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update

Three insurers lift ban on underwriting in Florida

TALLAHASSEE, Fla.—Three major property/casualty insurers are expected to lift their moratoriums on writing new commercial insurance policies in Florida.

The state Insurance Department already has approved rate increases for two of the insurers, Travelers Corp. and Aetna Life & Casualty Co., which will allow them to make a profit in the state,

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Risk, benefit execs' long list for Santa

By MICHAEL BRADFORD

Risk and benefit managers will be peering wide-eyed into Christmas stockings on Thursday, hoping for miracles and magic from that red-suited resident of the North Pole.

Amid the frantic pace of year-end insurance renewals, benefits payments and gearing up for a new year full of tax law changes, risk and benefit managers took time to scribble out their wish lists, which are sure to keep Santa's hands full.

That usually jolly countenance no doubt will become a bit furrowed as the jelly-bellied dispenser of gifts and goodwill checks these lists twice, three times and probably a fourth.

There are some pretty tall orders from a group that obviously considers itself short of pay, staff, prestige and insurance coverage.

But still, these men and women of good cheer know it can't hurt to ask. And bashful they weren't in sharing their Christmas lists with the rest of us.

At Fisher Bros. in New York, Risk Manager Elliot E. Cohen is asking for something many of his counterparts would like as well.

Although it would be tough to stuff into a stocking, Mr. Cohen said he would like "the insurance industry as a whole to pull itself up by its bootstraps and start to insure rather than run away from risks and exposures."

Mr. Cohen also is looking for Santa to leave "more responsive brokers" to deal with risk managers in this tight insurance marketplace.

"And I'd like to see all my friends and the people I deal with have a happy Christmas," Mr. Cohen remarked.

When Dave Fisher, risk and benefits manager at Mitsubishi Electronic America Inc. in Torrance, Calif., was asked what was at the top of his list, he replied: "That's easy enough. Broader coverage."

It didn't take Mr. Fisher long to set priorities with his wish list, although he's been on his job only a few weeks. But to go along with broader coverage, the risk and benefit manager is hoping Santa

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Monsanto has coverage for $108 million verdict

By STEPHEN TARNOFF

GALVESTON, Texas—Monsanto Co. says it has enough insurance to cover a $108 million damage award, including $100 million in punitive damages, handed down by a federal court jury in an occupational disease case.

The judgment, handed down Dec. 12, is believed to be the largest personal injury award in Texas history and one of the largest ever nationwide.

Monsanto has sufficient insurance to cover the award, even if it is upheld on appeal, said Thomas Bistline, litigation counsel for Monsanto. He would not comment on the details of the coverage.

Monsanto was 'shocked and dismayed by the verdict and outraged by the size of the award. . . .We intend to appeal,' a company spokesman says.

If the award is upheld, Monsanto's workers compensation insurance likely would have to respond under the Coverage B section of the Workers Compensation and Employers' Liability insurance policy, insurers and attorneys agree.

In addition, punitive damages generally are insurable under Texas law.

The award came in a suit brought by the family of a former worker at Monsanto's Chocolate Bayou plant near Alvin, Texas.

The worker, Wilbur Jack Skeen, worked with the chemical benzene between 1969 and 1980. He developed leukemia and died in 1980.

Mr. Skeen's family sued St. Louis-based Monsanto under the Texas workers compensation statute that permits suits for punitive damages in a wrongful death case when the employer is alleged to be guilty of gross negligence.

However, the family will not be able to recover the $8 million in actual damages awarded by the jury, since Texas law permits only the recovery of punitive damages—and not compensatory damages—in suits by the family of a deceased worker against his or her former employer.

Actual damages must be alleged, however, because they are a prerequisite for an award of punitive damages.

Last week, a spokesman for Monsanto said the company was "shocked and dismayed by the verdict and outraged by the size of the award."

"We intend to appeal the verdict and the award," the spokesman said, also declining to comment on the company's insurance program.

The Coverage B section of a workers compensation policy provides coverage for liability actions against the employer related to worker injuries. It requires the insurer to provide a legal defense as well as pay damages due to bodily injury or disease, including death to an individual.

Monsanto's workers compensation insurers during

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California seeks new capital to avert Mission liquidation

By STEVE TARAVELLA

LOS ANGELES—The California Insurance Department is working on an 11th-hour plan to infuse "significant amounts of additional capital" into Mission Insurance Co. to save it from liquidation, according to MIC's parent, Mission Insurance Group Inc.

The department is looking to various parties, "each of whom has an interest in seeing that liquidation of (MIC) is avoided," MIG said in a statement last week.

A rescue plan that has been pending since March calls for a $75 million cash infusion into Mission American Insurance Co., a new MIG unit that was to assume virtually all of MIC's direct written insurance business. It had been expected that half of the $75 million would be contributed by American Financial Corp., the major investor in MIG, and half by principal MIG debtholders.

Now, however, Mission American and the California and Texas insurance departments agree "that the plan as currently structured is not economically feasible," according to MIG's statement.

"Without additional capital being infused into the old Mission Insurance Cos., the companies that are currently in conservatorship, the plan will not go forward," the statement said.

The pending plan did not call for a capital infusion into MIC and its subsidiaries.

Lawrence G. Becker, MIG's secretary and general counsel, calls the department's proposal "very innovative" but declined to discuss the parties with whom the department is negotiating or what arrangements are involved.

A spokeswoman for California Insurance Commissioner Roxani M. Gillespie could not confirm or deny what Mission announced, and the commissioner did not return phone calls.

The department, however, held a private meeting with several state guaranty funds in San Francisco about a month ago to discuss contingency plans should liquidation of MIC prove unavoidable (*BI*, Dec. 8).

In its statement, Mission repeated its doubts, first voiced about three months ago, about the viability of the pending plan, which had been the object of intense negotiations for about a year between MIG, its debtholders and MIC's ceding insurers (*BI*, March 17, 1986; Dec. 2, Nov. 11, 1985).

MIC, which has been in conservation in California since October 1985, faces ultimate liabilities to its ceding insurers of about $581 million, Mr. Becker says. Although insurers that were owed about $458 million

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Three insurers lift Florida freeze

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the insurers said. The department also has indicated it will approve the rate hike requested by CIGNA Corp., the insurer said. All three say they expect to begin writing new business in the state on Jan. 1.

The insurers stopped writing new business in Florida earlier this year in response to the state's controversial new insurance rate regulation and tort reform law, which 240 insurers are challenging in the state's Supreme Court (*BI*, Dec. 15; Nov. 3; July 7).

An Insurance Department spokeswoman said it approved rate hikes averaging 3.3% for Travelers, while an Aetna spokesman said the insurer will be re-entering Florida "cautiously and prudently" with rate hikes of 10% to 12%. A spokesman for CIGNA said the Insurance Department has indicated it will approve "adequate" rate increases but did not elaborate.

First Horizon ceases writing

MINNEAPOLIS—First Horizon Insurance Co., a unit of Cargill Inc., has discontinued writing new and renewal treaty reinsurance.

Cargill announced last week that it will discontinue all third-party insurance activities and also plans to sell Summit National Life Insurance Co. within nine to 12 months.

First Horizon will continue to write coverage for its parent, and most of First Horizon's 42 Minneapolis employees will remain to manage runoff of the reinsurer's business.

First Horizon reported $55.2 million in gross written premiums and $34 million in net written premiums as of Sept. 30. The reinsurer suffered a $5.8 million underwriting loss for the first nine months, but reported net income of $1.65 million after taxes and investment gains. It reported $29.5 million in capital and surplus.

Cargill last year discontinued the commercial reinsurance activities of Horizon Insurance Co. Ltd. of Bermuda, and announced the sale of Universe Life Insurance Co. of Reno, Nev.

First Horizon and Horizon are shareholders in The Heartland Group, a New York Insurance Exchange syndicate recently declared insolvent by the exchange's board (*BI*, Nov. 17).

No comment on Green case

LONDON—Lloyd's of London is refusing to say whether former Chairman Sir Peter Green will be disciplined for his investment in a Cayman reinsurance company.

Sir Peter also refused to comment on reports that Lloyd's has concluded its investigation of his personal interest in Imperial Insurance Co. Ltd. He relinquished his less than 10% share in Imperial when he became Lloyd's chairman in 1981.

Reports of Lloyd's investigations into Sir Peter's activities were published last week, just before a committee headed by Sir Patrick Neill completed its report on Lloyd's self-regulation.

The Neill report will be submitted to the secretary of trade and industry this week, a spokesman confirmed, but it will not be available to the public or Parliament until next year.

Sir Peter has been criticized for serving as a director and small shareholder of Imperial while underwriting for syndicates managed by Janson Green Ltd. that reinsured with Imperial. However, in a 1983 letter to members and again in answer to accusations in Parliament last year, Sir Peter denied any wrongdoing.

Manville plan awaits judge OK

NEW YORK—U.S. Bankruptcy Court Judge Burton L. Lifland was expected to officially confirm Manville Corp.'s plan of reorganization late last week.

At a confirmation hearing last Tuesday, Judge Lifland said the plan meets statutory requirements for confirmation, despite objections from certain parties, including common shareholders.

The reorganization plan, supported by most Manville's creditors, provides for creation of a trust fund that will provide more than $2.5 billion to present and future victims of asbestos-related diseases over the next several decades. A minimum of $125 million also will go to pay asbestos-related property damage claimants.

To complete its reorganization, Manville also must secure court orders barring punitive damages and an injunction barring asbestos-related suits from being filed against it. Manville expects challenges to the plan to be resolved by late 1987 or early 1988.

American Integrity sued

PHILADELPHIA—Shareholders of American Integrity Corp. filed suit against the company, charging its officers either knew or should have known about its inadequate reserves.

The stock of the supplemental health insurer, which reported flat earnings of $2.2 million for the third quarter, closed at $5.25 on Dec. 17, down from a 52-week high of $29.375.

In response to the lawsuit filed in U.S. District Court on behalf of two shareholders, Charles F. Ludwig, American Integrity's vp and general counsel, said: "We believe there is no basis to the allegations, and we will vigorously defend ourselves against this suit."

Briefly noted

Union Carbide Corp. filed a countersuit in India against the governments of India and the state of Madhya Pradesh, stating they bear "contributory" responsibility for the December 1984 Bhopal disaster, said a Union Carbide spokesman. . . .A federal jury in Las Vegas awarded singer **Wayne Newton** $19.2 million in damages, including $5 million in punitive damages, finding that NBC defamed him in 1980 and 1981 broadcasts that tied him to organized crime. NBC plans to appeal the decision. NBC would not release any insurance information, but sources say Fireman's Fund Insurance Cos. is its primary insurer. A Fireman's Fund spokesman had no comment.

NAIC task force debates pollution insurance study

By CAROL CAIN

ORLANDO, Fla.—General insurance market conditions and changes in legal liability caused the demise of the environmental liability insurance market, according to a report submitted to a task force of the National Assn. of Insurance Commissioners.

As a result, regulators should recognize that pricing and underwriting regulations affect market availability and they should lobby for amendments to environmental legislation, according to the report.

However, the report was not endorsed by the task force because regulators from two states charged it was too simplistic and its findings did not support its recommendations.

The report on the environmental liability insurance market was submitted by an advisory committee to the NAIC's Environmental Liability Insurance Task Force during the NAIC's annual winter meeting in Orlando.

