 1990 when it implemented a cross-shareholding agreement with BNP.

Marsh & McLennan opens three new subsidiaries

NEW YORK—Marsh & McLennan Inc. has established wholly owned subsidiaries in Poland, Czechoslovakia and Hong Kong. Warsaw-based Marsh & McLennan Polska is headed by Manager Boguslaw Skuza. In Prague, Zdenek Tucek manages Marsh & McLennan Czechoslovakia. Sidney Ku is managing director of Marsh & McLennan Ltd. in Hong Kong.

Reliance National links with Argentine insurer

NEW YORK—Reliance National's accident and health division has signed a cooperative marketing and sales agreement with CENIT Compania Argentina Seguros Generales, S.A., an Argentine multiline insurer.

—By Maria Kielmas, Don Lewis Kirk and Aline Sullivan

Modern manager at Lloyd's?
New chief rolls up sleeves

By STACY SHAPIRO

LONDON—Lloyd's of London will rise from the ashes in the first quarter of 1993 if its new chief executive Peter Middleton has his way.

"You'll begin to see the first concrete evidence of a different Lloyd's emerging from the end of January," Mr. Middleton said recently. "And certainly that period between February and March is when I believe we will see decisions come thick and fast."

The main aim in 1993, however, "is to cut market costs," he said. "It is that alone which will lead names and financial institu-

tions to believe that at last we are serious and there is management control."

Come Jan. 1, Lloyd's will have its new governance structure in force, particularly its new 18-member market board, which will manage the market. The board will include seven working members of the Council of Lloyd's, the market's top ruling body; four chairmen of market associations; three representatives from the Corporation of Lloyd's including Mr. Middleton; three external members; and David Rowland, the new chairman of Lloyd's.

The board includes many market leaders such as Philip

Wroughton, chairman of Marsh & McLennan Inc. and C.T. Bowring & Co. Ltd.; Richard Keeling, underwriter of one of Lloyd's largest non-marine syndicates, number 362 managed by Murray Lawrence & Partners; and Lloyd's deputy chairmen Robert Hiscox, chairman of Roberts & Hiscox Ltd., and Stephen Merrett, chairman of Merrett Holdings P.L.C.

The market board will meet for the first time Jan. 12 and will shortly thereafter go on a weekend retreat to discuss in detail its future plans, Mr. Middleton said.

However, Mr. Middleton says he and Mr. Rowland already

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AP/Wide World Photo

Little oil recovered in spill off Spain

LA CORUNA, Spain—Only about 590,000 gallons have been recovered from the approximately 23.2 million gallons of crude oil being carried by the tanker Aegean Sea, which was wrecked off the Spanish coast earlier this month, said a spokesman for the appointed salvors, Smit International Salvage of Rotterdam, Netherlands.

The remaining oil escaped from the ship and was either burnt off, broken up by heavy seas or landed on small coves in the area, various sources say.

The spill is almost twice as much as the 11 million gallons of crude oil spilled in the 1989 Exxon Val-

dez disaster, but far less than the 65.5 million gallons spilled in the 1978 Amoco Cadiz spill off France.

La Coruna was the site of another major oil spill in 1976, when the tanker Urquiola grounded and spilled nearly 30 million gallons of oil.

The size of clean-up and compensation costs from the spill has not yet been established.

Pollution liability coverage for the tanker is capped at approximately \$10 million by international conventions (BI, Dec. 7).

—By Gavin Souter

German health reforms

Rising cost of care
spurs Parliament
to slash subsidies

By DON LEWIS KIRK

BONN, Germany—The exploding cost of health care in Germany has pushed the parliament to act on system reforms that could enable the government to slash annual subsidies by 10.7 billion deutsche marks (\$6.82 billion).

A bill that was expected to be approved by legislators last week would pressure providers to prescribe low-cost drugs, while increasing copayments for most

pharmaceuticals.

The Bundesrat, or upper house of Parliament, was expected to pass the bill Friday after earlier passage by the Bundestag, the lower house.

The legislation also would effectively cap providers' fees by requiring them to meet budgets set by the state sickness insurance funds, which administer Germany's national health care system.

A new government agency would regulate the prices for various medications by approving which drugs can be prescribed by doctors and dentists for patients covered by the state sickness insurance funds. The agency would create a list of ap-

proved, low-cost drugs for providers to prescribe. Drugs that are considered too costly will not be approved for prescriptions. If such drugs are still prescribed, their added cost will be borne by providers and pharmaceutical companies.

In addition, the measure would require patients to pay more for prescription drugs. Most patients pay a fixed cost per medication equal to about \$1, which would be raised under the legislation as high as \$4 for some drugs.

The provision to hold down provider fees would require hospitals, doctors and dentists to meet budgets set by the local sickness funds. A physician trade

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INTERNATIONAL

Middleton

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"have a pretty clear idea of what we've got to do and how we've got to do it." So far, they have yet to disagree, says the chief executive.

Debate and decisions on the future strategy of Lloyd's must be made by the market board, but "there is no merit in hanging about," said Mr. Middleton.

"We don't need to debate anymore that we need a strategy for Lloyd's to address how we're going to increase the capital base; how we're going to simplify the market and therefore reduce market costs," he said.

By the end of the first quarter, Lloyd's should have a strategy for where it wants to be in three years, according to Mr. Middleton.

This course should include a strategy to simplify Lloyd's structure and a strategy to attract capital, both private and corporate.

Also in the first three months of 1993, the panel on open accounting years, set up by Mr. Middleton, should have generated some new ideas on how to close syndicate accounts.

More than three quarters of all Lloyd's members are on at least one open syndicate account. Many members are interested in continuing in Lloyd's, but they want to know what the "ceiling" is on their losses on these open years, said Mr. Middleton.

Based on preliminary findings, "we'll have to deploy a range of solutions" which could be outlined as early as mid-January, he said. Lloyd's runoff reinsurer CentreWrite Ltd. will be a part of the solution, but it may not be appropriate to close all the open years into the reinsurer as planned, he said. A member with 21 open years also doesn't want to wait for CentreWrite to make individual quotes

on syndicates, he said. "We need a customized solution on a name-by-name basis."

Within the first quarter of next year, negotiations might also begin between litigating members and errors and omissions insurers to conclude much of the litigation between members and their agents over billions of dollars in losses, according to Mr. Middleton. He hopes to bring all sides together for discussions so that everyone knows where they stand by April, when Lloyd's ends its moratorium on more than 3,500 writs against names (BI, Dec. 7).

Mr. Middleton, 52, is unlike many of the executives in the Lloyd's market, including his two predecessors, Alan Lord and Ian Hay Davison. For one thing, among a sea of clipped Southern English accents, Mr. Middleton's Northern accent sounds rough and crude, but there is a no-nonsense ring to it.

His background is unique: he had been a monk for five years before he spent 16 years in the diplomatic service. He joined Midland Bank P.L.C. in 1985 and became head of its Thomas Cook subsidiary four years later. He played a key role in the sale of Thomas Cook to German Charter airline LTU and Westdeutsche Landesbank Girozentrale, a large German Bank.

"It's good that I'm an outsider," says Mr. Middleton. "The time is right for someone with a commercial background to look at Lloyd's with commercial eyes."

Mr. Middleton is indeed no slave to the conventional. To save time in traffic, he drives to work on a motorcycle instead of in a chauffeur-driven car.

He still works in the chief executive's office on the opulently styled 12th floor of Lloyd's. But the office—once filled with silver ornaments, family pictures and

paintings—now echoes with emptiness. Two large comfortable couches have been pushed to one side to make room for a plain table and chairs where Mr. Middleton conducts meetings, as he sips diet lemonade and smokes cigarettes.

Like Mr. Rowland, Mr. Middleton would like to move his office away from the 12th floor and closer to the market on the first four floors. "I want to be able to go to work by escalator, not a lift," he said, referring to the escalators in the middle of Lloyd's market and the elevator to the 12th floor.

Mr. Middleton cuts out the pomp and circumstance that has shrouded Lloyd's in recent years. He sees Lloyd's as if it were just like any other company trying to make a profit. "Lloyd's is unique because there's only one. But there's only one British Airways," he said. Being unique "is irrelevant. If you're in a business, you want a return on your activity."

In order to cut costs and increase efficiency, Mr. Middleton wants to streamline the Corporation of Lloyd's—the market's back-room operation—so that all of its activities directly relate to the market's needs. He wants to remove any cross-charging between departments in the corporation that have nothing to do with the market. He wants a uniform electronic system for the entire market—agencies and corporation alike—to avoid duplication of work. And he wants to appoint the best people for the appropriate jobs.

In a nutshell, "we have to almost integrate the corporation into the market," says Mr. Middleton. "A lot of bridges have been built, but the market should see the corporation as its essential support area. That's the direction I'd want to take it."

One of the first things he says he will do in the new year to achieve this objective is propose

a "mandatory and coherent (electronic) systems architecture" to the council on Jan. 6. "We cannot have a whole variety of incompatible developments because it just adds to the overall cost of the market."

Mr. Middleton is going into the trenches to explain his vision for Lloyd's. He recently spoke to just about everyone in the Corporation of Lloyd's to explain the 210 layoffs of management and support staff and other changes that will be made. Also, he listened to employees' concerns about the corporation.

He told them that "we're no different than any other company in that we have customers and we have investors. And everything that we're doing either directly or indirectly should relate to those two groups. If we're doing things that don't, we shouldn't be doing them."

In the first three months that Mr. Middleton has been at his post, he has learned that while Lloyd's has many qualified and expert people, it lacks quality managers.

"In the corporation we have loyal and dedicated people; a lot of people who are expert in their fields. But we appear to have a rather serious lack of management quality," he said. "I don't get the impression that there is an awful lot of leadership going on. We need that. People work best when they feel motivated and feel that what they are doing is important and when they feel that management style is very open" and is willing to listen.

The same is true in the market, among the syndicates and underwriting agencies. "Everybody who has looked at Lloyd's has said we have high-quality underwriters, but the market and corporation are not distinguished by the depth of quality management—of businesses, financial information and so on," he said.

"I see this as a general problem in Lloyd's. It's one of the prime requirements of a chief executive to set a leadership and management style and invite others to debate it. . . . We've got a lot of work to do on that in 1993."

Also in the first few months, Mr. Middleton has sat in "loads" of underwriting boxes to find out how the market operates. Many had criticized Mr. Lord for rarely walking in the market, let alone sitting in a box.

"I wanted to get a feel for the interface between brokers and underwriters, the sorts of business coming into the market and the mood. You only get that by jumping in the pool and swimming around in it," he said. "I like it."

Sitting in the box, Mr. Middleton observed that "the leading underwriters are pretty amazing people, because it's like being the only bookie on a racecourse. There are about 40 or 50 bookies on a racecourse (in the U.K.) and they all look at each other's prices and say 'right, I'll bring mine in line.' " But a leading underwriter makes a quote and following underwriters agree with him based on his character and trust, said Mr. Middleton. "It's really quite an amazing set of skills."

By sitting in the box, Mr. Middleton now understands why the market cannot be 100% electronic with none of the transactions face-to-face between underwriters and brokers. Some renewals are straightforward and could be done via electronic screen, but others are not, he said.

However, it is a waste of time and money for brokers to line up behind the underwriter and wait to see him, said Mr. Middleton.

Instead, maybe Lloyd's underwriters should go back to an appointments system with the brokers which the market had at the height of its glory, he said. **BI**

German health reforms

Continued from previous page

association would serve as the watchdog, ensuring that the budgets do not exceed the premiums collected by the funds.