Among other topics discussed during the Dec. 6-11 meeting were underwriting guidelines for health coverages, how insurer insolvencies affect workers compensation rating and the need for states to notify each other when an insurer ceases or advises it will stop underwriting in their state.

The advisory group, which spent more than a year on its report, included representatives from insurance companies and brokerages, chemical and petroleum manufacturers, public entities and risk management associations.

"The advisory committee emphasizes that the viability of a market for pollution liability insurance depends on financial conditions affecting individual insurers and reinsurers and on individual business decisions they are continually called upon to make about an appropriate mix of business, preservation of surplus and allocation of available capital," asserted George M. Mulligan, chairman of the advisory committee and senior vp of the American Insurance Assn. in New York.

Among the committee's regulatory recommendations is a call for the NAIC to recognize that regulatory restrictions on pricing and underwriting can stifle environmental liability insurance markets. If such restrictions are considered necessary, they should be structured carefully.

The advisory committee also recommends that the NAIC oppose residual markets writing pollution coverages because it would deplete insurance capacity needed in other markets and threaten insurer solvency.

In addition, the advisory committee asks the NAIC to encourage Congress to explore the feasibility of developing environmental laws that move toward a system based on possessory liability and standards of conduct for all waste facilities, generators and transporters. Under such a system, these entities would be liable only for those acts or omissions occurring while hazardous and other potentially polluting substances are in their possession.

The advisory committee also wants NAIC members to encourage the use of alternative dispute resolution procedures to equitably and efficiently settle pollution claims.

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Pinnacle may sue Mentor's liquidators

By ROGER SCOTTON

NEW ORLEANS—Bermuda-based Pinnacle Reinsurance Co. Ltd. is considering filing an action in Bermuda Supreme Court against the liquidators of Mentor Insurance Ltd., which are suing Pinnacle in U.S. District Court in New Orleans.

Pinnacle lawyer Robert E. Barkley Jr. of Sessions, Fishman, Rosenson, Boisfontaine, Nathan & Winn in New Orleans last week told U.S. District Judge Marcel Livaudais that Pinnacle was considering a "parallel action" in Bermuda against Mentor's liquidators.

Judge Livaudais last week reserved judgment on Pinnacle's motion to dismiss it from the liquidator's action in the United States. No date for a judgment has been set.

The liquidators' suit, filed in March in the U.S. District Court for the Eastern District of Louisiana, charges that Pinnacle conspired with officers and directors of Mentor and its parent company, Ocean Drilling & Exploration Co., to defraud Mentor and its policyholders by issuing misleading financial statements. Pinnacle

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Utica National's Jack Riffle dies

WHITE LAKE, N.Y.—Jack B. Riffle, chairman and chief executive officer of the Utica National Insurance Group, died of an apparent heart attack Dec. 13 while at his vacation home in White Lake.

A frequent speaker on industry issues, Mr. Riffle most recently participated in a panel discussion at the winter meeting of the National Assn. of Insurance Commissioners (*BI*, Dec. 15).

Mr. Riffle

Mr. Riffle, 58, joined Utica National in 1965 as director of personnel. He was elected vp and director of marketing in 1966 and was promoted to senior vp in 1970.

He was elected executive vp in 1972, president in 1974, president and chief operating officer in 1977, president and chief executive officer in 1979 and chairman of the board, president and chief executive officer in 1984.

W. Craig Heston, who became president of Utica Mutual Co. earlier this year, will assume Mr. Riffle's duties for an interim period, a spokesman for the insurer said.

"He will be deeply missed. He was the leader of our company," Mr. Heston said of Mr. Riffle. "He was a national presence in our industry and an eloquent spokesman on its behalf. He was someone who was committed to his family and

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inside

✔ An analysis of the insurance industry by the Federal Trade Commission would offer a fresh perspective on the industry's performance, financial stability and the benefits and disadvantages of the industry's exemption from most federal antitrust laws, this week's editorial says. **PAGE 8**

✔ Insurers, benefit consultants, brokers and software vendors are touting an array of products to help benefit managers cope with the health care coverage provisions contained in the Consolidated Omnibus Budget Reconciliation Act. **PAGE 10**

✔ Employers that had put plans for flexible benefit programs on hold because of uncertainty over some tax reform issues now are reviving those plans to offer their employees a voice in how their benefit dollars will be spent. **PAGE 18**

✔ Most employers that have terminated overfunded pension plans adopted plans that provide substantially the same benefit levels as the terminated plan, the Pension Benefit Guaranty Corp. says. **PAGE 25**

✔ Inadequate loss reserves, large reinsurance recoverables and the slow movement of tort reform are acting as brakes on any turn in the current insurance cycle, contends AIG President Maurice R. Greenberg. **PAGE 66**

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Benefits marketplace

Inflation expected to boost indemnity plan rates

By DONNA DiBLASE and LINDA J. COLLINS

Employers are in for a "rude awakening" when they renew their group indemnity health care plans, most benefit experts warn.

Rate increases could be as high as 20% or more for some employers' conventional indemnity health care plans.

However, health maintenance organizations may hold the line on price increases to 2% to 8% in response to competition among HMOs. And, managed care plans will raise prices, but probably not as much as indemnity plans because they control utilization and prices.

These are the predictions of employee benefit consultants, group health care brokers and insurers and HMOs interviewed this month.

In 1986, group indemnity rates increased 6% to 12% and HMO rates increased 2% and 7%, with most increases falling at the lower end of that scale, as had been predicted last year (*BI*, Dec. 23, 1985).

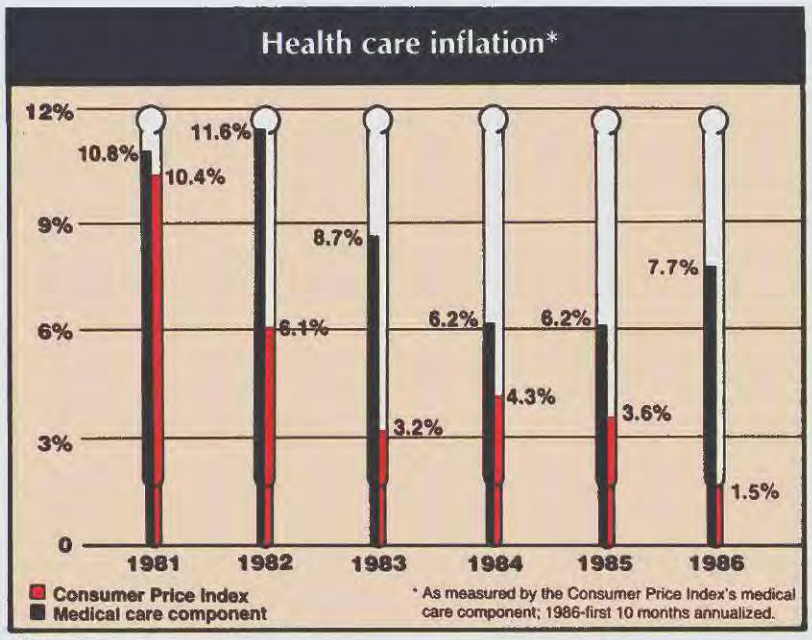

Chart: Amy Palmer

"We suspect that a lot of companies that thought these reductions in rate increases were a result of their good cost-containment programs may be in for a rude awakening in 1987," predicted Clifford Ritt, manager of group consulting in the Washington office of The Wyatt Co.

The reason health plan costs will rise in 1987: escalating health care cost inflation.

The medical care component of the Consumer Price Index has risen at an average annual rate of 7.7% for the first 10 months of 1986, according to the Bureau of Labor Statistics.

This increase, higher than the 6.2% increase for all of 1985 and the 6.2% increase in 1984, is approaching the medical care inflation rate of the early 1980s, when the medical component rose 8.7% in 1983, 11.6% in 1982 and 10.8% in 1981.

In contrast, the rate of increase in the overall Consumer Price Index for the first 10 months of 1986 rose only 1.5%, compared with a 3.6% increase for all of 1985, and 4.3% in 1984. The index rose 3.2% in 1983 and 6.1% in 1982, after a jump of 10.4% in 1981.

"Health care costs will continue to rise despite changes in the delivery system and cost-cutting measures," predicted Tom Billet, senior consultant at New York-based broker and consultant Johnson & Higgins.

"Medical inflation is still twice the average inflation rate, even though the rate of increase has slowed for both," he added.

Insurers agree that inflation is a key factor in premium rate increases.

"Health care costs are now going up three to four times the rate of general price increases," said Terrence Burke, vp-group corporate for Newark, N.J.-based Prudential Insurance Co. of America. Group indemnity plan rate increases could range between 8% and 20%, "assuming inflation stays at the same level it's at now," he said.

"We're now seeing the beginning of some significant rate increases," said Jennings L. Hart, senior vp of McDonough Caperton Benefits, a division of Charleston, W.Va.-based broker McDonough Caperton Insurance Group.

"We are in the beginning phases of another price spiral—not as bad as what we saw in the early '80s, but more than we've seen in the last couple of years," Mr. Hart predicted.

In the early 1980s, group health plan rates rose generally 25% to 40%, but in some cases even higher (*BI*, May 31, 1982; Jan. 10, 1983).

"I personally believe the rate of increase is on the rise again," said James Kennedy, consulting principal in the Chicago office of benefit consul-

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Top 10 consultants collect record revenues

By JERRY GEISEL

The nation's largest benefit consultants are reaping a record harvest of consulting revenues.

Fed by increased demand for services by employers trying to cope with the new tax reform law and mergers and acquisitions, consulting revenues at the 10 largest employee benefit consultants climbed 19.5% to a record $1.211 billion, up from $1.013 billion, according to information supplied by the consultants and estimates made by *Business Insurance* (see chart).

Last year, the firms estimated they would earn $1.018 billion in 1985 revenues, but several restated their 1985 revenues.

(Benefit consulting revenues include fees paid to a consultant for advice on employee benefit issues, but exclude fees for compensation consulting, commissions and fees derived from placing insurance where no consulting is involved, health care and other claims administration services and other services).

While mergers and acquisitions contributed to revenue growth at William M. Mercer-Meidinger Inc. and Towers, Perrin, Forster and Crosby, the first- and second-largest benefit consultants respectively, Hewitt Associates in Lincolnshire, Ill., achieved the greatest percentage increase in revenues this year without any acquisitions.

Hewitt's benefit consulting revenues jumped 33.3% to an estimated $100 million in 1986, maintaining Hewitt as the fifth-largest consultant.

Peter Friedes, Hewitt's chief executive, notes that Hewitt's decision years ago to be the pre-eminent firm in flexible benefit plan consulting continues to pay big dividends.

Revenues at The Wyatt Co., the third-largest benefit consultant, rose 21.9% to $184 million without any major acquisitions, the third-largest percentage revenue increase among the Top 10.

The second-largest percentage increase in benefit revenues was recorded by Mercer-Meidinger, the world's largest benefit consultant. Its revenues climbed 24.3% to an estimated $281 million.

That increase was helped by the merger with Duncan C. Fraser & Co., a major U.K.-based actuarial consulting firm, and the acquisition of three small consultants.