Germany's national health care system provides coverage for all German citizens. Employees and their dependents with monthly earnings of less than 5,000 deutsche marks (\$3,189) in western Germany and 3,600 deutsche marks (\$2,296) in eastern Germany pay monthly premiums for coverage from state health insurance systems, which consist of local sickness insurance funds.

Salaried workers whose income is above the established ceilings may pay higher premiums to the state health insurance system, or they can opt to join a private health plan that provides richer benefits.

Employers contribute the same amount as employees, regardless of whether an employee is covered by private insurance or the state insurance system.

While companies generally approve of the government's attempt to stabilize costs, there is concern that the measures may not go far enough.

"We're still skeptical," says Volker Hansen, an official with the Assn. of German Employers. "To hold costs down, we'd like to see more (price) competition between doctors and hospitals. In addition, there is too little done to give employees the incentive to hold costs down."

Mr. Hansen blames the existing health insurance system in Germany for many ills.

Both public and private health

insurers "should better define what they pay for and what they don't. There should be a well-defined limit (on covered expenses), and there isn't," he said.

Mr. Hansen also said provisions to contain the cost of pharmaceuticals do not go far enough.

"We live in a wealthy society," he said. "There is no reason patients should not pay even more for medication."

Health care costs have increased about 10% since 1987, the last time the German health care system was reformed. According to government estimates, western Germany in 1992 will spend 10% of its GNP for health care, amounting to 304 billion deutsche marks (\$193.89 billion). On the average, per-capita health care costs total 4,770 deutsche marks (\$3,042), including the cost of coverage and uncovered services.

The 1987 reforms also increased the amount patients paid for some medications and forced pharmaceutical manufacturers to cut prices.

The difference this time, however, is that physicians and dentists also are being held accountable for the cost of prescribed medication. If the costs set by the new agency are exceeded, physicians, dentists and the pharmaceutical industry together will pay the difference.

If the new reform measures succeed, the government expects to save 8.2 billion deutsche marks (\$5.23 billion) from the fee caps on doctors, hospitals, pharmacies and drug makers, and 2.5 billion deutsche marks (\$1.59 billion) by requiring patients to pay more for medication. **BI**

GTE Re takes fronting precautions

By ROGER SCOTTON

HAMILTON, Bermuda—GTE Corp.'s Bermuda captive, GTE Reinsurance Co. Ltd., is preparing to protect its fronting insurance arrangements in the United States from possible fallout caused by proposed regulation.

The reinsurer is setting up GTE Telecom Insurance Co. Ltd. in Bermuda in a move it describes as "purely a precaution."

The new company may eventually be required to take over business related to GTE Re's parent—a book of GTE Corp.'s property and casualty risks that produced \$76.9 million of net premiums in 1991, compared with \$68.7 million in 1990, said Fred Finley, managing director and chief operating officer of GTE Re.

Mr. Finley said GTE Re is worried about the final content of a National Assn. of Insurance Commissioners model fronting act and the impact it could have on the U.S. insurers it uses to front business written for its parent GTE.

Under current proposals, the NAIC is expected to approve measures seeking to control fronting arrangements by restricting the ability of cedants to take credit for reinsurance. A recent draft of the proposed model law states that fronting insurers should not be allowed to claim reinsurance as an asset or as a deduction from balance sheet liabilities if their reinsurer does not meet minimum requirements set by the NAIC (BI, June 15).

BERMUDA

In considering whether reinsurance arrangements meet these requirements, the NAIC is expected to disallow reinsurance in cases where claims handling and underwriting authority have been delegated to an alien reinsurer, which is one formed under the laws of a country outside of the United States.

"We believe that fronting could become a very hot issue by the end of 1993, so what we're thinking of doing is splitting the related business away from the non-related," Mr. Finley said. "This is a defensive move to avoid running into future problems with our fronting arrangements."

If the new company begins operation, GTE Re would be left with the runoff of the company's non-related risks, which is a portfolio of commercial business the company had written before 1990, when it stopped accepting third-party risks. Unrelated risks account for approximately \$160 million of GTE Re's \$376 million of total claims reserves.

"The idea is that GTE Telecom Insurance would handle GTE's property, casualty and marine cargo risks. These involve just half a dozen contracts, compared with the 1,600 or so contracts on the non-related side, of which about 800 are still active accounts," Mr. Finley explained.

But, he stressed, "Bear in mind

that at this stage, this measure is just a precaution which we feel will allow us the flexibility we need to keep our options open."

Mr. Finley said the final decision as to whether or not the new company will be activated will not be made before the NAIC clarifies its final position on the fronting issue. "Everything depends on the final rules," he says. "Our belief is that single-parent captives with traditional programs will probably not be adversely affected. But this way, what we're doing is making sure that our fronting company will not have a problem meeting the NAIC requirements."

The new GTE captive insurer is being formed after almost a year of strategic planning. The reinsurer reported an underwriting loss of \$50 million and a net loss of \$9.4 million for fiscal 1991, after allowing for a claims expense of \$100 million, much of it connected with old unrelated business. Capital and surplus increased by \$5.2 million to \$109.7 million for fiscal 1991.

The reinsurer is cutting staff in Bermuda to 40 people. "We realized we were overstaffed and we have cut jobs across the board, from senior accounting people to secretaries," said Mr. Finley.

Asked about the reinsurer's future, Mr. Finley said he is not anticipating further cuts.

He added: "Though we have still to resolve some issues about our future structure, I cannot see GTE Corp. deciding not to use its captive facility."

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BERMUDA

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Mid Ocean sales high

Bermuda's new property catastrophe insurer, Mid Ocean Reinsurance Co., has written more than \$50 million of premiums in its first month of operation, and says it is well on the way to hitting its target of at least \$200 million in the first year.

President Ian Heap said the business is fairly evenly split between property catastrophe reinsurance and "quota-share support for Lloyd's underwriters." Premium writings to date represent well over 50 accounts, most with Jan. 1 attachments, he added.

"We're seeing a truly international diversification of business," he said. "Less than 15% has come out of the United States through more than six originating correspondents, but we're seeing very

broad support from leading brokers in London."

In addition to a "considerable amount" of U.K. catastrophe business, Mid Ocean is reinsuring risks in Australia, New Zealand, Israel, continental Europe and the Caribbean.

"The range of geographic diversification highlights the worldwide imbalance between the supply and demand for property catastrophe reinsurance products," he said. "There's very definitely a market need for the capacity we are bringing, and there are no apparent signs that this situation will ease."

Mr. Heap says that Mid Ocean, which commenced underwriting Nov. 13, is "not predisposed to write in any particular layer" of coverage. The company, which accepts business placed through approved, non-U.S. intermediaries only, writes individual lines of \$10 million or 10 million pounds (\$15.7 million), though it will consider writing more under certain circumstances. How-

ever, Mid Ocean will not expose itself to more than \$250 million of reinsurance and \$50 million of retrocessions in any one geographic zone (BI, Nov. 9).

Mr. Heap said that Lloyd's underwriter Henry Keeling is joining Mid Ocean Jan. 1 and will eventually succeed the company's U.K.-based underwriter Charles Skey.

Mr. Keeling has been deputy reinsurance underwriter with Lloyd's syndicate 51 since 1984.

Mid Ocean is preparing to move up to its permanent headquarters building in Hamilton and plans to perform its own administration functions before the end of next year. Back office support is presently being provided by X.L. Insurance Co. under a general services agreement.

Mr. Heap expects to have a staff of 15 Bermuda-based employees by summer, but this could be as high as 20 if business volumes require. There are now four employees in Bermuda and two in London. **BI**

U.K.'s Prudential reorganizing

By GAVIN SOUTER
and STACY SHAPIRO

LONDON

LONDON—Prudential Corp. P.L.C. plans to completely withdraw from the general commercial insurance market as of April 30, 1993.

The company will refocus operations to concentrate on personal lines coverages.

In March, the company stopped accepting commercial business through brokers. The broker business yielded 160 million pounds (\$256 million) a year in premiums. The direct business is expected to produce premium income of 70 million pounds (\$112 million) this year.

Prudential's general commercial business is insignificant compared to the 6.1 billion pounds (\$9.76 billion) it receives in life and pensions premiums, a spokesman said.

"The commercial lines business did not really fit in with the rest of our product range so it makes sense that we divest it," said Mick Newmarch, chief executive of Prudential.

Fitting in was not the only consideration. The decision was also influenced by underwriting losses on the direct commercial business, the spokesman said.

Prudential in 1991 lost 13 million pounds (\$24.3 million at appropriate exchange rate) on its direct commercial business and it expects to post a 1 million pound (\$1.6 million) loss for the first half of 1992, the spokesman said.

More M&G layoffs

Mercantile & General Reinsurance Co. P.L.C. is laying off 94 staff members, nearly doubling the number of layoffs announced last month.

Non-life premium income for the reinsurer is expected to decrease between 5% and 20% next year.

All of the jobs will be lost in M&G's non-life division. The layoffs represent about 14% of its workforce in Britain.

M&G in November announced that it would lay off 15% of its non-life staff (BI, Nov. 16). The earlier layoffs were of underwriting staff, whereas the latest batch are largely non-life support staff, according to John Engestrom, managing director of M&G.

The redundancies will be accompanied by increased prices in an effort to return M&G's non-life business to profit, he said.

"We are still prepared to underwrite all classes of general business

from all territories, but expect our premium income to reduce in 1993 as we adopt commercially realistic pricing policies in order to yield proper returns to our shareholders," Mr. Engestrom said.

Declines in premium income will largely depend on market forces, he said. Premium income could be down by between 5% and 20% in 1993, Mr. Engestrom said.

M&G had 1991 premium income of 350 million pounds (\$645.5 million at appropriate exchange rate). Projected figures for 1992 are not yet available.

In the first half of 1992 M&G posted a loss of 24.5 million pounds (\$39.2 million at current exchange rate) on its non-life business.

AIRMIC lobbies U.K.

Corporate insurance buyers in Britain are urging the government to offer similar tax treatment to insurers' reserves that insurers in other European Community nations enjoy.

U.K. insurers, including Lloyd's of London, would like the government to allow catastrophe reserves to be maintained on a tax-free basis. In addition, they seek to value assets at historical value—which is the price at which an asset like real estate was acquired—rather than market value, which may be lower.

"We support the general principle of a level playing field throughout the E.C.," Roger Miller, executive director of the Assn. of Insurance & Risk Managers in Industry & Commerce, said in a letter to Norman Lamont, chancellor of the exchequer.

"We regard the stability, competitiveness and solvency of the British insurance industry as vital to the interests of the whole of British industry," Mr. Miller wrote.

However, Stephen Dorrell, financial secretary to the Treasury, replied that "tax relief is not necessarily available for amounts appropriated to these reserves" in other E.C. countries.

Mr. Dorrell also pointed out that the United Kingdom allows the discounting of U.K. insurers' loss reserves, though this "does not arise elsewhere as a tax issue."

Nevertheless, the Treasury is re-examining the tax treatment of reserves, he confirmed.

"We are looking at the evidence

for the proposition that the competitive position of U.K. insurers is being eroded by our tax rules and, if some change is called for, we will consider whether that can be achieved without causing unacceptable distortions elsewhere in the system," said Mr. Dorrell.

"We welcome the Treasury's willingness to look closely at the current position and to consider changes if it deems them necessary," said AIRMIC's Mr. Miller.

Separately, Mr. Miller has announced that he is retiring April 30, 1993, after 10 years as AIRMIC's executive director. He will be succeeded by Alan Fleming, a director of Imperial Chemical Industries' insurance division.

Sedgwick acquisitions

Sedgwick Group P.L.C. expects to raise 13.9 million pounds (\$22.2 million) through a stock issue, which will enable it to make acquisitions in the United States, France and Germany.

In the United States, Sedgwick is buying Duncan Peek Inc., an Atlanta insurance and employee benefits brokerage.

Sedgwick will pay \$10.5 million for Duncan Peek, which had gross revenues of \$6.6 million in 1991. Following the acquisition, the company will be renamed Sedgwick Peek.

In France, Sedgwick is buying credit insurer Cabinet Billet, which has offices in Paris, Lille, Lyon and Toulouse.

Sedgwick will pay 55 million francs (\$10.3 million) for Cabinet Billet in three installments.

The first installment of 40 million francs (\$7.5 million) will be paid now.

The second and third installments of 10 million and 5 million francs (\$1.9 million and \$940,000), respectively, will be due on June 30 and Dec. 31, 1993.

Cabinet Billet had gross revenues of 20 million francs (\$3.9 million at appropriate exchange rate) in 1991.

Early next year Sedgwick will complete the acquisition of a small unnamed German brokerage, the company said.

Sedgwick is raising the money for the acquisitions through a placement of 9.9 million shares through S.G. Warburg Securities, which will raise the 13.9 million pounds needed for the acquisitions.

A further 4 million shares will be issued to the sellers of Duncan Peek Inc. **BI**

Supreme Court to decide if banks can sell insurance

By LAURA MAZZUCA

WASHINGTON—The U.S. Supreme Court may settle the long-standing debate between banks and insurance agents over whether national banks can sell insurance in small towns.

The Supreme Court last week agreed to review a controversial federal appellate court decision that found that a banking law exemption which allows national banks to sell insurance in small towns had been repealed by Congress in 1918 (BI, Feb. 17).

The petition for Supreme Court review was filed Sept. 18 by the U.S. Comptroller of the Currency and the United States National Bank of Oregon, defendants in the original suit. The Supreme Court granted review on Dec. 14.

The petitioners seek a ruling on two issues: whether the 1916 exemption was actually repealed in 1918; and whether the District of Columbia U.S. Circuit Court of Appeals exceeded its powers by addressing the issue in the first place, since neither party to the original suit raised the issue, said Michael F. Crotty, deputy general counsel for litigation for the American Banking Assn.

However, the Independent Insurance Agents of America, which filed the original lawsuit in 1991 on behalf of several industry trade associations, stated that "courts must sometimes go beyond the specific legal theories advanced by the parties."

The IIAA also said that Supreme Court review of the appellate decision "would not offer any meaningful instruction or direction to lower federal courts."

The IIAA's original suit claimed that the comptroller's 1986 expanded interpretation of the small-town exemption—known as Section 92—created an unfair advantage for large banks with subsidiaries in small towns. This expansion allowed large national banks or their branches in small towns to also sell insurance outside small towns.

Although the lower court originally found for the comptroller and bank, the IIAA essentially won on appeal.

D.C. Circuit Judge James L. Buckley determined that the 1916 small-town exemption was inadvertently repealed in 1918 as a result of misplaced quotation marks. The appellate court remanded the case to the district court to reconsider its decision in light of the appellate finding.

To further muddy the waters, the 2nd U.S. Circuit Court of Appeals in New York, ruling on a similar case in June, arrived at the opposite conclusion: Section 92 is valid and is the only statute that empowers banks to sell insurance.

It is unclear whether the Supreme Court will take the 2nd Circuit decision into consideration when weighing the D.C. Circuit case.

However, the fact that two opposing appellate decisions are involved makes the case "doubly interesting" from a jurisprudence standpoint, said Carl Felsenfeld, a professor at Fordham University Law School in New York.

The ruling by the D.C. Circuit stunned the banking industry, which has been operating under the small-town exemption for decades.

The appellate decision was trumpeted as a victory by the in-

surance industry, which has lobbied heavily against expanding bank powers to sell insurance.

While the Supreme Court's decision to hear the case is perceived as a victory by the banking industry, it comes as no surprise to either side.

"A quirk of fate in 1918 is something that neither side can take credit for," said Joel Wood, chairman of the Alliance for Separation of Banking & Insurance, a coalition of insurance trade groups. Mr. Wood is also vp of government affairs for the National Assn. of Casualty & Surety Agents.

"The issue is ripe for Supreme Court review," said Stephen J. Verdier, senior legislative counsel for the Independent Bankers Assn. of America, which represents small banks.

Section 92's "sloppy" language and punctuation is well known in legal circles, Mr. Verdier said. The "threshold" question for the Supreme Court to determine is whether or not the judge had the right to address the issue, he said.

While the banking industry stands to win or lose a great deal on how the Supreme Court rules, the decision has larger implications for influencing future congressional regulation of interstate banking, Mr. Verdier said.

Others, however, believe Congress, faced with a new administration and a record number of new members, will not address banking regulation until at least 1994.

Although the issue of Section 92's existence likely will dominate the Supreme Court decision, few would speculate on the case's outcome.

"It's very difficult to predict what the Supreme Court will or won't do," said Robert A. Rusbuldt, director of federal affairs for the IIAA.

"The Supreme Court is a little like the College of Cardinals—you don't know what's happening until you see the smoke."

However, Mr. Rusbuldt believes that the facts and arguments "are on our side," and that the insurance industry will score a victory in the decision.

If the Supreme Court upholds the appellate decision, "it will represent the most substantial rollback in bank insurance powers in this century," said NACSA's Mr. Wood.

Several observers think that banks may win the case.

Fordham's Mr. Felsenfeld believes that the high court will support the comptroller by permitting banks to write insurance outside of their small-town jurisdiction, and will affirm the existence of Section 92. The issue of whether the appellate court was out of bounds by ruling on the provision's existence, however, may be left undecided, he said.

If the Supreme Court overturns the appellate decision, the case will go back to the district court to re-address the original question, which was never answered by the D.C. Circuit Court, said Mr. Crotty of the ABA.

Unless an extension is granted, the comptroller has until Jan. 28 to file a brief, and an IIAA response is due 30 days after that, said the IIAA's Mr. Rusbuldt.

The Supreme Court will probably hear the case in April, and a decision likely will be handed down before the Court adjourns in July, he added. **BI**

D.C. comp law

Continued from page 1

weather & Geraldson in Washington. Among those states are Alabama, Alaska, Colorado, Florida, Kansas and Maine.

Potentially, the ruling could also void portions of state family leave laws the require employers to offer health care benefits during unpaid leaves, he said. That point may be moot, though, given President-elect Bill Clinton's support for a federal family leave law, Mr. Postol pointed out.

Supporters of the District of Columbia law and similar measures say they are designed to protect workers and their families by ensuring that health care benefits are not cut off or reduced up to a year after an injury. They argue that these laws should not be covered by ERISA because they relate primarily not to employee benefits, but to

workers compensation, which is regulated by the states.

Business groups, of course, disagree. The Supreme Court ruling should serve as a warning to state and local governments, said Mark Ugoretz, president of the ERISA Industry Committee, a Washington-based lobbying group that wants to maintain broad ERISA pre-emption.

"It signals to other states and jurisdictions that they will not be permitted to use other laws to mandate health and welfare benefits," he said.

If the District of Columbia could have required employers to provide benefits beyond the time workers were actually employed, it could have required other benefits as well, said Mr. Ugoretz.

Dismissing the district's statute and similar laws as attempted "end runs" around ERISA, Mr. Ugoretz said they are attempts to require busin-

esses to take over what are properly government obligations.

Had the court upheld the law, it would have been "devastating" to national health care reform because it would have eliminated uniformity, he contends.

Shortly after the law took effect in March 1991, it was challenged by the Greater Washington Board of Trade, an association of businesses in Washington and its Maryland and Virginia suburbs. A trial court upheld the law, saying that it "related" to workers compensation therefore was not subject to ERISA pre-emption.

That ruling was overturned on appeal. The appellate court found that the law was pre-empted by ERISA because the benefit levels for workers comp were tied to benefits covered by ERISA. The district then appealed to the Supreme Court.

Writing for the majority, Jus-

tice Clarence Thomas held that "Section 2(c)(2) of the District of Columbia's Equity Amendment Act specifically refers to welfare plans regulated by ERISA and on that basis alone is pre-empted. The health insurance coverage (Section) 2(c)(2) requires employers to provide for eligible employees is measured by reference to 'the existing health insurance coverage' provided by the employer and 'shall be at the same benefit level.'"

He continued: "The employee's 'existing health insurance coverage,' in turn is a welfare benefit plan under ERISA because it involves a fund or program maintained by an employer for the purpose of providing health benefits for the employee 'through the purchase of insurance or otherwise. Such employer-sponsored health insurance programs are subject to ERISA, and any state law imposing requirements

by reference to such covered programs must yield to ERISA."

Justice Thomas added that "it makes no difference" that the law's requirements stemmed from the district's regulation of workers compensation.

The sole dissenter, Justice John Paul Stevens, sharply disagreed.

"The statute at issue in this case does not regulate even one inch of the pre-empted field, and poses no threat whatsoever of conflicting and inconsistent state regulation. By its holding today, the court enters uncharted territory. Where that holding will ultimately lead, I do not venture to predict. I am persuaded, however, that the court has already taken a step that Congress neither intended nor foresaw," wrote Justice Stevens.

District of Columbia et al vs. Greater Washington Board of Trade. No.91-1326. Decided Dec. 14, 1992.

For the Record

Hartford Fire leaving aviation insurance pool

HARTFORD, Conn.—Hartford Fire Insurance Co. will withdraw from the United States Aircraft Insurance Group as of Jan. 1.

"It was purely a business decision," said a spokesman for ITT/Hartford Group Inc., Hartford Fire's parent. "We didn't feel based on our evaluation of the market that we could achieve an adequate return on equity."

New York-based USAIG is a pool of independent insurance companies that writes all forms of aviation insurance coverage, including aircraft hull and liability, aircraft product liability, airport and hangarkeeper liability and workers compensation, according to A.M. Best Co.

Hartford's withdrawal will have "no effect at all" on USAIG operations, said Chairman and Chief Executive Officer John V. Brennan.

High court lets stand Allstate policy ruling

WASHINGTON—The U.S. Supreme Court refused to review a lower court's ruling that Allstate Life Insurance Co. was not responsible for making benefit payments to a policyholder after terminating a "lifetime" benefits policy, even though the benefits stemmed from a malady contracted before termination.

Allstate did not renew a group policy sold to Los Angeles-based Aul Pipe & Tubing Co. in 1989. The policy provided lifetime benefits of up to \$1 million to Aul employees and their dependents.

After the cancellation, the wife of Aul's president incurred medical bills of \$300,000 from an ailment she had contracted in 1982. Allstate denied coverage and Aul sued.

Both the U.S. District Court for the Eastern District of Cali-

fornia in Los Angeles and the 9th U.S. Circuit Court of Appeals had ruled in Allstate's favor, holding that the policy had given Allstate the right to cancel coverage after having given adequate notice.

Insurance against rising fuel prices

NEW YORK—Businesses that require large amounts of fuel may be interested in a new insurance policy from American International Group Inc.

The new policy, dubbed "Fuel Caps," reimburses the policyholder for wholesale fuel prices that exceed a pre-specified cap during the policy term.

The policy is offered for natural gas, crude oil, diesel fuel, jet fuel and unleaded gasoline.