Mercer-Meidinger's revenues next year will

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10 largest employee benefit consultants

(Ranked by benefit consulting revenues; 1986 estimates)

Name (Parent company)	Benefit consulting[1] Gross revenues 1986	1985	% change	Total operations Gross revenues 1986	Offices (U.S./total)	Employees
William M. Mercer-Meidinger Inc. (Marsh & McLennan Cos. Inc.)	**$281 million**	$226 million	**24.3%**	**$292 million**	**42/87**	**4,129**
Towers, Perrin, Forster & Crosby (Independent)	**$215 million**	$180 million	**19.4**	**$370 million**	**29/48**	**3,800**
The Wyatt Co.[2] (Independent)	**$184 million**	$151 million	**21.9**	**$214 million**	**30/54**	**2,280**
Johnson & Higgins (Consulting operations only)	**$116 million[3]**	$101 million[3]	**14.9**	**$130 million[3]**	**45/77**	**950**
Hewitt Associates (Independent)	**$100 million**	$75 million[4]	**33.3**	**$120 million**	**23/33**	**1,520**
Buck Consultants Inc. (Independent)	**$79 million**	$71 million[4]	**11.3**	**$79 million**	**12/13**	**842**
Human Resource Management Group (Alexander & Alexander Services Inc.)	**$78 million**	$68 million[4]	**14.7**	**$120 million**	**47/81**	**1,426**
Frank B. Hall Consulting Co. (Frank B. Hall & Co. Inc.)	**$58 million**	$50 million	**16.0**	**$65 million**	**35/50**	**880**
A.S. Hansen Inc. (Independent)	**$52 million**	$48.4 million	**7.4**	**$64 million**	**20/21**	**703**
Martin E. Segal Co. (Independent)	**$47.5 million[3]**	$43 million[3]	**10.5**	**$49.5 million[3]**	**14/16**	**611**

[1] Excludes revenues from claims administration, compensation consulting, insurance commissions (where no consulting is involved) and other non-benefit consulting.
[2] Year ending June 30. [3] *BI* estimate. [4] Restated.

Chart: Amy Palmer

Health plan rates

Continued from previous page
tant A.S. Hansen Inc. "We'll probably see premium increases of 10% to 12% over the next couple of years."

Some group health insurers say rate increases for 1987 are expected to average between 8% and 15% and may go as high as 20%, depending on the rate of health care cost inflation and the claims experience of the employer group.

At New York-based Metropolitan Life Insurance Co., "in 1986, our rates increased between about 6% and 12%," said Neil Waldron, assistant vp in group marketing. "However, if medical costs continue to increase, rates for 1987 could increase between 8% and 15%."

"Some insurers are looking at 11%, 12% or 14% increases in health care costs as they set rates," said James Purdy, vp with Hartford, Conn.-based Travelers Corp.

"Rates will be a little higher than last year because inflation is higher," he added, although he said he could not estimate increases for Travelers' clients.

At Boston-based John Hancock Mutual Life Insurance Co., "we saw lower rate increases in 1986," said Lawrence E. Townley, senior vp of group sales.

"We saw more plans renew 'as is' in '86 than we've seen in many years," he added, referring to low or non-existent rate increases in 1986 for some Hancock clients.

"But, with health care inflation on the rise, rates could increase more in 1987," Mr. Townley said.

He could not estimate Hancock's increases because "Hancock is a decentralized company and indemnity plans are rated and managed through field offices."

For Blue Cross/Blue Shield Assn. plans, "rate increases might be slightly higher in 1987, maybe between 8% and 15%," said Edward Wojcik, an actuary for the Chicago-based health insurer.

And, Equicor—the joint venture between Nashville-based Hospital Corp. of America and The Equitable Life Assurance Society of the United States based in New York—is predicting increases of about 10%, according to Thomas Ferguson, vp and actuary.

"A lot of insurers are using trend factors of about 12% to set rates," he said. "And, that reflects health care price increases and cost shifting."

And, while some insurers predict increases of between 8% and 15%, some group health brokers report seeing larger increases.

"Some cost-cutting measures have left their mark and helped to get costs in line, but the rising costs of technology and the delivery system and inflation factors are now catching up," said Carroll B. Cox, executive vp and regional benefits director for Fred S. James & Co. Inc. in Portland, Ore.

"We're seeing, on large accounts with 500 or more employees, rate increases of 20% to 35% depending on the experience of the case," he added, noting that this is a general trend on the West Coast.

"A lot of insurers have been surprised with their experience in fully insured business," said McDonough Caperton's Mr. Hart. "They have found that they have severely underestimated costs. On an average, we will see increases of 12% to 14%," he added. Some regional insurers have even raised rates as much as 20%, he said.

Meanwhile, some HMOs say health care inflation also may force them to increase rates, but not as much as indemnity plans because of competition from other HMOs.

Competition is a major factor in determining premium rates for HMOs, said Richard T. Burke, chairman and chief executive officer of United Health Care Corp., explaining that in areas with significant competition among HMOs, price increases may be less than in other areas. United Health Care Corp., a Minnetonka, Minn.-based HMO company operates some 40 plans nationwide, with 1.2 million members.

"Costs are now starting to go up and pricing is going up as well," he said. "Competition has a lot to do with rates. Some rates will go up significantly—double-digit increases. Others will go up very little," he added, though he would not specify any rate increases for United Health Care HMOs.

Group health brokers say HMO rate increases for 1987 could range from 2% to 8%.

"In areas of the country where HMOs are prevalent and are a viable factor in the market—such as the Milwaukee area—competition may have some bearing on rates," said Charles A. Schoenster, executive vp and regional benefits director for Fred S. James & Co. Inc. in Short Hills, N.J.

However, most areas of the country are seeing rate increases, he said. "These increases, as a general rule, are running in the neighborhood of 6% to 8%."

"Older HMOs—group and staff models in particular—will probably have to increase their rates because they are seeing the same general trends," such as inflation, that have affected conventional indemnity plans, said Ronald G. Cameron, vp of Corroon & Black Corp.'s Benefits and Specialty Sales Group in Nashville, Tenn.

But, he added: "Their increases probably will be lower than the conventional insurers. On a nationwide basis, HMO rate increases might be somewhere between 2% and 4%."

Some experts, however, say there may be some rate-cutting among HMOs seeking market share—which could be dangerous.

"Competitive pricing or rate-cutting may start to occur in the HMO market in '87 and '88," said Metropolitan's Mr. Waldron. "But, that's a very dangerous game to play.

"Some of the for-profit chains that had the wrong underwriting motivations ended up with losses as a result of offering rates that were too low. An important illustration of this is Humana," which guaranteed employers rates that would not rise above the medical care component of the CPI, he said. Louisville, Ky.-based Humana Inc. lost some $25 million on its Humana Care Plus plans in 1986 (*BI*, Sept. 29).

Humana "came in at 25% to 30% lower than the conventional markets and guaranteed increases of no greater than the health care component of the CPI," said McDonough Caperton's Mr. Hart. "As the cases Humana wrote two to three years ago are running out their three-year contracts, it is beginning to raise those rates."

While a spokesman from HumanaCare Plus in Louisville confirmed that the HMO "has experienced some rate increases this year and will experience some next year," he added: "The plan remains very price competitive."

And an increasing number of HMOs may spur further competition, said Dr. John J. Mahoney, national director, Health Strategies Group for Alexander & Alexander Inc. in Westport, Conn.

"Far more HMO plans are competing for a gradually increasing HMO enrollment base," he said.

Prudential's Mr. Burke said: "I think rate-cutting is happening. The health care system is going through a price-cutting stage like the airlines did after the deregulation."

In the Washington area, "we are seeing rate-cutting as more and

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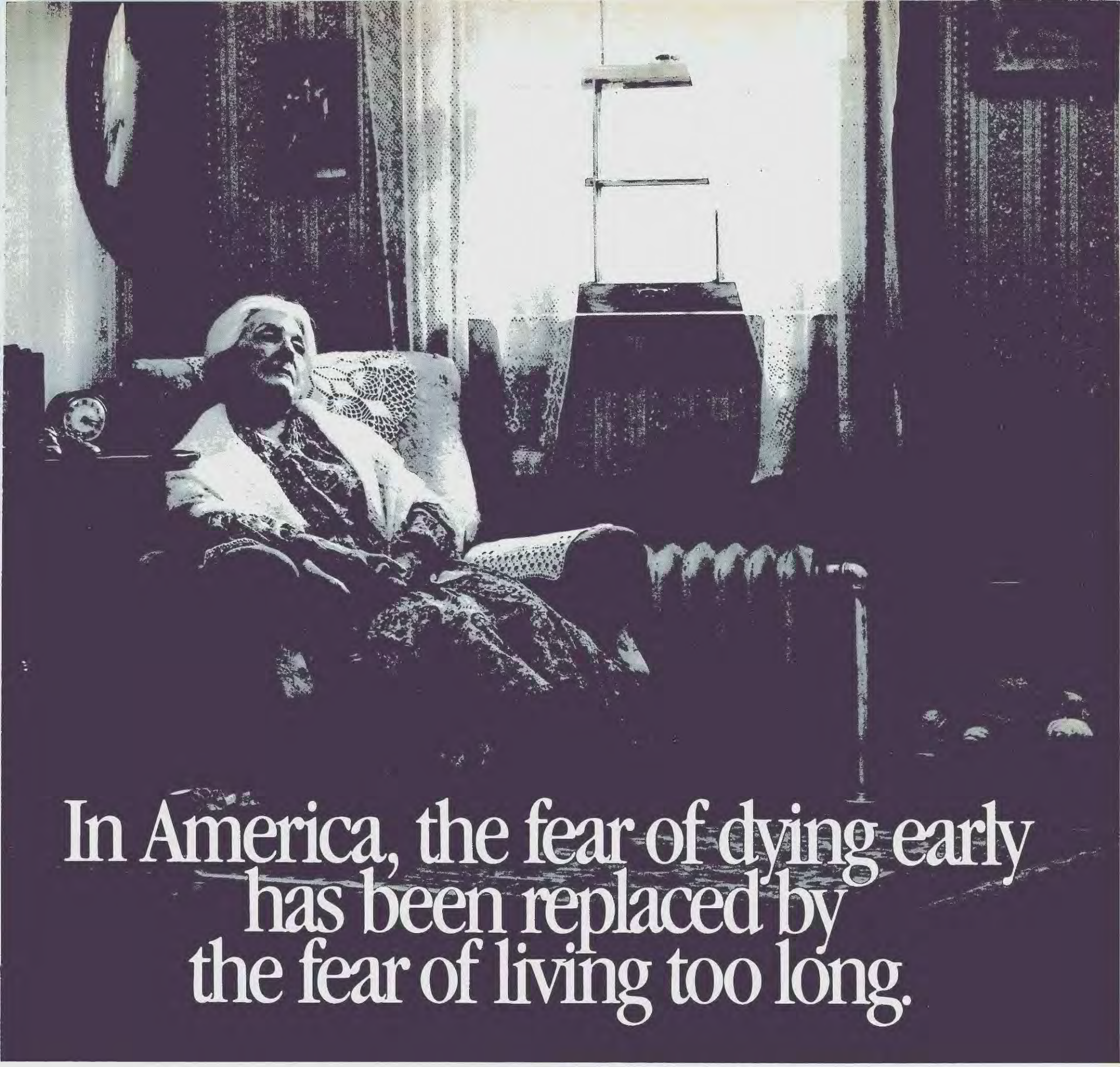

In America, the fear of dying early has been replaced by the fear of living too long.