The policyholder chooses the amount and type of fuel, cap prices and policy terms from six to 36 months.

The policy pays the difference between the average daily fuel price over the policy period and

the chosen cap. Limits are set at five times the cap.

Fuel prices are determined by a wholesale price-reporting service agreed on by the policyholder and insurer.

Coverage is available in most states and is geared toward any corporation or municipality with large fuel bills, a spokesman explained.

Towers Perrin offers new 401(k) service

CHICAGO—Towers Perrin has thrown an additional punch in the fight for 401(k) plan asset-management market share.

Towers Perrin's "DC Link" service combines the consulting firm's record keeping services with the investment management services of institutional money managers.

The new service is Towers Perrin's answer to the alliances many benefit consulting firms have formed with mutual fund companies to compete in the 401(k) administration market

(BI, Oct. 19).

The alliances "restrict freedom of choice," said Barton Waring, central region practice leader for asset consulting services for Towers Perrin in Chicago. Under the alliances, employers deal with a finite set of investment companies.

DC Link will match customers with a wide variety of institutional money managers, as opposed to money managers and funds geared toward individual investors, he said.

According to Mr. Waring, both the employer and the plan participants will save money because DC Link "will help choose an institutional investment manager with lower price structure."

Mutual funds' investment management fees are generally 60 to 100 basis points per year, compared with DC Link's 40 to 60 basis points per year, he added.

The DC Link program also features employee education, communication and trustee services. BI

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Death benefits

Continued from page 2
death benefits feature.

Since it first appeared about four years ago, the feature has been seen as appealing to people with cancer and, more recently, those with AIDS.

While the design of the benefit varies from insurer to insurer, all insurers insist on certification from a physician that an illness is terminal with an estimate of the number of remaining months the policyholder will live.

Many insurers cap the life insurance benefit that can be taken out before death.

For example, John Hancock, which will begin to offer accelerated death benefits next year in group term life insurance policies, will limit the amount of benefits that may be accelerated to 50% of the coverage.

"The intent of life insurance is to provide financial relief to beneficiaries," explained Mr. Randolph.

Indeed, benefit consultants say that employers offering the benefit in their group policies must make clear to employees that accelerated death benefits are an earlier delivery of benefits and not an opportunity for double payment of the benefits.

"You don't get to use the benefit twice. Employees need to know this. A proper communication job has to be done," said Tom Senior, a partner with Kwasha Lipton in Fort Lee, N.J.

The cost of accelerated death benefits varies from insurer to insurer. In experience-rated plans, the premium will be adjusted annually to reflect claims experience.

In other cases, the premium is increased slightly, roughly in the order of 0.5 cent to 1 cent per \$1,000 of coverage.

Alternatively, the benefit that is paid may be slightly discounted to cover the interest the insurer is losing by paying out the benefit before the policyholder dies. **B**

Worker theft up at supermarkets

A typical 100-store supermarket chain could be losing \$2.5 million to \$15.6 million annually from employee theft of cash and merchandise, says a recent poll.

The 1,206 supermarket employees surveyed admitted taking an average of \$168 annually from their employers. This is up from a \$45 average found in 1989.

Some 81% of surveyed employees admitted they engage in counterproductivity, such as arguing with supervisors or customers or working under the influence of alcohol or drugs; 58% admitted "time-theft," like faking illness and calling in sick, tardiness or leaving early without permission; and 45% admitted to cash or property theft.

The study was done by The London House, a Rosemont, Ill.-based group of human resource professionals who set up and run personnel assessment systems. It was done in conjunction with the Food Marketing Institute, a supermarket trade group.

The "Third Annual Report on Employee Theft in the Supermarket Industry" is available free from London House, 9701 W. Higgins Road, Rosemont, Ill. 60018; 708-292-1900.

—By Deborah Shalowitz

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Datebook

JANUARY

JAN. 11-13. Environmental Regulation Course in Dallas; Washington; and Salt Lake City; sponsored by Executive Enterprises Inc.; \$1,090. **Also Jan. 13-15** in Birmingham, Ala.; **Jan. 20-22** in San Francisco; **Jan. 27-29** in New York City; **Feb. 22-24** in Cincinnati; **March 10-12** in Cherry Hill, N.J. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

JAN. 13. Untangling the Web: Managing Workers Compensation Medical and Medical-Legal Costs sponsored by The California Workers Compensation Institute; \$165 for members; \$245 for non-members. **Also Jan. 14** in Long Beach, Calif.; **Jan. 15** in Ontario, Calif.; **Jan. 19** in Millbrae, Calif. Virginia Sullivan, CWCI, 120 Montgomery St., Suite

1300, San Francisco, Calif. 94104; 415-981-2107.

JAN. 13-15. Winter Health Care Management & Cost Containment Conference in San Diego, sponsored by Business Insurance and IBF Conferences; \$795; group discounts are available. IBF Conferences/International Business Forum, 50 Charles Lindbergh Blvd., Suite 400, Uniondale, N.Y. 11553-3619; 516-229-2375.

JAN. 13-15. Behavioral Health Programs in HMOs: Making Quality a Reality conference in Lake Tahoe, Nev., sponsored by the Group Health Assn. of America; \$650 for GHAA members; \$750 for non-members. Group Health Assn. of America, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3225

TWA deal

Continued from page 2

protections and reasonable recoveries from Mr. Icahn if the plans fold.

Had a settlement not been reached, the airline ran the risk of not getting the financing it needed and running out of cash, resulting in the termination of the plans.

And the agency would have run the risk of years of costly litigation over things like the PBGC's creditor status and interest rate assumptions in valuing the liabilities. "It would have been a long and contentious litigation," Mr. Lockhart said.

He acknowledged that PBGC

directors, including Labor Secretary Lynn Martin, were lobbied by members of Congress, especially from Missouri, who were anxious that a settlement be reached to avert the possible failure of the airline and the loss of jobs.

In fact, Sen. Christopher Bond, R-Mo., said he took the TWA situation "to the highest levels of government immediately. I advocated that officials get an independent evaluation of the pension liabilities and take a broader view of the impact of the TWA shutdown."

Mr. Lockhart said the lobbying did not influence the agency's settlement offers. **BI**

JAN. 14-15. Premises Liability for Violent Crimes Seminar in Tampa, Fla., sponsored by the Defense Research Institute; \$375 for DRI members; \$425 for non-members; some discounts available. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

JAN. 19. Pollution Liability: The Law and Available Insurance workshop in Allentown, Pa., sponsored by the Society of Chartered Property & Casualty Underwriters and the Lehigh Valley chapter; \$75 for society members; \$85 for non-members. Karen Williman, continuing education coordinator, Society of CPCU, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355; 215-251-2773.

JAN. 20. CPCU Leadership Forum in Denver, sponsored by the Society of Chartered Property & Casualty Underwriters; \$250. Karen Williman, continuing education coordinator, Society of CPCU, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355; 215-251-2773.

JAN. 20-22. Risk Management—New Tools of the Trade conference in Atlanta, sponsored by Atlanta Chapter of the Risk & Insurance Management Society Inc.; \$100 for RIMS members; \$125 for non-members; \$25 for students. Sally Wissel, Worldspan, 300 Galleria Parkway No. 2030, Atlanta, Ga. 30339; 404-916-7813.

JAN. 21-22. Industrial Health and Safety Regulation Course in St. Louis, sponsored by Executive Enterprises Inc.; \$1,090. **Also Jan. 25-26** in Cleveland; and **Feb. 4-5** in Atlanta. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

JAN. 21-23. West Regional Man-

aged Health Care Congress in San Francisco, sponsored by the National Managed Health Care Congress; \$795; \$895 on site. Sara Evangelous, 617-487-6723.

JAN. 24-27. Continuing the Debate of the Workers Compensation Issues of the '90s seminar in State-line, Nev.; sponsored by the International Workers Compensation Foundation; \$250 for government representatives; \$350 for private sector attendees; \$25 for guests. Robert B. Collyer, treasurer, 1575 Aviation Center Parkway, Suite 512, Daytona Beach, Fla. 32114; 904-252-2915.

JAN. 26-27. Health Care Cost Containment workshop in Los Angeles, sponsored by the Health Research Institute; \$595. **Also March 16-17** in San Francisco; **April 6-7** in Atlanta; **May 4-5** in Chicago; **June 8-9** in New York. Workshop Coordinator, Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 510-676-2320.

JAN. 27. National Academy of Forensic Engineers Annual Meeting in Kona, Hawaii; \$250 for NAFE members; \$300 for non-members. E. Joyce Dixon, 174 Brady Ave., Hawthorne, N.Y. 10532; 914-747-1123.

JAN. 28. 14th Annual Risk Management Conference in Orange, Calif., sponsored by the Orange Empire Chapter of the Risk & Insurance Management Society; \$80. Maury DeBont, Mitsubishi Motor Sales of America, P.O. Box 6400, Cypress, Calif. 90630-0064; 714-372-6216.

JAN. 28-29. Understanding Today's London Insurance Market conference in New York City, sponsored by Executive Enterprises Inc.; \$1,090. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

JAN. 28-29. Putting Theory into Practice: How Providers and Payers Use Medical Guidelines and Outcomes Research seminar in Washington, sponsored by Capitol Publications Inc.; \$595. Peggy Dwyer, Capitol Publications Inc., 1101 King St., Suite 444, Alexandria, Va. 22314; 800-847-7772.

JAN. 29. Advanced Care Cost Containment workshop in Los Angeles, sponsored by the Health Research Institute; \$595. **Also March 19** in San Francisco; **April 9** in Atlanta; **May 7** in Chicago; **June 11** in New York. Workshop Coordinator, Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 510-676-2320.

FEBRUARY

FEB. 1-2. Developing Profit Opportunities in Alternative Insurance Markets seminar in Chicago, sponsored by Infoline; \$995. Infoline Inc., 225 Turnpike Road, Southborough, Mass. 01722-1749; 508-481-6400.

FEB. 7-10. 1993 American Bankers Assn. National Security and Risk Management Conference in Orlando, sponsored by the ABA; \$730 for ABA members; \$970 for non-members. American Bankers Assn., 800-338-0626.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

The night before Christmas

Continued from page 51

And when your calendar year and accident year don't compare

The truth will be known, and your neat numbers scam
Will show the firm that solvency's just a sham!

And another thing—if the SEC has its way,
You'll mark assets to market by the end of the day."

DoNothing scowled. "The SEC? Heck! For months now they've been Breeden right down my neck."

Santa held up a hand. "Please, let me keep talking.
The new FASB rules will soon get you balking.

You'll need more than a breakfast bowl full of Wheaties
To bypass new rules for Financial Reinsurance Treaties.

And if the settlement with Ernst & Young comes into play,
I'd worry about the AICPA.

Actuaries and accountants are nobody's fools,
And they're going to be less willing to bend any rules.

And last but not least, if you'd just take a look—
Industry pressures are starting to cook!
New investment income growth has bailed you out before,
But you won't be relying on that anymore!
Cash flows are down, reinvestment rates are sinking
Lower yields have got everyone suddenly thinking.
Bonds are being called early, so pricing's off scale—
And the ultimate yield has become a fairy tale.

The cost of capital for other industries has continued to fall,
While for you, it's kept rising, if that don't beat all."

Santa sank to the floor, overcome by the blues.
"Son, I'm sorry to be the one bringing

this news.

Remember the good old days? Christmas meant Joy!
I'd bring rag dolls and trains and a bagful of toys.

I'd cry Ho-Ho-Ho and I'd whistle a tune—
And now all I sing is of financial ruin."

DoNothing sat still, his head in his hand,
These were troubles his company couldn't withstand!

He fell to his knees, overcome by an urge,
"Will we survive?" he sobbed. "Or will we have to merge?"

DoNothing paced, feeling dumber and dumber.
"Can we live without fudging any reported number?"

At a brainstorm, his eyebrows arched upward in doubt.
Would he have to sell equity to dig himself out?

"We've got deficient reserves, that's a guaranteed fact.
So just how much longer can I keep up this act?

I have to admit, you'd be calling me a liar
If I said reserve adjustment problems plagued only Hartford Fire.

And as much as it might help to relieve this plight,
I can't change the geographic mix of business overnight."

DoNothing blinked up through a river of tears,
"Retention levels have been rising for years.

Wasn't anyone watching? How'd we let them get high?"

DoNothing turned to Santa for a reply.

"You never saw any reason to mix 'em,
In fact your motto was, if they ain't broke, don't fix 'em."

DoNothing felt sick at the danger he'd courted.
His capital position had been distorted.

"All our growth's come from stock and bond market gains,
But the market's erratic, and it isn't the same
As growth from operations. What good

does it bring

To measure growth from a market that's not a sure thing?

We've been marking bonds to market, so the gains we've recorded
Have only made our capital position more distorted.

And before we're made into the consummate fools,
We ought to consider the Risk-Based Capital rules.

Will the NAIC hurt us?" he asked with a frown.

"Can we possibly get the rules watered down?"

DoNothing sighed, "And what in tarnation
Are we going to do about this regulation?

SEC, FASB, AICPA
How can I make them all just go away?

Now the rating agencies have joined the fray.
I may have to cut dividends to keep them at bay!

And, ironically, though it seems awfully cruel,
We're drowning because of the guarantee pool!

The more companies fail, the less the survivors gloat,
Since it's harder for us to keep staying afloat."

Santa smirked. "Don't be quick in your condemnation
Of that proposed federal regulation.

Perhaps you could even put up with their rules
If it meant there would be no more guarantee pools."

DoNothing thought of an end to this crisis.
"Why, the answer," he said, "is: I have to raise prices.

But even that wouldn't be easy as pie—
The economy would keep them from going too high.

And I need to be sure about standing my ground
With alternative markets lurking around."

"Oh!" DoNothing cried. "Will recovery come?"
Santa stood up, and his face was quite glum.
A blink of his eye and a shake of his head
Told DoNothing he still has plenty to dread.

He spoke some last words to the scared CEO,
"It will be," Santa said, "very painful, and slow."

And laying his finger aside of his eye,
He gave a sad smile and he nodded goodbye.

"Wait!" DoNothing yelled. "Chicken Little was right!
The sky! It is falling! Now, I see the light!

I've done wrong, but dear Santa, it may be too late.
The damage, I fear, could be too great.

Will the Board of Directors suddenly wake
Like at GM and AMEX? Could my job be at stake?"

At that sobering thought, DoNothing sank down,
He stared at his Armani suit with a frown.

Well, red wasn't his color, and he hated snow and ice,
But for job security there was always a price.
Could calling the names of eight tiny reindeer
Be much different than running a board meeting here?

"Santa," said DoNothing, "I've been asking myself,
Might you be in need of a new Christmas elf?

With all the misfortune you've mentioned, I fear
I'm surely in need of a change of career."

They sprang up to the sleigh, to the team gave a whistle,
And away they both flew like the down of a thistle.

DoNothing watched as the office grew small
Wondering if they would survive, after all.

And he whispered as they soared high above the ground,
"Merry Christmas—I'll be back—when things turn around!" **BI**

Myron M. Picoult is managing director and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

Futures contracts

Continued from page 1
securities brokers. Reinsurers also may eventually decide to sell catastrophe futures.

Traders say a few insurers have been involved in trading to date, though they refuse to identify them for competitive reasons.

Insurers have been "very low key" and reluctant to identify themselves, perhaps because of regulatory concerns, said Lawrence C. Dorf, vice chairman of the CBOT's insurance sub-committee and an independent trader. He said he believes all the insurers that have traded contracts so far are Illinois-domiciled.

Despite higher estimates by traders, only 20 contracts were actually traded on Friday, Dec. 11, the first day of trading. Ten contracts were traded last Monday, none were traded Tuesday and Wednesday, 37 contracts were traded on Thursday, and 55 on Friday at press time.

Richard Sandor, a CBOT director and executive managing director of Kidder Peabody & Co. Inc. in Chicago, estimates that trading volume of 1,000 contracts a day, which would represent \$25 million in transactions, would be enough to start making a significant difference in the insurance business.

The contracts now being sold are March 1993 contracts, which track fourth-quarter 1992 losses as reported to insurers by the end of March 1993. The CBOT expects to begin trading for contracts involving first-quarter 1993 losses in a couple of weeks, Mr. Sandor said.

Futures contracts are agreements to buy or sell a commodity or financial instrument at a particular price on a stipulated future date. The catastrophe contracts are designed to provide insurers with a hedge against underwriting losses caused by catastrophes.

Initially, the CBOT is trading contracts covering insured catastrophe losses nationwide and in the Eastern United States. The CBOT eventually plans to offer Midwestern and Western contracts, and homeowners and group health insurance futures.

The unit of trading is \$25,000 times the estimated ratio of aggregate losses to premiums for insurers in the area covered by the contract. Last Friday the closing quote was 12.9 points for the fourth-quarter 1992 Eastern contract, and 10.8 points for the fourth-quarter national contract.

Each point is worth \$250, which means the final contract values were \$3,225 and \$2,700 respectively.

Quarterly data for estimated and actual catastrophic losses and premiums will be developed by a unit of the Insurance Services Office Inc., based on a large sample of insurers.

The catastrophe losses tracked include wind, hail, earthquake, riot or flood for these property insurance lines: homeowners, earthquake, fire, allied perils, private passenger auto physical damage, commercial auto physical damage, farm owners, inland marine and commercial multi-peril.

Insurers must learn more about the futures—and regulatory problems must be solved—before trading really heats up, say CBOT officials and others.

Initial trading volume was "about what we were looking for," said Leslie Rosenthal,

chairman of Chicago-based Quantum Financial Services and chairman of the CBOT's insurance committee. Volume will remain low "until people get the feel of it," he said.

He noted that, ironically, the CBOT had decided to trade the Eastern contract before those for other regions on the assumption that hurricane season was over and traders would have two to three months of quiet trading to help establish pricing. Instead, a major storm hit the East Coast the first day of trading (see story, page 1).

The storm caused a trading imbalance of orders to buy but not to sell the contracts, he said.

The storm "really didn't do us much good" because it creates a great deal of uncertainty on the level of fourth-quarter catastrophe losses, though it did bring the insurance futures to people's attention, said Mr. Rosenthal.

Kemper Reinsurance Co., based in Long Grove, Ill., is waiting to see if there are enough transactions to make the contracts viable, said Chairman and Chief Executive Officer Michael Pinter.

"At this juncture, we're very neutral on the whole thing," he said. In addition, "you've still got the other hurdles," including regulatory ones, said Mr. Pinter.

Mr. Dorf noted efforts now are under way to gain regulatory approval for futures contract trading in California, Florida, New York and Texas.

The regulation approved by Illinois last week says futures contracts can only be used in the context of a hedging transaction, and insurers can invest no more than 10% of their capital and surplus that exceeds minimum requirements.

Among those awaiting regulatory approval is American Royal Reinsurance Co., a member of Royal Insurance Group, which is domiciled in Pennsylvania.

"We would like Pennsylvania to approve them," said Senior Vp William Riker. "If we were able to, we would start buying them immediately, but due to some of the regulatory issues, we're finding quick action difficult to take."

"We think the product makes sense to distribute risk. I would hope that some of the regulators would take a little more serious view to getting capacity in the reinsurance market."

Some say the contracts can be seen as part of a general business trend toward securitization of assets, similar to mortgage-backed securities.

But Jonathan Lewis, assistant vp and fixed income portfolio manager for Skandia Investment Management Inc. in New York, pointed out that unlike mortgage-backed securities, the insurance policies underlying the futures contracts are not directly involved in the transaction.

Catastrophe insurance futures can more accurately be seen as part of the movement toward derivative products like interest rate swaps, which are financial instruments whose value is based on another security, Mr. Lewis said.

However, even if the contracts become more popular, they will not eliminate the need for skillful underwriting and understanding of risk assumption, said American Royal's Mr. Riker.

In fact, he said, greater underwriting skills will be required because insurers will have to evaluate their potential losses in relation to everyone else's, "so it's much more difficult." **[B]**

Loss revisions

Continued from page 1
next year, said Gary Kerney, director of catastrophe services at the Property Claim Services division.

Watching losses rise to double their initial estimates "doesn't happen that often," Mr. Kerney noted. Insurers rely on the estimates to set reserves for catastrophe claims, a "responsibility they don't take lightly," he pointed out.

Insurers have been right on the mark in estimating some recent catastrophes. For instance, the AISG projected soon after Hurricane Hugo struck land in 1989 that the storm would cause around \$4 billion in insured damage (BI, Oct. 2, 1989). Insured losses eventually amounted to about \$4.2 billion.

However, initial estimates of other catastrophes—like Hurricane Andrew—have been short of the target. Fires in the hills of Oakland, Calif., in 1991 originally were projected to cost \$1.2 billion (BI, Oct. 28, 1991). PCS recently increased that estimate to \$1.7 billion, even though a year had passed.

Despite their best efforts to project losses, insurers and others have been blindsided by unexpected developments related to Hurricane Andrew.

"Based upon what we saw early on, we did not quite anticipate the magnitude or severity of

the damage that ultimately took place," explained Mark Odland, vp-claims at State Farm Fire & Casualty Insurance Co. in Bloomington, Ill.

State Farm, which does not purchase any reinsurance, now estimates that its Andrew losses will total \$3.4 billion, up from an original estimate of \$1.5 billion.

Other insurers also missed the mark with early predictions of the hurricane's impact. For instance, Allstate Insurance Co. earlier this month announced Andrew would cost it \$1.65 billion after taxes and reinsurance, up from an initial estimate of \$700 million (BI, Dec. 14; Sept. 7). That announcement prompted A.M. Best last week to place the consolidated A- ratings of Allstate's property/casualty and life/health companies under review.

Those who compile or rely on catastrophe loss estimates say sharp adjustments occur when unforeseen factors come into play.

Much of the losses related to Hurricane Andrew occurred when heavy rains pounded southern Florida after the storm, causing subsequent damage to homes and businesses that had lost their roofs. In addition, Mr. Odland said, State Farm believes there were "serious violations of the building codes" in Dade County that left homes unprepared for the winds that ravaged the area.

And, contractors and suppliers of building materials have been "price gouging" insurers following the hurricane, which pushed up the cost or rebuilding, he noted.

State Farm's payout also has increased because the insurer decided to extend the coverage for temporary housing to 24 months from 12 months for those affected by the storm. However, the impact of that decision on the final payout is minor in relation to other factors that have driven up the total, Mr. Odland said.

Other insurers and reinsurers noted that new Andrew claims are being filed as people with winter homes in Florida head south.

Insurers' loss estimates from the Oakland fires also were thrown off by unforeseen factors, noted Sean Mooney, senior vp with the Insurance Information Institute in New York.

"It was firestorm as opposed to a fire," he said, which meant it "fed on itself by creating its own oxygen. Things happened that have never happened before" in fires that strike residential areas, Mr. Mooney noted.