The good news is, Americans are living longer than ever before.

The bad news is, many older Americans are not financially prepared for a longer life.

Due to advancements in public health, many people now live into their 80's or even 90's. But as they live longer, many face the prospect of needing long term medical assistance such as nursing home care.

These needs can quickly deplete a lifetime's savings. Government programs can help, but in many instances only after a person has exhausted his or her personal savings.

Clearly, ideas for long term care are needed to fill the gap, so people won't have to dread the financial prospects of growing old.

At NWNL Group, we're working on a solution. It's a program call LifeScope.℠ It's designed to provide health and financial security for a person's working and retirement years by sharing financial responsibility among participating individuals, employers and health care providers.

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NWNL Group invites each of these institutions to join us in shaping our plan. Contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call 612-372-5784 for a detailed report on the problem and how we can solve it together.

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Health plan rates

Continued from page 4

more HMOs come in here," said Wyatt's Mr. Ritt. "They are trying to undercut each other and the indemnity plans in our market."

"The key thing is that the (medical care) prices are heating up and competition is intense," said Travelers' Mr. Purdy.

Leading HMOs aren't admitting to rate cutting and warn they will raise rates in 1987.

Rate increases for Kaiser-Permanente Foundation HMOs "will vary by plan," said a spokesman for the 4.9 million-member Oakland, Calif.-based HMO, the country's largest. "There will be some increases in some cases and in other cases, there will be no increases."

He said any increases "would be at the low end of the scale," ranging from 6% to 15%.

Group Health Cooperative of Puget Sound, a Seattle-based HMO with 350,000 members, is predicting lower rate increases, closer to those of 1986. "A lot of our largest competitors have announced rate increases in the neighborhood of 10%," said Edith B. Weller, director of marketing. "Ours will increase slightly—2% or less."

"We'll be doing our best to make sure any increases introduced will be kept to a minimum," said a spokesman for Maxicare Health Plans Inc., a Los Angeles-based HMO with more than 2 million members. The company recently acquired HealthAmerica Corp. and HealthCare USA Inc., making it one of the largest HMOs in the nation (*BI*, July 21; Aug. 4).

"We are being faced with increasing costs in hospitalization and services, but we will pass on only the necessary increases," the spokesman said.

Group insurers that also operate HMOs and preferred provider organizations say rate increases for these plans may be less than those for indemnity plans.

"Generally, among HMOs there will probably be some increases, but increases will vary tremendously by the maturity of the HMO," said Prudential's Mr. Burke. "But, managed care premium rate increases will be lower than indemnity increases," because the plans control prices and utilization.

Increases for Prudential's PruCare HMOs will vary based on prospectively negotiated prices between the insurer and health care providers and the individual market of each plan, he explained.

Rate increases also will be lower with preferred provider organizations because, "with a PPO mechanism, you temper costs because you're controlling delivery," said Hancock's Mr. Townley.

While Hancock Preferred PPO can work to contain costs and rate hikes, rates still are affected by health care inflation, he added. Hancock Preferred currently is available in Chicago, South Florida, Detroit, Boston, Houston, Los Angeles and San Francisco.

Hancock Health Plans, the insurer's HMO, is subject to "the competitive forces of the marketplace," Mr. Townley noted. "Inflation is just one part of pricing an HMO. Competition really limits an HMO's pricing strategies."

However, "because each site is independent and they set their own rates, I can't generalize and say whether their rates will be higher or lower," than indemnity rate increases, he said.

Fort Wayne, Ind.-based Lincoln National Corp. predicts that rate increases for its HMOs will be less than for its indemnity plans. "We expect increases in health care costs of between 11% and 14% and our indemnity increases will reflect that," said a spokesman.

"However, the larger increases, while they will vary from group to group, will be in our traditional indemnity plans. The HMOs will experience a lower rate of increase," he added, though he could not specify.

And, while premium increases for HMOs and PPOs could be lower than indemnity plan increases, increases may be even lower on multioption plans now offered by a few group insurers, one insurer has found. Multioption plans usually allow employees to select an indemnity plan, an HMO or a PPO with the employer charged one experience-rated premium.

Based on a study of a two-year pilot program of its new multioption plan in St. Louis, Metropolitan found that premium rate increases for the 42 participating employers were 2.5%, compared with a 16% increase overall in the St. Louis area. In this pilot plan, employees selected either an HMO or an indemnity plan.

"We've had good experience with this program since the beginning of 1984," said Jim Young, director of product development for MetLife HealthCare Management Corp., the insurer's HMO subsidiary. "From looking around the country, I'd say this was about the lowest premium increase."

Under this "self-referral option" program, employees selected between two levels of coverage under either a conventional fee-for-service option or an HMO option, with the opportunity to switch plans quarterly, Mr. Young explained.

"We got a little better than a 70% average of a particular group's population in the HMO option," by offering higher coverage and less out-of-pocket expense than under the indemnity option, he said.

"In the HMO option, we were able to control costs through good utilization review," and then pass the savings on to the employers through lower rate increases, Mr. Young explained.

Under the "Plus Plan," employees received 100% coverage with no deductibles and no copayments if they chose the HMO option.

If employees chose the indemnity "Plus Plan" option under this plan level, they paid about a $200 per-person deductible, with a maximum out-of-pocket expense of about $1,500, depending on the individual employer's plan.

Under the "Standard Plan," employees choosing the HMO option paid copayments of between $5 and $15 for office visits and some hospital copayments, depending on the individual employer's plan.

Employees choosing the standard indemnity option paid a deductible similar to the Plus Plan

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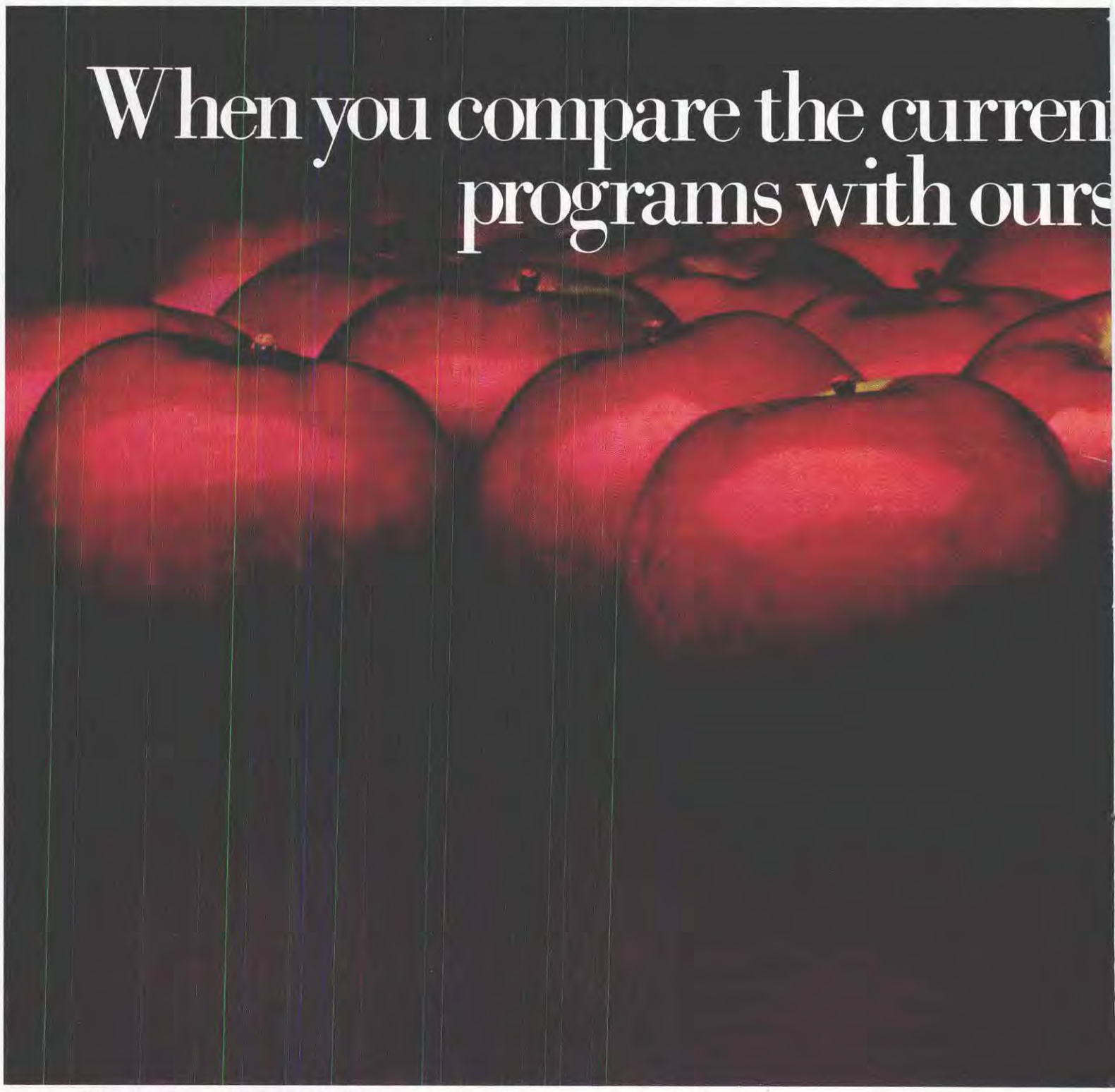

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Continued from previous page
and a higher out-of-pocket maximum of about $2,000, he said.

And, "the employee's premium contribution for all of the options was kept consistent. The employer could differentiate the rate for the options if he wanted. But, when this was done, it was done to further encourage HMO enrollment by employees, which could result in an even lower renewal rate," he said.

The main reason most employers did not charge employees different rates for either option was to avoid administrative confusion, he said.

Some experts, however, are skeptical about whether multioption plans can really hold increases down in the long run.

"HMOs and PPOs in general are able to reduce costs initially," said Wyatt's Mr. Ritt. "However, a two-year test is not enough to say whether it's going to save over the long term."

But one consultant notes another advantage of the plans and says they'll become more popular. "We will see an emergence of triple-option plans and experience rating. You don't have to worry as much about adverse selection within triple-option plans," said Geraldine Alpert, a principal with William M. Mercer-Meidinger Inc. in Stamford, Conn. ■

Equicor planning to expand managed-care plan network

By DONNA DiBLASE

NEW YORK—The newly formed Equicor expects to offer managed care health plans in more than 60 markets by the end of next year.

"We will have managed health care capabilities—either an HMO or PPO capability—in 23 markets across the country by the end of 1986," said James Murphy, senior vp of marketing for Equicor.

And, Equicor expects to operate health maintenance organizations or preferred provider organizations in an additional 40 to 45 markets by the end of next year, Mr. Murphy said.

Equicor is a joint venture between The Equitable Life Assurance Society of the United States and Nashville-based Hospital Corp. of America (*BI*, Aug. 11).

The Equitable Group & Health Insurance Co., the group health division of the insurer, transferred all its group health clients into the new company in October. HCA Health Plans, which operates HMOs and PPOs in some 13 states, also transferred its clients.

Almost 9 million lives currently are covered by Equicor.

The managed care product, called Equicor Choice, will allow an employer to offer either a dual choice or a triple-option plan, giving employees a choice of an indemnity plan, an HMO or PPO.

"The advantage of these products is that they can be structured to encourage employees to use managed care options," said Thomas Ferguson, vp and actuary for Equicor.

"Employers who go to these products will have the best control over health care costs. Employers with HMOs only are going to see their indemnity plan costs still moving up," because of adverse selection against indemnity plans.

But, with a multioption plan, where there is one experience-rated premium, "the potential for rate increases of only 5% to 10% is there because of the managed care plans," Mr. Ferguson explained.

"However, our product offerings will differ from market to market as we complete our networks," Mr. Murphy added. In some markets, Equicor could offer all three options and in others it may offer only an HMO or only a PPO in addition to the indemnity plan, he explained.

Equicor plans to phase in its multioption product over the next three years in 200 markets.

Currently, Equicor primarily is underwriting conventional indemnity plans as it builds its managed care network.

Equicor also will offer a variety of funding arrangements.

Equicor will offer an experience-rated indemnity product that will pay a dividend to the employer at year-end if the group's experience was favorable, he said.

The insurer also is developing a "combined risk pool" arrangement in which both indemnity and HMO options will be offered under one experience-rated premium.

Equicor now is designing formats for reporting claims and health care use information for all plan options in one consolidated report to an employer.

"On the Equitable side, in the past we have delivered centralized indemnity administration and services to an employer's main office for all of its branches. Now, we will be able to do this for the HMO and managed care plans as well," Mr. Murphy said.

Equicor currently uses an indemnity plan claims reporting system called EquiClaim. "We will compare the current HMO reporting systems to EquiClaim to develop the new system," he said. The new reporting system probably be available within a year.

Equicor also provides customized employee benefits communications programs to employers, developed by a communication unit headquartered in New York.

And, Equicor also produces a monthly newsletter for clients, called "Commentary from: Equicor." The newsletter keeps clients informed of benefits legislation and other benefit-related issues.

Equicor also provides billing and reporting services to help employers comply with the Consolidated Omnibus Budget Reconciliation Act, said Mr. Ferguson. ■

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opinions

FTC scrutiny is welcome

THE FEDERAL TRADE Commission should be granted authority to study the insurance industry—with the blessing of insurance consumers, regulators and the industry itself.

We agree with FTC Chairman Daniel Oliver that state regulation of the insurance industry should be subject to federal scrutiny, as he suggested at the National Assn. of Insurance Commissioners' meeting earlier this month (*BI*, Dec. 15).

And, we believe that an FTC study of the insurance industry should encompass an analysis of the financial stability of the insurance industry, its performance in satisfying consumer demand and the benefits and disadvantages of exempting the insurance industry from most federal antitrust laws.

The FTC is barred from studying the insurance business unless Congress specifically requests such a study.

Since so many regulators boast that state regulation is superior to potential federal regulation, they should not fear putting their assertions to the test by subjecting their performance to scrutiny.

Insurance consumers should demand that Congress order an FTC study of the insurance industry. Clearly, insurance buyers are frustrated with the performance of the insurance industry regarding pricing and availability. They need more information to judge whether the industry is primarily at fault due to mismanagement or whether, as the industry contends, it is the victim of a runaway civil justice system.

In addition, some consumers are questioning the ability of the states to regulate the solvency of insurance companies.

Consumers should seek the fresh perspective the FTC would bring in analyzing the industry and its regulation.

Insurance regulators also should endorse an FTC study, particularly with a focus on state regulation of insurance. Since so many regulators boast that state regulation is superior to potential federal regulation, they should not fear putting their assertions to the test by subjecting their performance to scrutiny.

Moreover, if state insurance departments are as badly underfunded as they say they are—and we suspect most are—then the FTC study will surely point this out and support state insurance regulators' efforts to obtain more money for their departments.

Finally, the insurance industry should welcome what we would expect to be a fair analysis of its performance. There has been too much simplistic, and in some cases downright deceptive, commentary on the terribly complicated business of insurance. And, there's been too much rhetoric and mud slung at the insurance industry in the last 12 to 18 months.

Insurers acknowledge that their business is misunderstood. Here's an opportunity to shed more light on its workings.

While we agree with Mr. Oliver that the effect of the McCarran-Ferguson Act exemption for the industry from most antitrust laws should be analyzed by the FTC, we emphasize that we believe this should be only a part of the study, not its entire focus. And, in its analysis of the antitrust exemption, the FTC should explore not only how the industry operates with the exemption, but also what impact repeal of the McCarran-Ferguson Act would have on the industry.

We agree with those who argue that insurers must be allowed to continue to pool data to establish proper rates for insurance. With more and more regulators and consumers demanding data from the insurance industry, data collection organizations surely are needed.

We acknowledge that an FTC study of the insurance industry could be viewed as the proverbial camel's nose in the tent, but Mr. Oliver maintains that he does not advocate federal regulation of the insurance industry. To those who remain unconvinced by Mr. Oliver's assertion, we hasten to add that the regulators and insurance industry would have ample opportunity to expose and rebut any unfounded biases toward federal regulation that may appear in the results of such a study.

letters

Tort reform is pro consumer, not pro business

To the editor: Those arguing in favor of tort reform continue to make the same tactical error as they publicize their efforts to bring about needed change. This is clearly demonstrated in the final paragraph of Jerry Geisel's article, "New Push Planned for Federal Tort Law" (*BI*, Nov. 24), where reference is made to the statement by the Alliance of American Insurers that:

". . .the challenge facing reformers is to convince congressional Democrats that product liability is a business issue not a Republican or Democratic issue."

The point that must be made is that this is not simply a business issue but one that affects the American consumer, who stands to gain so much through the passage of reforms that would put more dollars back into the pockets of those legitimately injured by a product.

The misguided consumer interest groups literally leap at each opportunity to use this tool by warning the public that big business is out to get them by limiting their rights of recovery in product liability actions.

With the likelihood of reform at the federal level very much in doubt as the next Congress prepares to convene, all those involved must de-emphasize that the problem is purely a business concern.

As stated in testimony last fall before the Senate Judiciary Committee, Product Liability Alliance Counsel Victor E. Schwartz concluded that portion of his statement under the heading "Anti-Consumer Myth" with the following:

"In sum, the idea that any tort reform legislation is automatically anti-consumer is a myth. The Judiciary Committee can help educate members of both the House and Senate by making that a finding of this committee. The time for providing large awards to people who hit the tort jackpot because they find "Good-N-Plenty" candy in soda bottles should be over!"

Norman B. Chanzis
Chairman, Governmental Affairs Committee
Risk & Insurance Management Society Inc.
New York

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Phone-in Day helped to 'spread the word'

To the editor: On behalf of our Strategy Committee, I want to express our sincere appreciation to you for the superb coverage that you afforded our Dec. 9 "House Phone-In Day" initiative.

In recent days the sober reassessment necessitated by the results of the election has generated a new determination on those seeking federal product liability reform legislation, and we are grateful for your assistance in "spreading the word."

Our respect for *Business Insurance* and Jerry Geisel, always high, continues to grow.

Dirk Van Dongen
Executive Secretariat
The Product Liability Alliance
Washington

■ *Editor's note: Business lobbyists proclaimed Phone-In Day a success. No official tally is available, but TPLA estimates that Speaker of the House-designate Jim Wright, D-Texas, received about 1,200 calls. Outgoing Senate Majority Leader Robert Dole received about the same number of calls on a similar Phone-In Day last September.*

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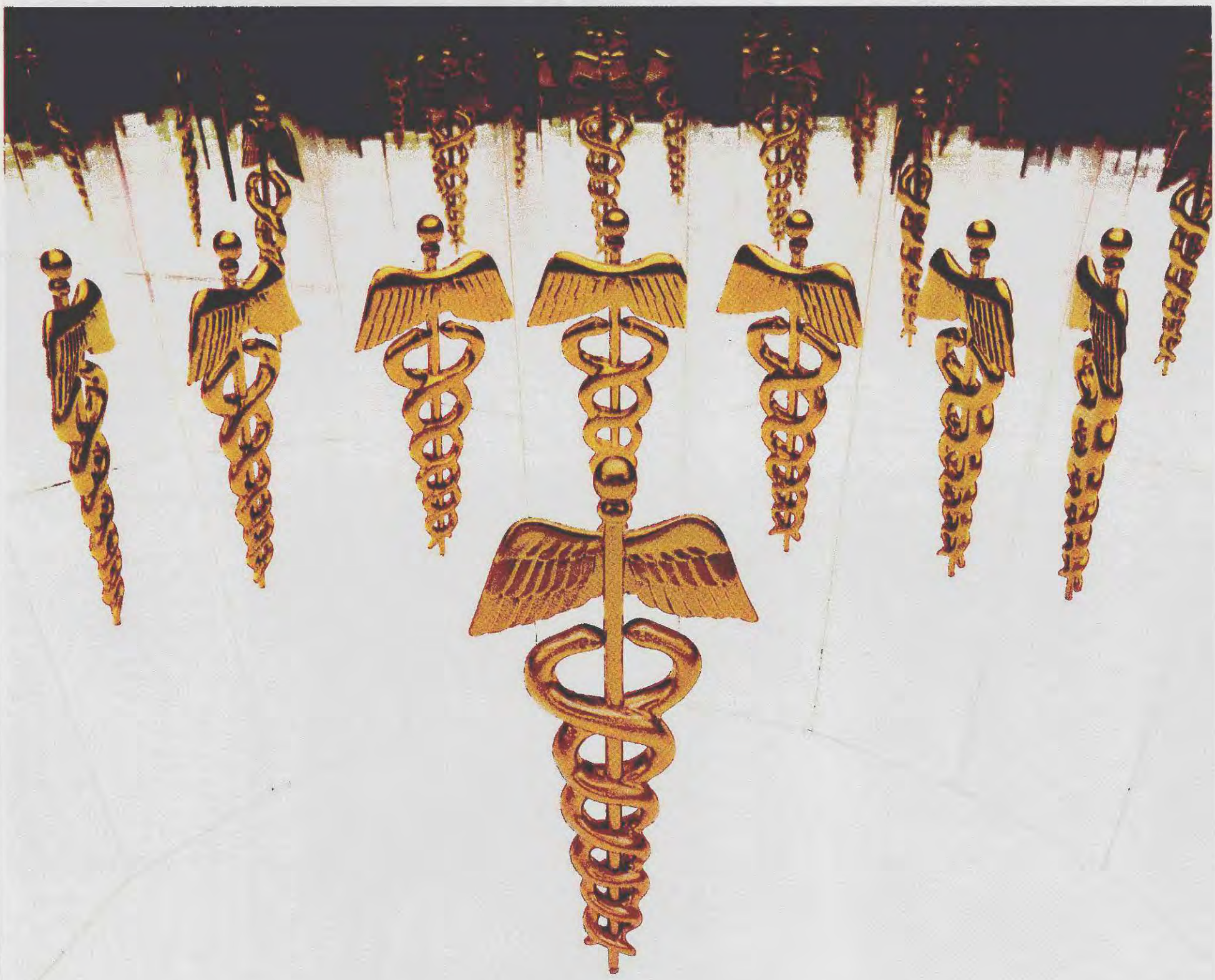

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Employers get help with COBRA burden

By STEVE TARAVELLA

Employee benefit managers groping to comply with COBRA will not have to tackle the regulatory snake alone.

Insurers, consultants, brokers and software designers have introduced a plethora of products to help benefit managers cope with the employee benefit provisions of the federal Consolidated Omnibus Budget Reconciliation Act.