For example, the intensity of the blaze melted foundations, a situation most adjusters don't anticipate or have experience with and thus was not reported initially, he explained.

Those who compile loss estimates
Continued on next page

APPWP proposal

Continued from page 1
Because employers have such an enormous stake in the outcome of health care reform—about 75% of full-time workers are covered by employer plans—the APPWP say businesses cannot afford to stay on the sidelines while the reform drive marches forward.

"There is a recognition that things need to change. The business community wants to be part of the solution. If we were to stay on the sidelines, the reform train could pass us by, and employers could end up with something detrimental to ourselves, our employees and the public at large," said Mitchell J. Anderman, an APPWP board member and manager of employee benefits at Sun Co. Inc. in Philadelphia.

"The time for waiting is over. The time for bold action is at hand," said Ellen Goldstein, the APPWP's director of health care policy.

Other recommendations in the APPWP's package, many of them also controversial, include:

- Federal tax credits for employers to partially offset the burden of providing coverage to lower-wage workers, as well as tax credits and other subsidies for low-income workers and individuals to help them pay their share of premiums.

- Taxing employees on employer-provided coverage that exceeds the value of health care benefits provided by a basic, cost-efficient plan.

Basic benefits would be defined as those that federally qualified health maintenance organizations must offer, which include comprehensive medical and hospital benefits, but not dental or vision care.

The revenue raised by taxing health care benefits above a certain level would help to fund coverage for the uninsured.

The APPWP also says that such a tax on employees would help to dampen demand for

ultra-rich benefit plans.

- Expanding the Medicaid program to include all individuals whose incomes fall below the federal poverty level.

- Establishing programs at the state and substate level to provide health care coverage for those not covered by employer plans or public or federal health plans, like Medicare, Medicaid or CHAMPUS. That would include certain part-time workers and other non-poor individuals.

These new programs, which would be organized by state governments and insurers, would be funded through a combination of sources, including employer and individual contributions and tax vouchers.

- To significantly reduce cost shifting, all public plans should cover their fair share of costs.

- Requiring all Americans to obtain coverage under a health insurance plan. Those who are not covered would be subject to an excise tax.

- Requiring all physicians and hospitals to publish their fees and notify patients in advance of their rates.

- Establishing state and local councils to monitor health care expenditures. If certain expenditure targets were not met, these councils would explore a variety of options, such as initiating negotiations with providers to set rates.

These recommendations are yet another remarkable development in the rapidly changing health care reform landscape.

Bill Clinton, ending months of silence on the issue, last week said he would be "inclined" to support taxing employees on at least a portion of employer-paid health care premiums.

At the same time, trade groups now are advancing positions that would have been inconceivable only months ago.

For example, the board of directors of the Health Insurance Assn. of America last month re-

commended a limit on the amount of tax-free health care coverage employers can provide to workers (BI, Dec. 7). That stance is a drastic turnaround for the trade group, which earlier had spearheaded a massive campaign to convince lawmakers not to tax benefits.

Similarly, signs of changing attitudes are popping up in the employer community. More than one-third of surveyed members of the National Assn. of Manufacturers recently said they would favor a limit of the amount of tax-free health care benefits employers can provide to workers if the revenue that was raised was used to expand access for the uninsured (BI, Dec. 14).

And in the public sector, the National Governors Assn. is expected to soon adopt a health care reform proposal that would include provisions to limit either employers' tax deductions for health care expenditures or the amount of coverage that can be provided tax-free to employees.

The new scrambling of trade groups to hammer out health care reform recommendations—including positions at odds with earlier long-held principles—is no accident.

With the election of Gov. Clinton, who made health care reform—including universal coverage—a key campaign theme, the prospects for fundamental reform have never been greater.

In the months ahead, the APPWP—with comments from members—will be refining and filling in additional details in its package.

In a background paper, which is subject to change, the APPWP suggests that employers pay at least 60% of the premium with \$250 and \$500 annual deductibles for individual and family coverage. Out-of-pocket expenses could not exceed \$3,000 or 10% of compensation, whichever is greater. **[B]**

Loss revisions

Continued from previous page
mates say their methodology ranges from the use of sophisticated computer systems to simple visual inspection of areas hit by a catastrophe.

State Farm, for example, has its policyholders categorized on a data base that breaks down risks by ZIP code. The data base also identifies policyholders according to the type of coverage and amount of risk each represents.

When a catastrophe strikes, the insurer can define the geographic parameters of the event and make estimates of the claims expected, Mr. Odland explained.

East Coast storm

Continued from previous page
But loss estimates by state authorities last week were much lower.

The storm caused substantial insured losses to buildings, railroad facilities and automobiles.

But, a large portion of storm damages are not insured, observers say.

As affected residents last week began digging out from the snowstorm or waiting for flood water to recede, most insurers were still trying to get a handle on their losses.

The storm, in which six people died, drowned coastal areas under as much as five feet of water as wind gusts of up to 90 mph and sustained winds of 40 mph whipped up tides. Connecticut, New Jersey and New York were hit hardest by the rain, wind and snowfalls of five to 30 inches.

President Bush last week declared Fairfield, Middlesex and New Haven counties in Connecticut federal disaster areas.

New York Gov. Mario Cuomo, New Jersey Gov. Jim Florio and Massachusetts Gov. William Weld also have asked the federal government for relief.

The storm was the nation's 36th catastrophe this year, reports the Property Claim Services division of the American Insurance Services Group. The PCS expects to release its estimate of insured storm losses this week, which would add to the record \$17.52 billion of insured catastrophe losses that the PCS has tallied so far this year. Revision of some 1992 catastrophe estimates could drive that figure even higher (see story, page 1).

"There's probably at least \$1 billion in damage, but there are still many questions over how much is insured, what will fall to the federal flood program and what's uninsured," said Charles Ruoff, senior vp with Sedgwick James Inc. in New York.

New York's Emergency Management Office in Albany said storm damage in the state will total at least \$234 million but that the loss figure is certain to grow. The NYEMO estimated that public property sustained about \$150 million of damage, while individual and commercial property sustained about \$84 million of damage.

The New York claims office of the Federal Flood Insurance Program had received approximately 850 flood claims late last week, but that is a fraction of the total expected, a spokesman said.

As of Sept. 30, approximately 47,000 flood policies representing \$3.4 billion in coverage had been written in the New York counties hit hardest by the storm, said Mary Colvin, program manager for the National Flood Insurance Program in New York and New Jersey.

Gov. Florio's office estimated that the storm caused at least \$100 million of damage in the New Jersey coastal counties of Atlantic, Mon-

"If you look at the number of (Hurricane Andrew) claims, we called it at 110,000. We're (now) at 114,000," he said, explaining that while the number of claims were accurately estimated, severity estimates were off substantially.

Mr. Kerney of AISG said its early estimate of \$7.8 billion in Andrew-related damage came from visual inspections on the ground and by air soon after the catastrophe.

"We also solicited information from insurers who were doing the same thing," he added.

AISG was tripped up in its estimate by the same factors that affected State Farm and other insurers: subsequent damage

from heavy rains and much higher than anticipated rebuilding costs.

New technology could make it easier for insurers to project losses.

EQE International in San Francisco is developing a computer modeling system that will allow U.S. insurers to use historic windstorm information to assess potential losses from storms.

The system is similar to one EQE provides British underwriters since earlier this year and should be available in the United States early next year, according to Peter Beresford, principal consultant with EQE in Cambridge, England. **BI**

mouth and Ocean. Public property sustained the brunt of the damage—\$76 million.

Ms. Colvin said about 62,000 flood policies representing about \$3.9 billion of coverage were written in the three New Jersey counties.

The New Jersey Fair Access to Insurance Requirements program will pay a small percentage of storm-related claims, a spokesman said.

Connecticut Gov. Lowell Weicker's office estimated that storm damage statewide totaled more than \$60 million, including damage to about 3,700 homes. The storm caused an estimated \$53.8 million of damage to private property, \$4 million of damage to public property and \$2 million of damage to agriculture.

Among the insured storm losses was at least \$2.5 million of property damage and business interruption claims sustained by the New York City Transit Authority, said Peter Erwin, director of risk management.

The Metropolitan Transportation Authority has issued a preliminary damage estimate of \$6 million for the entire system, which comprises the NYCTA, Long Island Railroad Co., Metro-North Commuter Railroad Co. and Triborough Bridge & Tunnel Authority, said Peter F. Lopez, director of risk management.

But, the extent of track damage on Long Island had not been determined and was not included in the estimate, Mr. Lopez said.

Each of the four MTA entities self-insure \$5 million of property losses annually, and MTA members together self-insure an aggregate of \$7.5 million of property losses.

Above the self-insured retentions, Assicurazioni Generali S.p.A. covers \$2 million of losses. Trieste, Italy-based Generali and Crum & Forster Insurance Co. share the next \$3 million layer. General Re Corp. unit Genesis Insurance Co., Lloyd's of London underwriters and The Travelers Corp. share the next \$15 million layer.

About 750 Johnson & Higgins employees lost access to their New York offices for a week. They temporarily worked on other floors of the building and returned to floors two through 11 on Friday, said Norman Barhan, senior vp.

J&H's business interruption and extra-expense losses will be less than \$100,000 and are fully insured beyond a deductible, Mr. Barhan said.

"It's a critical time of year for us," he said. "We never lost contact with our clients. It worked out the way we thought it would based on our (emergency) plan."

Marine underwriters in Italy are expecting a claim for repair work on the container vessel MSC Chiara, which sustained an 8-inch by 16-inch hole on its starboard side after it hit a reef off Massachusetts shortly before the storm hit. Coverage for the 26,699-gross-ton vessel

was placed with Unione Mediterranea di Sicurtà S.p.A.

The cost of the repairs is not yet known. The vessel, owned by Mediterranean Shipping Co. in Geneva, had an insured value of around \$2 million, said Christof Ludeke, the company's director of insurance.

Most storm claims are expected to come from homeowners and owners of automobiles.

Bruce Guthart, executive vp with Kaye Insurance Associates L.P. in New York, doubted whether many businesses or homeowners purchased flood insurance. "Much of the damage occurred in areas not prone to flooding. The likelihood of these people having flood coverage isn't that great," he said.

At least 100 oceanfront homes on Fire Island suffered damage, most of it believed to be severe, said Jack Hauptman, superintendent of Fire Island National Seashore. Mr. Hauptman estimated the value of the homes at approximately \$500,000 each.

Insurers were sizing up their losses last week, but few could provide loss estimates.

State Farm Group estimated that its storm losses could total more than \$38 million. About \$18.2 million of that represents property damage.

The insurer said it suffered its worst property losses in Pennsylvania, where buildings sustained about \$9 million of damage. State Farm estimated its combined property losses in New Jersey and New York at about \$9 million.

State Farm estimates it will pay \$18 million to \$20 million in auto losses in New York and New Jersey.

Nationwide Mutual Insurance Group estimated its losses at \$12 million. Nationwide does not write in New Jersey.

Travelers late last week had received 3,100 storm claims: 2,200 for property damage and 900 for auto damage. The insurer could not estimate losses.

The St. Paul Cos. Inc. estimates storm losses at \$10 million.

North American non-marine insurers and reinsurers in London are expecting few storm losses.

Most of the vessels in New York harbor had been warned of storm in enough time to leave the harbor, said Trevor Hart, underwriter for Lloyd's syndicate 62, managed by Barder & Marsh Ltd.

And, London reinsurers could escape unscathed, said George Lloyd-Roberts, chairman of the Lloyd's Non-Marine Underwriters Assn.

"If the loss reaches \$1 billion, in that area, with that spread of insurers, it wouldn't be surprising if the losses didn't reach the local companies' catastrophe retentions," Mr. Lloyd's-Roberts said.

Sara Marley, Mark A. Hofmann and Gavin Souter contributed to this article.

Update

California claims handling rules

Continued from page 2

Administrative Law, will allow third parties to sue insurers, a department spokeswoman confirmed. The State Supreme Court stripped third parties of the right to sue insurers for unfair denial or delay of legitimate claims in 1988 in *Moradi-Shalal vs. Fireman's Fund Insurance Cos.* (BI, Sept. 11, 1989; Aug. 22, 1988).

Among other things, the new unfair claims practices regulations:

- Put specific time parameters on the claims process, including deadlines for insurer response and payment.
- Prohibit unreasonable or "low-ball" settlements to claimants.
- Require insurers to inform third-party claimants of time limits for filing a claim and the expiration date of the first party's coverage.
- Provide the insurance commissioner with discretion to fine insurers for violations and issue cease and desist orders.

Retiree care costs in spotlight

CHICAGO—Navistar International Corp. last week reached a tentative agreement with the United Auto Workers to reduce retiree health care coverage.

The agreement would reduce Navistar's accumulated retiree health care obligation under Financial Accounting Standard 106 to \$1 billion from \$2.6 billion by introducing copayments, deductibles and premium contributions, among other things.

Navistar also will issue new shares of common stock, valued at \$500 million, to help cover current and future retirees' health benefits.

Separately, several firms reported one-time FAS 106 charges:

- Ford Motor Co. will take a \$7.5 billion charge.
- Ameritech Corp. will take a charge of about \$1.7 billion.
- The Coca-Cola Co. will take a \$220 million charge.

Denial of D&O claims upheld

DALLAS—National Union Fire Insurance Co. of Pittsburgh, Pa., does not have to pay government claims against directors and officers of two failed Texas banks, a federal judge has ruled.

U.S. District Judge Barefoot Sanders on Dec. 11 dismissed a suit filed against the insurer in federal court in Dallas by directors and officers of two banks owned by First RepublicBank Corp. of Dallas.

Judge Sanders agreed with National Union that the bank's directors and officers liability coverage excluded claims from regulatory agencies. The plaintiffs argued that language in the coverage binder did not call for the exclusion to be included at renewal.

The suit sought coverage for claims brought by the Federal Deposit Insurance Corp. against 67 directors and officers. The government has proposed a \$32 million settlement of its claims.

The proposal assumes D&O underwriters would pay \$16 million of the total, said National Union attorney Paul Schoonover of Vial, Hamilton, Koch & Knox in Dallas. But, National Union denied coverage under the \$15 million primary D&O policy it wrote. The attorney said Bermuda-based captive Bankers Insurance Co. Ltd. has agreed to pay \$1 million under an excess D&O policy it wrote.

Price Waterhouse verdict killed

PHOENIX—A \$338 million negligence verdict against Price Waterhouse & Co. was set aside last week when an Arizona judge granted the accounting firm's motion for a new trial.

Arizona Superior Court Judge John R. Sticht found that the jury was "inconsistent" in assessing \$338 million in negligence damages and only \$3.9 million for securities fraud claims (BI, May 25).

The suit was brought by Standard Chartered P.L.C., a British bank that claimed Price Waterhouse's audits of United Bank of Arizona failed to reveal the bank's financial problems. Standard Chartered purchased United Bank in 1987 for \$334 million.

Standard Chartered will study Judge Sticht's opinion before deciding whether to appeal or opt for the new trial, said the bank's attorney, Leo Beus of Beus, Gilbert & Morrill in Phoenix.

Price Waterhouse's professional liability insurance would have not been sufficient to cover the entire \$338 million award, a company spokeswoman said, declining to provide coverage details.

Briefly noted

William E. Thiele, who earlier this year announced his resignation as president of The Continental Insurance Group, will join North American Reinsurance Corp. as president and chief operating officer effective Jan. 1. . . Moody's Investors Service on Friday downgraded the long-term debt of **CIGNA Corp.** and the financial strength ratings of its property/casualty and life insurance subsidiaries. . . Alaska has approved an 8.5% reduction in **workers comp rates**, effective Jan. 1, while New Jersey approved a 14.3% workers comp rate increase and Utah approved a 19.5% hike. . . The sale of **Executive Life Insurance Co.** will not be completed by year-end since a California appellate court has continued a stay on the closing agreement with French investors. Meanwhile, a New York judge has approved the rehabilitation plan for **Executive Life Insurance Co. of New York** (BI, Jan. 27). . . Travelers Corp. last week became the fourth major insurer this year to withdraw from the **Health Insurance Assn. of America** (BI, Nov. 30). . . **Assicurazioni Generali S.p.A.**'s London office is reorganizing after non-marine underwriter Bernard Sparke's sudden departure last week. . . **Southern Pacific Transportation Co.** is being sued by three federal agencies in connection with the July 1991 spill of toxic chemicals into the Sacramento River (BI, July 22, 1991). The suits seek more than \$1 million in cleanup costs. . . Unfunded liabilities in pension plans insured by the **Pension Benefit Guaranty Corp.** increased to \$51 billion in 1991 from \$40 billion in 1990.

'Twas the year of catastrophes

By MYRON M. PICOULT
and JODI PICOULT Van LEER

Special to Business Insurance

IN TUNE WITH THE SEASON, we have conveyed our thoughts on the current state of the property/casualty industry through rhyme and verse. As before, we are drawn to Clement Mark Moore's classic poem, "A Visit from St. Nicholas." With the help of an elf I sired 26 years ago (who has published her own first novel), the following emerged:

"Twas the night before Christmas and all through the firm
Not a creature was stirring. . . well, maybe one worm. . .

Yes, Almost DoNothing, that old CEO
Was waiting for Santa to come in from the snow.

His suit was Armani; his tie made of silk—
He dressed as befitted a man of his ilk.

From such spiffy duds no board member
could guess
That the firm was in such a deplorable mess.

Since DoNothing fudged numbers with
uncommon skill,
The board thought the company was solvent, still.

DoNothing knew Santa. He knew him quite well.
Santa'd said, years before, things were going to hell.

But did DoNothing believe him? Certainly not!
The industry had only been slumping a spot.

Yet DoNothing sat now and pulled at his collar
And thought of the losses, of every last dollar.

He'd known things would worsen—truly, he had—
But he didn't know things could have gotten this bad.

DoNothing grinned slyly. With his lying banter

And throughout
DoNothing's firm,
everyone is praying
the market will turn

He'd fooled everyone else, and he could fool Santa.

He stared at the fireplace and crossed the room nimbly
And waited for Santa to come down the chimney.

When out the door there arose such a clatter,
DoNothing sprang up to see what was the matter.

He flew to the lobby to see what had come
And stood face to face with some homeless bum.

The man was disheveled; his clothes hung in rags,
He dragged close behind home three ratty, ripped bags.

He was skinny and sad, his face covered with wrinkles,
In his eye seemed to be the old ghost of a twinkle.

His glasses were cracked, and his beard sort of dim,
But DoNothing saw something familiar in him.

"The suit! That red suit!" DoNothing cried quick.
He peered close, in shock, "Why, you must be St. Nick!"

Santa smirked as he looked Almost DoNothing over
From his manicured nails to each Bally loafer.

"Well, well. . . I should have known," Santa said with a hiss.
"It's people like you who make me look like this."

Just like the industry, I've taken a beating—
Like you will, once books reveal you've

been cheating."

DoNothing trembled. His pallor turned gray.

"I never thought factors would come together this way."

Santa snorted and laughed with his hand on his belly,
and DoNothing's insides seemed to turn into jelly.

Santa pointed to a chair. "Why don't you sit right here
While I tell you how bad things became this past year?"

Well, we knew in this industry we'd all bear our crosses,
But who could have predicted such catastrophic losses?

Losses from Hurricane Andrew have been revised up—
Look at State Farm, and Allstate. Perhaps you're next, yup?

And now companies, one after another,
Are blowing through catastrophic reinsurance covers.

You know what that means; at the end of the game
Gross and net losses will just be the same.

And because you've been taken by storm, so to speak,
Catastrophe reinsurance costs are going to peak.

You'll see this directly as prices rise, I hear.
But terms and conditions will become more severe.

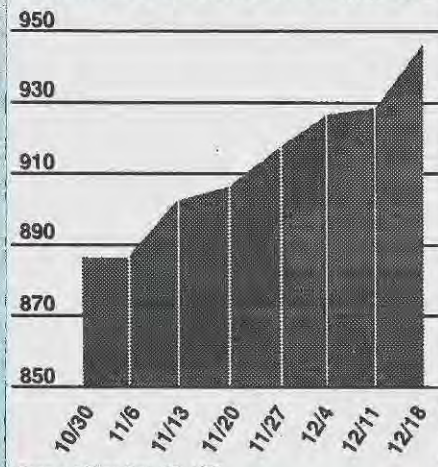
And deductibles will soar. Yes, it's truly a curse—
The indirect results may even be worse."

Santa walked toward DoNothing, a-shake in his chair,
And he jerked up his head with a yank of his hair.

"And here is what you've most to fear, my dear friend—
Your days fudging numbers are now at an end."

The SEC wants more disclosure out there,
Continued on page 48

BI Insurance Index



Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance industry stocks shot up last week, as the *Business Insurance Index* climbed 19.4 points to 946.9 on Dec. 18 from 927.5 on Dec. 11. Advancing issues for the week were led by Seibels Bruce Group, up 33.3%; Guaranty National Corp., up 13.5%; and Fremont General Corp., up 10.3%. Decliners followed Baldwin & Lyons, down 8.2%; AVEMCO Corp., down 6.6%; and Reliance Group Holdings, down 5.7%. The most active issue was Sears, Roebuck & Co. (Allstate), 4 million shares traded. The *BI* index was up 2.1%; the NYSE Composite was up 1.5%; the Standard & Poor's 500 was up 1.7%; and the Dow Jones 30 Industrials rose 0.3%.