"Everybody's jumped on the bandwagon," observed Allen DeGraw, an independent health care and benefit systems consultant in West Hartford, Conn.

"From a vendor standpoint, COBRA's the best thing since sliced bread," added another COBRA software vendor.

Among the many companies competing for benefit managers' attention are traditional software vendors like Dyer, Wells & Associates in Smyrna, Ga., and California Interactive Computing Inc. in North Hollywood; new vendors like Travis Software Corp. in Houston; benefit consulting giants like The Wyatt Co.; health insurers like Metropolitan Life Insurance Co. in New York and Celtic Life Insurance Co. in Chicago; and brokers like Fred S. James & Co. Inc.

Others, like Blue Shield of California, are preparing COBRA-related services to offer their major group policyholders.

Most of the products fall into three categories: computer software, outside service arrangements or insurance products.

> **'From a vendor standpoint, COBRA's the best thing since sliced bread,' says a software vendor.**

The COBRA software—whether it is newly developed for a stand-alone operation or a modified version of an existing automated system—eliminates paper work for benefit managers who want to administer COBRA coverage themselves.

The service arrangements, under which third parties collect premiums and administer coverage, offer employers a way to comply with COBRA without bringing another administrative headache in-house.

And the insurance products apply to the extended coverages that COBRA requires employers to offer.

As often happens when many new products geared to a limited number of buyers are introduced, prices vary widely while manufacturers grope for the right price niche. For example, some stand-alone software products are available for less than $1,000, while others cost as much as $10,000.

Under COBRA, group health insurance coverage must be offered to employees' divorced, widowed or separated spouses and to former employees, except when employment is terminated because of gross misconduct. Former employees can purchase coverage for 18 months after employment ceases, while spouses can buy the coverage for up to three years. The premium charged cannot exceed 102% of the employer's cost of providing the coverage.

Only the federal government, church plans and employers with fewer than 20 workers are exempted from COBRA's provisions. "The rest of the world is out there looking for some way to comply with COBRA," said Ron Blackwood, vp at Commonwealth Resource Inc. in Irvine, Calif.

Sanctions for non-compliance include loss of a tax deduction for health care expenses.

Since employers must notify employees and their spouses of expanded coverage options, benefit managers must juggle notification deadlines, termination dates, family relationship information and various billing data, as well as claim files.

This may be particularly difficult for some benefit managers, who, for instance, do not now maintain information—like hiring and termination dates—needed to comply with COBRA's provisions.

Vendors touting automated COBRA software systems say their products may be the answer for benefit managers facing these new headaches.

Functions provided by most COBRA software products include: identifying newly eligible individuals, preparing notification statements, preparing billing statements, tracking premiums, monitoring coverage and claims data and identifying when coverage of an individual expires. The products also issue reports on claims experience of those who buy the coverage.

For example, Sierra Pacific Industries of Redding, Calif., which has never collected health care premiums from its approximately 2,000 employees since it pays 100% of the cost of its health plan, is turning to a software system for help—the automated group health claims system from National Risk Management Inc. in San Ramon, Calif.

John Godsey, corporate personnel director for Sierra Pacific, which self-insures and self-administers its plan, said the company probably will use NRM's system to keep track of premiums collected, to red-flag overdue premiums, to track the names of persons eligible for coverage under COBRA and to send out notification letters.

Maybe the best example of how hungry employers are for help with COBRA is the experience of Travis Software, a 1-year-old company that initially set out to market its COBRA product only to Houston- or Texas-based employers.

Three months ago, *Business Insurance* reported a five-paragraph description of the company's new COBRA software, Corporate COBRA Manager, that Travis President Alan Williams hoped would attract some more Houston-based companies and a few companies outside of Texas (*BI*, Sept. 15).

But within two weeks, he received about 1,200 phone calls, enough to persuade him to market the product nationally, Mr. Williams said.

So many of the callers were insurers and TPAs that wanted a system they could use to administer the plans of their clients that Travis Software modified CCM to accommodate more than one group plan. The system previously had been designed for use with a single-employee plan.

Today, Travis Software markets

Continued on page 14

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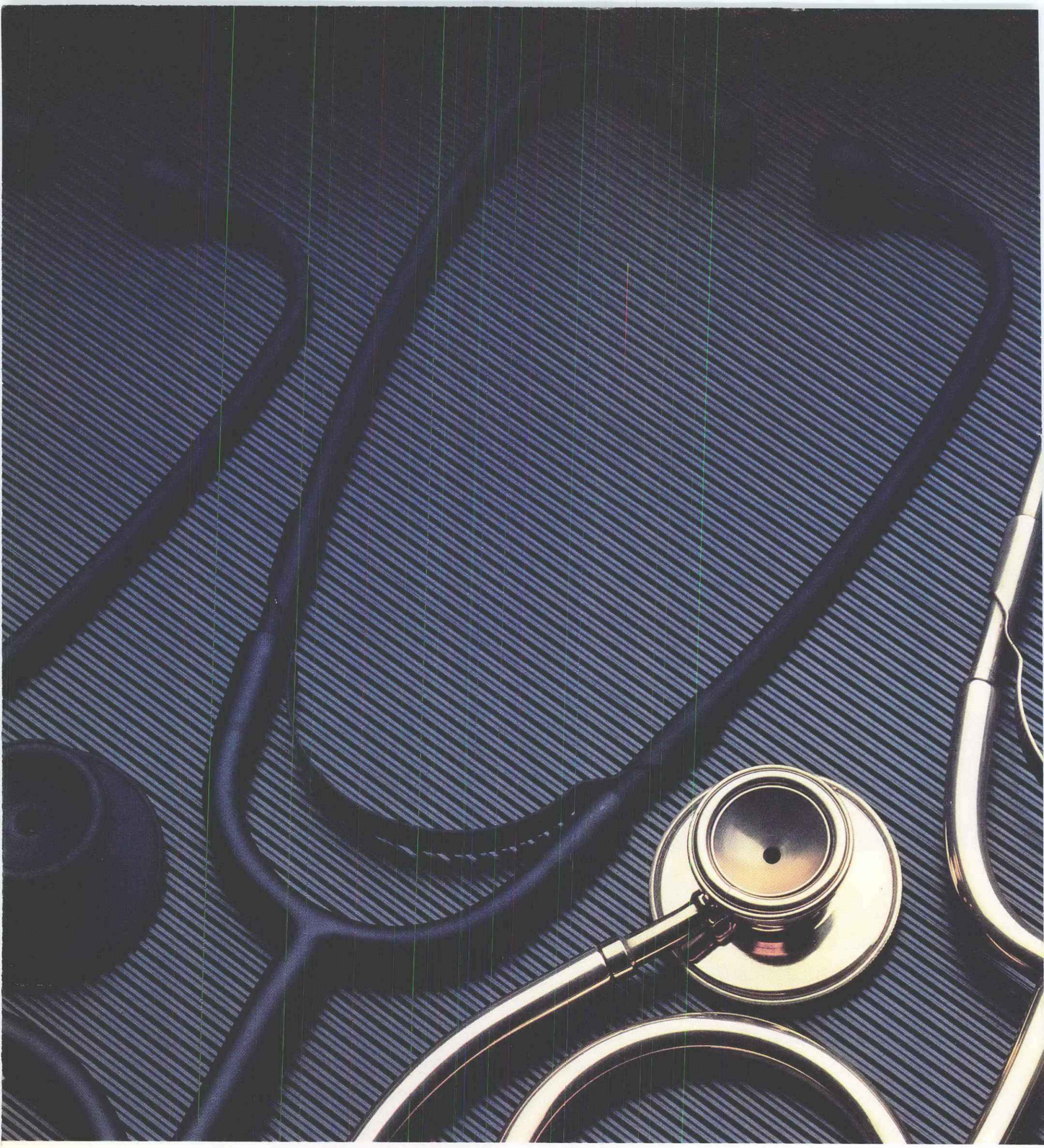

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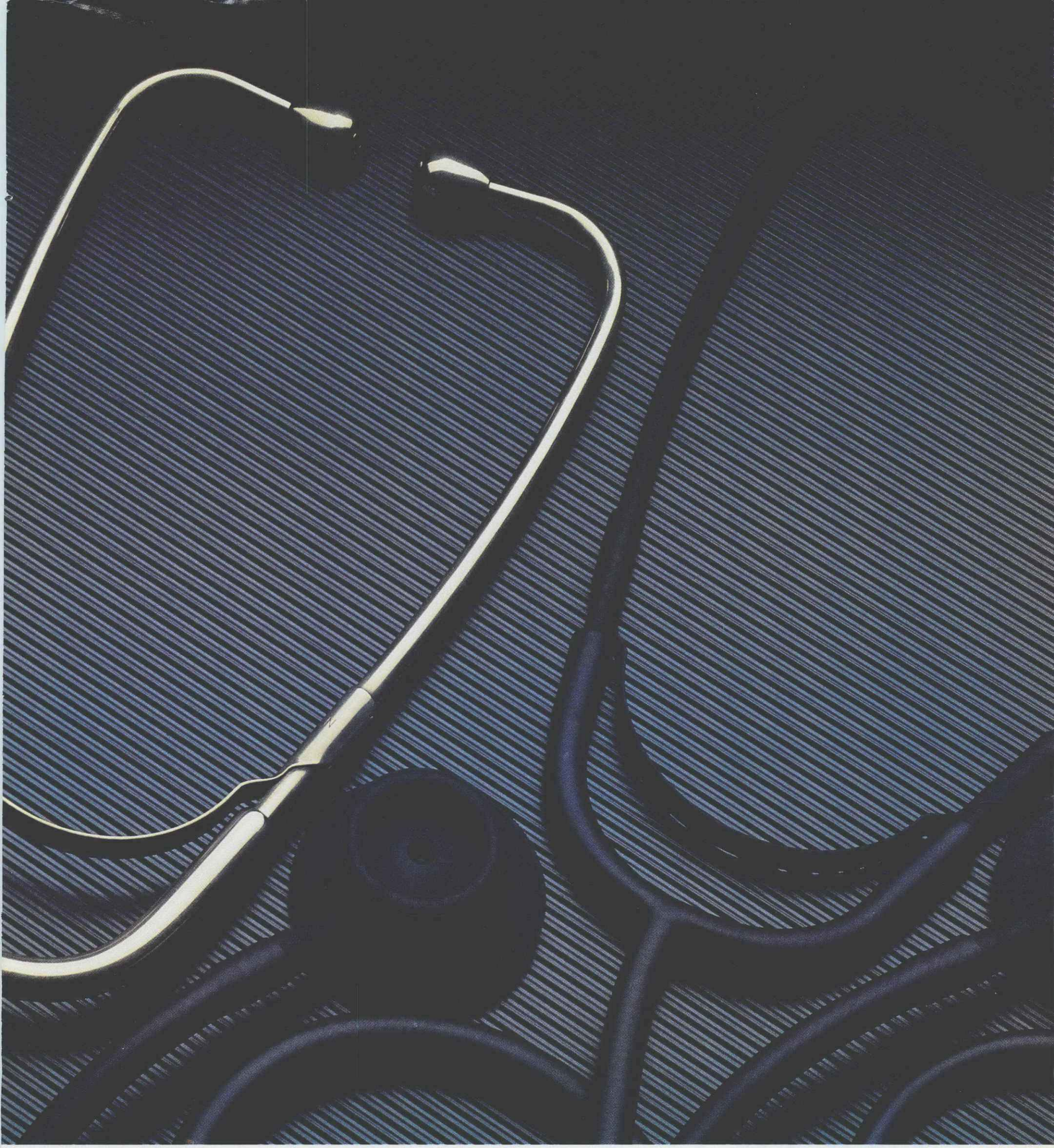

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COBRA products

Continued from page 10

the single-employer CCM for $1,295 and a multiemployer version for $7,500. The company has sold several hundred single-employer packages and more than 10 of the multiemployer versions for TPAs and insurance companies, Mr. Williams said.

In addition, the software vendor markets a $1,295 version tailored to individual cities, counties, school districts, other municipal entities and non-profit groups.

But Travis Software's experience has not been much different from that of other vendors, who report that many benefit managers do not need to be convinced they need a system.

"In all honesty, the marketplace has really come to us when we let the marketplace know it was available," Mr. Williams noted.

Fred S. James & Co.'s benefit division is marketing Continued Health Insurance Coverage Software (CHICS), a product that was just introduced last month.

CHICS, developed by James employees in Nevada, has been purchased by 17 employers so far, estimated David Carver, group actuarial consultant in Short Hills, N.J., and the product's Northeast marketing representative. He expects that James will sell another 30 units of the product by year-end and about 50 more by March.

James is marketing CHICS to individual employers with at least 200 employees.

The product consists of the CHICS program disk, a back-up disk, an operations manual, a Lotus Symphony 1.1 software applications package, installation and four hours of training, Mr. Carver explained.

One disk can handle up to 500 active COBRA participants at any one time, according to Mr. Carver. The stand-alone, PC-based product costs $2,500-$3,500, depending on what part of the country the employer is located in and how many units it buys.

That is somewhat less than the cost of The Wyatt Co.'s COBRA administration system, which businesses with as few as 250 employees and as many as 85,000 have purchased so far.

The product was released in August in a preliminary version but was later modified to accommodate amendments to COBRA and employee benefit provisions under the 1986 Tax Reform Act.

Wyatt's system is suited for either self-insured or commercially insured companies, regardless of whether they administer their own claims. More than 200 employers nationwide have bought it so far, estimated Jeri Stepman, the consultant who designed the product and oversaw its development.

Wyatt's San Diego office developed the PC software product, which starts at about $3,000. However, the cost of the product increases with the degree of customization desired, the amount of consulting requested, and the level of on-site training and support needed, explained Ms. Stepman. These factors can bring the cost of the system to as high as $10,000.

But Wyatt offers volume discounts: For about $50,000, one employer with a regional approach to benefit administration recently purchased 40 units for its different locations.

Another vendor capturing a growing share of the market is Commonwealth Resource Inc. in Irvine, Calif. The company has installed more than 300 of its COBRA Management Resource software systems, about 40% of which are in California. Virtually all have been purchased by individual employers, but a few have been bought by TPAs, like First Fund Insurance Administrators Inc. and Jardine/Emett & Chandler Insurance Services, both in Irvine.

For $995, benefit managers receive a detailed resource manual—including the text of the COBRA law—and two floppy disks, each of which can track up to 1,000 names. Large corporations can make copies of the disks as needed.

The product is best-suited for companies with an employee population of 20 to 5,000, Mr. Blackwood explained.

COBRA Resource Management runs on IBM or IBM-compatible personal computers and can issue about 40 standard reports. Like some of its competitors, Commonwealth supplies free updates to the system for one year. A demonstration kit is available from the company for $15.

Various industry groups have asked Commonwealth to demonstrate its COBRA product. In addition, Commonwealth has been asked to exhibit the product at seminars sponsored by brokers Marsh & McLennan Inc. and Bayly, Martin & Fay International Inc., and the California Merchants & Manufacturers Assn. in Los Angeles.

Coopers & Lybrand is marketing COBRATRACKS, a stand-alone PC software product suitable for both self-insurers and commercial policyholders with at least 100 employees and "a reasonable amount of turnover," explained John Bertko, a partner in Coopers' San Francisco office, where the product was developed.

About 20 employers already have purchased COBRATRACKS, which was introduced last month. About half of those employers are using the system in their personnel departments, and the other half are using it in their benefit departments, Mr. Bertko noted.

For the $2,500 purchase price, the user receives four disks, an instruction manual and up to one day's worth of training, which includes an explanation of COBRA and its requirements, Mr. Bertko explained.

The menu-driven package accepts data entered manually and can be adapted to read mainframe files from a PC disk.

The software will generate individual employee notification statements, sets of billing coupons on a monthly or quarterly basis and management reports.

In addition, COBRATRACKS features a "tickler" file that issues recipient notices at all required time intervals, the company says.

"This software not only helps ensure that you're complying with the complex administrative requirements of the law, it continually scans the list for those no longer eligible for coverage," states a company brochure on COBRATRACKS.

"Not only does it help to avoid non-compliance, it also aids the employer in not overcomplying. . .that is, unnecessarily tracking and notifying those who cease to be eligible," Mr. Bertko said.

But some systems go beyond routine processing functions, anticipating COBRA coverage difficulties that benefit managers may not even have imagined.

For example, California Interactive Computing will introduce a COBRA module on Jan. 1 that includes a premium refund mechanism. Since COBRA premiums are paid in advance, some employees who opt for COBRA coverage when they are laid off—especially union members—probably will demand premium refunds when they are rehired, reasoned Gary Smart, CIC's sales and marketing director.

CIC's COBRA module will be available in two versions: one in a stand-alone computer version and the other fully integrated with

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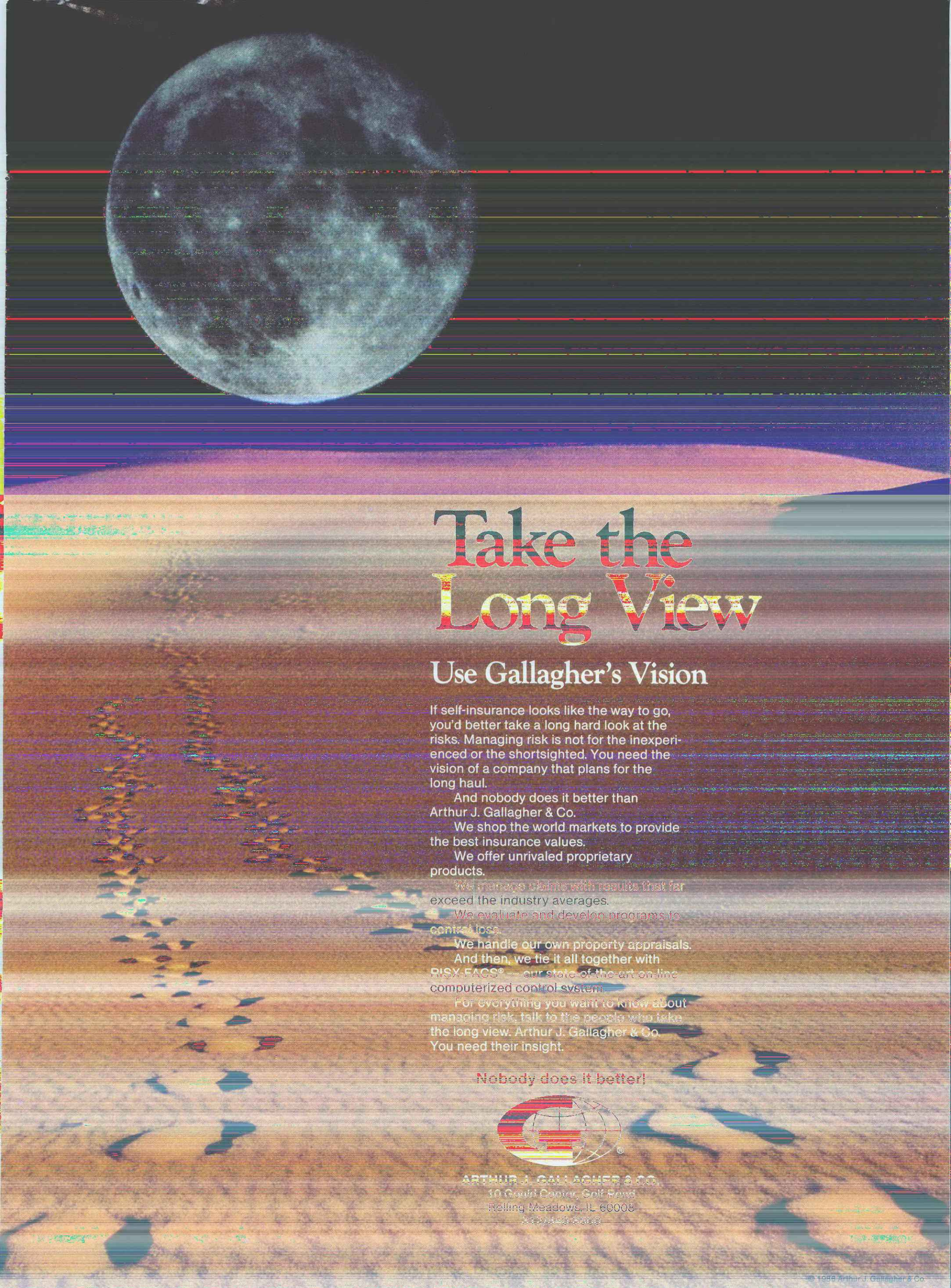

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COBRA products

Continued from page 14

CIC's DiMed group health claims administration product.

The price—which was still being determined at press time—will range from $2,500 to $3,500, with the stand-alone version at the low end and the integrated version at the high-end, Mr. Smart estimated.

Mr. Smart said he suspects that all 14 DiMed users will purchase the COBRA module.

While vendors of many major automated claims systems now charge four-figure sums to supply existing users with new COBRA functions, the vendors will build COBRA capabilities and the cost into their new systems.

Dyer, Wells' FASTRAK VS, its benefits claims processing software for minicomputers, was introduced with COBRA capabilities in September and starts at $45,000, the company says. The product is used mainly by TPAs.

For those employee benefit managers who prefer not to take COBRA administration work in-house, numerous third-party administrators and group health insurers are more than willing to take on the job.

The company also is developing COBRA functions for the systems most of its employer clients use: FASTRAK, designed for mainframes, and FASTRAK PC, designed for personal computers.

For Dyer, Wells and other leading software vendors, providing COBRA software functions for existing and new users has not been a major project because the framework was already in place.

For example, San Francisco-based Tesseract Corp. points out that its Benefit Plan Administration System (BPAS) already featured functions like accounts receivable and accounts payable. To provide COBRA functions generally meant making minor modifications, like expanding the software's marital status code to include not just "married" and "single" options but also "divorced," explained Tesseract Vp Mike Green.

For those who prefer not to take COBRA administration work in-house, numerous TPAs and insurers are more than willing to take on the job.

Among the COBRA-related services provided by insurers and TPAs is the actual billing and collecting of premium. Most plan to handle this task through the use of a coupon book similar to those used by banks for collecting auto loan payments.

The administrator will also secure and maintain the actual coverage to be extended and process claims.

However, many companies offering administration services do not assume responsibility for identifying newly eligible individuals and notifying them.