British Issues

Dec. 17 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
					High	Low
Comm'l Union	598	NM	31.5	5.3	598	581
Gen'l Accident	560	NM	35.7	6.4	560	543
Gdn Royal Exch	170	NM	10.0	5.9	173	170
Royal	283	NM	7.0	2.5	283	274
Sun Alliance	328	NM	19.0	5.8	328	321
Brokers						
Bradstock	120	14.1	6.8	5.7	120	108
CE Heath	329	19.0	21.3	6.5	329	328
Hogg Group	156	14.7	10.9	7.0	156	150
JIB Group	145	11.1	10.0	6.9	145	138
Lloyd Thompson	244	19.7	7.5	3.1	244	234
Lowndes Lamb	310	12.1	16.8	5.4	310	308
PWS Holdings	53	6.1	5.3	10.0	53	50
Sedgwick Grp	169	13.4	8.0	4.7	169	159
Steel Brt Jones	193	9.5	17.7	9.2	192	184
Wills Coroon	176	11.2	17.6	10.0	179	175

Source: Philip Olsen, London

* Estimated

BI Industry Stock Report

DECEMBER 14, 1992 THROUGH DECEMBER 18, 1992

		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
BROKERS																									
													Market Corp.	OTC	31.25	0.00	42.05	31.25	19.25	27	0.00	0.00	8	15.44	2.02
Acordia Inc.	NYS	19.63	-4.85	N/A	22.25	15.13	56	0.36	1.83	14	7.01	2.80	Mutual Risk Mgmt. Ltd.	NYS	37.25	-1.32	6.05	40.00	25.75	164	0.24	0.64	22	7.51	4.96
Alexander & Alexander	NYS	26.25	-1.87	28.05	27.63	18.00	882	1.00	3.81	94	10.00	2.63	NAC Re Corp.	OTC	38.38	-5.25	21.83	42.00	21.75	559	0.16	0.42	34	13.60	2.82
Gallagher Arthur J. & Co.	NYS	27.38	0.00	22.35	29.00	20.00	372	0.64	2.34	18	6.35	4.31	National Re Corp.	NYS	28.88	-3.75	N/A	31.00	17.00	210	0.12	0.42	13	N/A	N/A
Hibb, Rogal & Hamilton	NYS	15.00	0.00	13.21	15.63	11.00	75	0.44	2.93	23	3.11	4.82	Navigators Group	OTC	33.25	-3.62	-18.90	48.25	28.50	23	0.00	0.00	23	15.69	2.12
Marsh & McLennan	NYS	92.50	-0.80	13.67	94.50	71.25	1307	2.68	2.90	22	14.40	6.42	Nobel Insurance LTD.	OTC	5.69	3.42	42.20	6.00	3.75	183	0.00	0.00	4	3.91	1.45
Poe & Associates	OTC	17.00	7.94	41.67	17.00	11.25	87	0.40	2.35	22	2.64	6.44	NWNL Companies	NYS	49.00	1.03	57.43	49.25	26.38	192	1.48	3.02	13	46.21	1.06
	AVERAGE		0.1	12.4					2.3	27			Ohio Casualty Corp.	OTC	62.63	4.81	26.52	66.63	46.25	364	2.68	4.28	12	43.08	1.45
CONGLOMERATES & HOLDING COMPANIES																									
													Old Republic Int'l	NYS	24.38	-2.01	37.32	26.50	16.00	262	0.40	1.64	8	18.63	1.31
Berkley W.R. Corp.	OTC	44.50	2.01	45.90	47.75	27.25	455	0.36	0.81	17	23.51	1.89	Orion Capital Corp.	NYS	33.25	3.91	31.42	33.25	23.19	155	0.80	2.41	6	28.62	1.16
Berkshire Hathaway Inc.	NYS	11500.0	2.63	27.07	11500.0	264.06	0	0.00	0.00	46	6437.25	1.79	Phoenix RE Corp.	OTC	14.25	-1.72	35.71	14.50	8.88	364	0.20	1.40	-21	13.32	1.07
ITT (Hartford Group)	NYS	70.25	0.72	21.65	72.00	51.13	1511	1.84	2.62	17	68.23	1.03	Provident Life	NYS	28.63	0.88	23.12	28.63	20.00	55	1.00	3.49	12	30.38	0.94
Sears (Allstate)	NYS	43.50	1.16	14.85	48.00	34.00	3975	2.00	4.60	43	40.18	1.08	Re Capital Corp.	ASE	16.38	6.50	13.91	16.38	12.25	28	0.24	1.47	29	16.88	0.97
	AVERAGE		1.6	27.4					2.0	30			Reliance Group Holdings	NYS	6.25	-5.66	51.52	7.13	3.50	486	0.32	5.12	3	2.94	2.13
INSURERS/REINSURERS																									
													RLI Corp.	NYS	25.63	5.13	55.30	25.63	15.50	20	0.52	2.03	11	17.92	1.43
AEGON N.V.	NYS	41.63	0.00	18.93	42.75	33.00	176	2.68	6.44	7	34.06	1.22	St. Paul Companies	NYS	76.88	3.89	5.49	80.75	66.50	588	2.72	3.54	11	59.79	1.29
Aetna Life & Casualty	NYS	46.63	-2.10	5.97	48.88	38.00	1378	2.76	5.92	15	67.08	0.70	SAFECO Corp.	OTC	59.13	4.19	21.28	59.38	42.00	1167	1.64	2.77	15	35.37	1.67
Allied Group Inc.	OTC	30.75	-5.38	80.88	33.50	16.25	136	0.64	2.08	9	11.29	2.72	SCOR U.S. Corp.	NYS	19.00	5.56	23.58	19.50	13.13	16	0.28	1.47	22	14.39	1.32
Allmerica Prop. & Casualty	OTC	50.00	-0.99	39.86	51.00	33.00	12	0.44	0.88	8	40.44	1.24	Seibels Bruce Group	OTC	1.50	33.33	-72.73	6.50	0.38	252	0.36	24.00	0	6.22	0.24
American General	NYS	53.50	1.42	20.22	54.75	40.13	783	2.08	3.89	11	39.89	1.34	Selective Ins. Group	OTC	22.00	2.33	31.34	23.50	16.00	35	1.12	5.09	9	20.22	1.09
American Heritage Life Ins.	NYS	28.63	-5.37	-6.53	32.50	22.50	12	0.84	2.93	14	16.51	1.73	Statesman Group Inc.	OTC	11.38	0.00	97.83	11.63	5.00	520	0.05	0.44	6	6.71	1.70
American Indemnity/Fin'l	OTC	6.25	4.17	31.58	9.25	4.63	6	0.08	1.28	3	14.43	0.43	Tokio Marine & Fire	OTC	48.00	-0.52	-6.80	55.25	32.25	3	0.00	0.00	96	70.93	0.68
American International	NYS	119.63	2.46	21.60	120.13	82.00	1582	0.56	0.47	16	54.21	2.21	Torchmark Corp.	NYS	55.50	4.96	43.84	55.50	35.91	669	1.04	1.87	16	14.87	3.73
Aon Corp.	NYS	52.38	3.71	32.18	52.38	37.38	436	1.68	3.21	13	27.17	1.93	Transamerica	NYS	50.25	6.91	26.02	50.25	37.00	702	2.00	3.98	23	35.86	1.40
Argonaut Group	OTC	30.25	4.31	27.37	30.25	21.75	124	0.84	2.78	9	21.70	1.39	Transatlantic Holdings	NYS	52.25	1.95	34.41	53.00	29.38	125	0.28	0.54	18	21.85	2.39
AVEMCO Corp.	NYS	21.13	-6.63	-15.50	28.00	21.13	47	0.40	1.89	23	7.33	2.88	Traveler's Corp.	NYS	25.00	2.04	15.61	25.00	17.13	1528	1.60	6.40	-14	43.85	0.57
Baldwin & Lyons Inc.	OTC	33.50	-8.22	30.10	36.50	25.00	4	0.48	1.43	8	30.85	1.09	Trenwick Group Inc.	OTC	38.50	-2.53	35.09	42.13	25.00	394	0.80	2.08	15	23.87	1.61
Chandler Insurance	OTC	4.25	0.00	30.77	7.63	3.25	2	0.00	0.00	19	8.63	0.49	United Fire & Casualty	OTC	39.75	0.63	32.50	42.50	29.34	0	1.00	2.52	17	28.47	1.40
Chubb Corp.	NYS	90.00	2.56	16.88	90.00	62.38	1125	1.60	1.78	14	40.67	2.21	Unitrin	OTC	38.50	1.32	7.69	39.50	31.00	253	1.20	3.12	12	36.51	1.05
CIGNA Corp.	NYS	57.13	1.11	-6.54	61.75	47.13	831	3.04	5.32	11	81.73	0.70	UNUM Corp.	NYS	53.00	-0.70	30.86	54.38	32.00	537	0.64	1.21	15	21.83	2.43
CNA Financial Corp.	NYS	100.00	4.71	2.04	104.50	78.50	199	0.00	0.00	12	80.24	1.25	US Facilities Corp.	OTC	9.00	-5.26	-39.50	19.00	7.00	202	0.00	0.00	9	9.64	0.93
Continental Corp.	NYS	26.50	3.92	-4.07	34.75	20.00	1702	1.00	3.77	19	38.32	0.69	USF&G Corp.	NYS	13.00	-4.59	79.31	15.00	5.75	1105	0.20	1.54	-25	10.29	1.26
EKEL Ltd.	NYS	45.00	-1.91	20.00	46.63	32.13	483	0.92	2.04	9	N/A	N/A	USLICO Corp.	NYS	18.38	5.00	-0.68	20.38	16.75	179	1.00	5.44	26	29.80	0.62
Fund American Corp.	NYS	71.38	-0.87	2.15	74.50	62.50	59	0.68	0.95	17	81.85	0.87	USLIFE Corp.	NYS	55.00	4.27	14.88	55.00	42.25	285	1.80	3.27	11	64.90	0.85
Framont General Corp.	OTC	29.50	10.28	21.03	29.50	17.00	308	1.00	3.39	7	25.62	1.15	Washington National	NYS	22.50	-0.55	41.73	23.63	14.00	45	1.08	4.80	18	30.27	0.74
Frontier Insurance Group	NYS	41.00	0.00	51.85	42.75	23.69	65	0.60	1.46	15	13.97	2.93	Zenith National Ins.	NYS	18.75	4.17	11.11	19.50	14.50	49	1.00	5.33	13	14.81	1.27
Gaisnco Inc.	ASE	14.75	2.61	58.04	15.63	7.78	103	0.04	0.27	20	2.65	5.57	INSURERS/REINSURERS AVERAGE			1.8						3.2	15.7		
General RE Corp.	NYS	120.13	5.26	17.91	120.13	77.50	1545	1.80	1.50	17	46.07	2.61	HEALTH MAINTENANCE ORGANIZATIONS												
Guaranty National Corp.	NYS	20.00	13.48	37.93	20.38	13.00	180	0.48	2.40	13	9.12	2.19	FHP International	OTC	20.13	-0.62	41.23	23.00	11.00	470	0.00	0.00	20	9.61	2.09
Harleysville Group	OTC	26.00	8.33	22.35	28.25	17.75	123	0.64	2.46	11	16.77	1.55	Pacificare Health Sys.	OTC	45.25	5.23	129.11	46.75	17.50	205	0.00	0.00	25	3.90	11.60
Hartford Steam Boiler	NYS	57.50	1.55	0.00	59.25	45.13	70	2.12	3.69	22	19.74	2.91	Safeguard Health Enter.	OTC	9.38	1.35	0.00	14.75	7.00	87	0.00	0.00	12	4.03	2.33
Kemper Corp.	NYS	28.98	3.59	-24.26	46.13	20.75	590	0.92	3.19	20	37.66	0.77	Sierra Health Services	ASE	39.13	-5.44	322.97	42.25	15.38	82	0.00	0.00	18	4.01	9.76
Lawrence Insurance Group	ASE	8.63	2.99	-22.47	11.13	7.00	2	0.48	5.57	20	4.66	1.85	United Healthcare Corp.	NYS	57.38	5.03	54.03	57.88	33.38	761	0.01	0.02	38	4.68	12.26
Liberty Corp.	NYS	28.00	-0.88	26.55	32.88	20.13	274	0.56	2.00	11	18.43	1.52	United Medical Corp.	ASE	6.13	-2.00	-12.50	8.75	6.13	2	0.20	3.27	56	10.30	0.59
Lincoln National	NYS	74.13	2.95	35.39	74.50	50.13	343	3.04	4.10	11	58.92	1.26	U.S. Healthcare	OTC	45.75	2.81	65.36	51.25	24.84	2683	0.52	1.14	27	3.60	12.71
													HMOs	AVERAGE		0.9						0.6	24		
													ALL COMPANIES	AVERAGE		1.1						2.7	18		

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