Jack Helitzer, vp-group staff operations at Metropolitan Life, pointed out that having the administrator notify employees unnecessarily extends the time period during which they can elect to take coverage by up to an additional 44 days.

That extension could create adverse selection, because an individual who would have originally declined to accept coverage may—in the meantime—develop an illness for which he or she would want coverage.

The employer—whether a personnel or benefit manager—also is better equipped to notify eligible individuals than an insurer or TPA because the benefit manager is closer to the employee's information file, Mr. Helitzer noted. If any error or omission is detected, the employer would be able to both identify and correct it much more quickly than the outside administrator could, he said.

Some software vendors, however, say insurers and TPAs are in no hurry to offer assistance with those functions because this is the area under COBRA for which employers are subject to federal sanctions for non-compliance.

Metropolitan is providing COBRA administration services for both policyholders and non-policyholders and charges one up-front fee, plus a monthly fee for collecting premiums.

TPAs say that because of their experience at billing and collecting, COBRA administration is a natural for them.

Central Benefits Systems Inc., for instance, points to the eight years it has administered conversion insurance policies for Celtic Life Insurance Co. as evidence of its experience in dealing with extended benefit coverages.

The three companies that so far have subscribed to CBS' new COBRA service already were TPA clients. But more of CBS' COBRA business will come from non-TPA clients once employers realize how doing it themselves can be an "administrative nightmare," predicts David Deuter, CBS senior vp in Kansas City, Mo.

"We're quite confident that once they try it themselves, they'll come running to one of the services," he said.

Employers can choose from two fee structures at CBS, depending on the degree of COBRA participation they expect from their employee population.

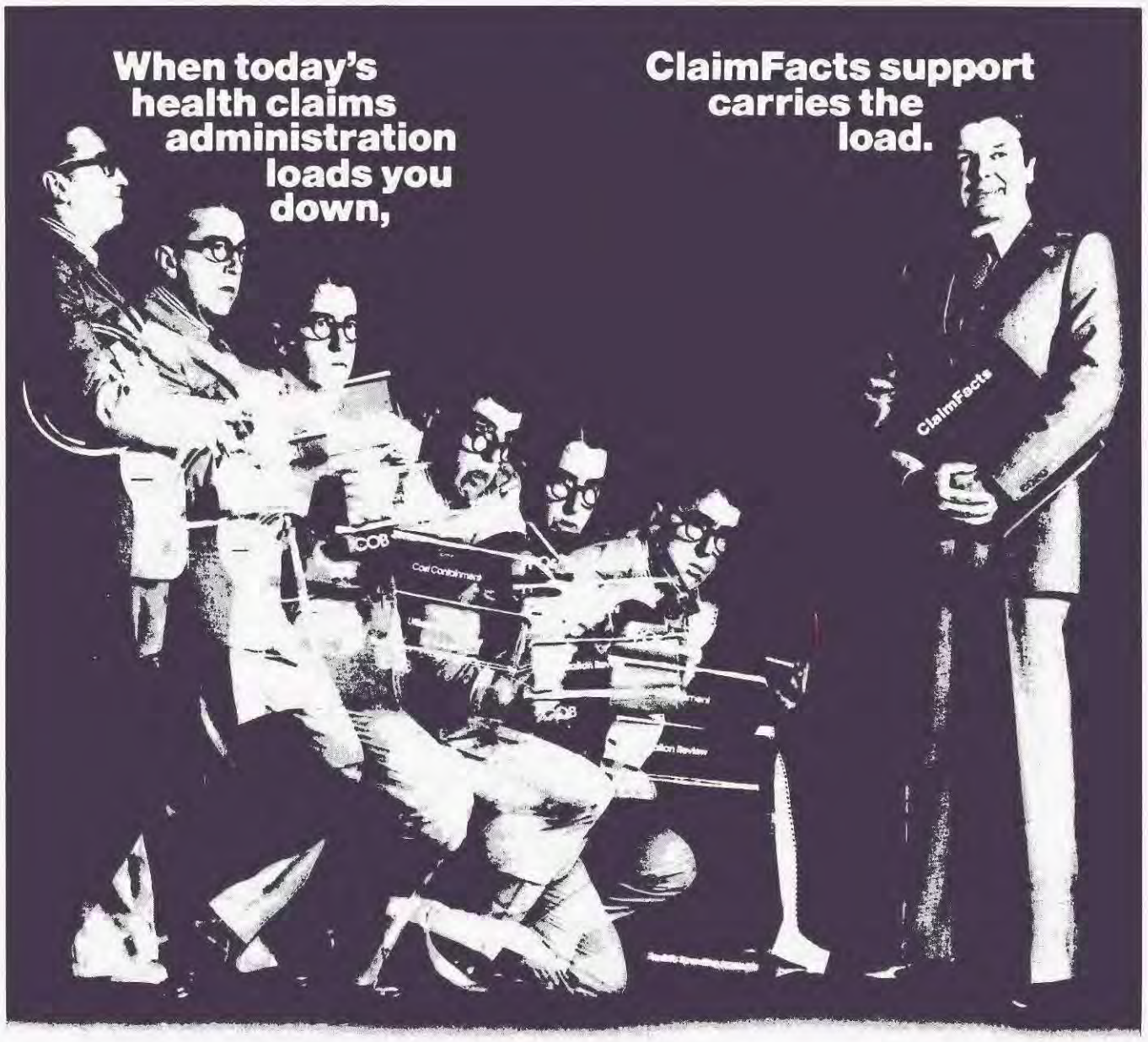
In the first option, suited for employers that expect a high rate of COBRA coverage enrollees, the employer pays a monthly fee per employee, ranging from 40 cents to $1.50. The monthly fee is calculated by reviewing the number of single employee policyholders, family-coverage policyholders and employee terminations during the previous year.

The second option is for employers betting on a low number of COBRA coverage qualifiers. One portion of the cost to the employer is a flat annual fee: $500 for companies with 20 to 999 employees, $1,000 for those with 1,000 to 4,999 employees and a fee subject to negotiation for companies with more than 5,000 employees. On top of that, the company is charged $10.50 each time a premium is billed.

CBS will continue to administer Celtic Life's conversion insurance, as well as Celtic's OutCoverage programs, which the Chicago-based insurer has introduced to reduce self-insurers' expense in complying with COBRA's benefits provisions (*BI*, Dec. 1).

The OutCoverage plan consists of three parts:

- Continuation coverage, which reinsures a self-insured employer against COBRA claims in excess of $2,500 up to the attachment point of its stop-loss insurance.
- Transition coverage, which allows employers to offer terminated employees and dependents a less-expensive alternative to the continued coverage mandated by COBRA.
- Conversion coverage, which the employer can offer individuals after their COBRA coverage expires. ■



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Employers renew interest in flex plans

By MICHAEL BRADFORD

Flexible benefit plans are hot.

Employers that had put new flexible benefit programs on the back burner because of uncertainty over some tax issues are heating up plans to offer employees packages that let them choose how to spend their benefits dollars.

Paul Backlund, principal consultant of flexible compensation services for The Wyatt Co. in Chicago, pointed out that flexible benefit plans—and flexible spending accounts—"came out unscathed" by the Tax Reform Act of 1986.

And, certain sections of the new act actually cleared up uncertainties about some tax issues involving flexible benefit plans.

A flexible benefit plan is any benefit program that allows employees to choose their benefits. Originally, these plans were designed to offer employees a wide range of choice in assembling their entire benefit program. Employees were to select whether to participate in medical care, life insurance, disability coverage, savings plans, vacation programs and other non-taxable and taxable benefits, and even to what extent.

However, the term flexible benefit plan since has been expanded. To some insurers and consultants, flexible benefit plans include programs that offer employees limited benefit options, such as different levels of medical and life insurance. And, even more recently, some consultants and insurers have begun calling flexible spending accounts a flexible benefit plan.

Flexible spending accounts, however, simply allow employees to defer pay on a pretax basis to pay certain costs that otherwise would not be taxed if they were paid by the employer, such as medical bills and child care expenses. Flexible spending accounts can be offered employees as part of a flexible benefit plan or in addition to a conventional benefit plan that offers employees no other choices.

Small as well as large employers are adopting flexible benefit plans.

"We're putting them in right and left," said Harriet Hainken, executive vp of Consulting Group Inc. in Devon, Pa. Ms. Hainken's company develops flexible benefit plans for small employers, and she said, "In the last two years almost all our new business has been flexible benefit plans. It's the hottest thing we've ever done."

During the past two years, Consulting Group has put in 30 to 40 broad flexible benefit plans covering a total of 4,000 to 5,000 lives, Ms. Hainken said. The company's average client has from 200 to 400 employees, but it can arrange plans for employers with as few as 20 workers.

Growth in flexible benefit plans is booming, agrees Steven Fein, a consultant with Hewitt Associates in Lincolnshire, Ill., which specializes in flexible benefit plans. Until this year, there were only about 300 broad flexible benefit plans offered, he estimates, but he expects there will be 500 by yearend.

A Hewitt Associates survey this summer of 198 large and small employers with flexible benefit plans found 67% have broad flexible benefit plans that include flexible spending accounts, 11% have broad flexible benefit plans without flexible spending accounts and 22% have flexible spending accounts only.

A survey conducted by A.S. Hansen Inc. shows 71.4% more companies offering broad flexible benefit plans than the consulting firm found in its canvassing a year ago. The survey looked at 824 employers in seven areas of the United States.

Hansen found 24% of the employers surveyed offer broad flexible benefit plans, up from 14% last year.

From its study, Hansen concluded that almost 59% of businesses in the U.S. either have installed a flexible benefit plan or are likely to do so in the near future.

The Hansen study found that flexible benefit plans are gaining in popularity because of social changes. There now is a large number of two-wage-earner households, and it makes little sense for both wage earners to pay for medical coverages, for example, Hansen concludes.

Instead, under flexible benefit programs, one member of the household may choose medical insurance to cover both, and the other can use benefit dollars that would have been spent on medical coverage to buy other benefits, like child care.

Clarifications in the Tax Reform Act involving flexible benefit plans include a new Section 89, which establishes discrimination tests that would be hard for employers offering flexible benefit plans to flunk, according Thomas Butterworth, a consultant with Hewitt Associates in its Connecticut office.

The Tax Reform Act also clarified that FICA taxes are not to be levied against employee contributions to flexible benefit programs and that flexible benefit plans can include plans that do not offer a cash or taxable benefit option, according to Mr. Butterworth.

In addition to more certainty over the tax treatment of taxable benefit plans, other factors are increasing the popularity of flexible benefit plans.

One is improvements in computerization, which have made the programs easier to administer.

There has been a "proliferation" of computer hardware and software that "assists in the administrative burdens of a flexible benefits plan," according to Bill Kuehl, director of marketing for General American Life Insurance Co. in St. Louis.

As a general rule, only larger companies could afford the cost of administrative systems until recent years, he noted.

"Three years ago, the cost of developing administrative systems was prohibitive to intermediate-size companies," Mr. Kuehl said. Those companies, which Mr. Kuehl describes as having 100 to 2,000 covered lives, are the targets of General American's flexible benefits package.

Mr. Kuehl also mentioned that flex plans have become a tool used by companies to find and keep good workers. "It is an opportunity to offer a package that an employer can customize. It's recognized as a way to attract and retain quality employees."

Administrators and insurers of flexible benefit plans agree that the programs work equally well for

Continued on page 20

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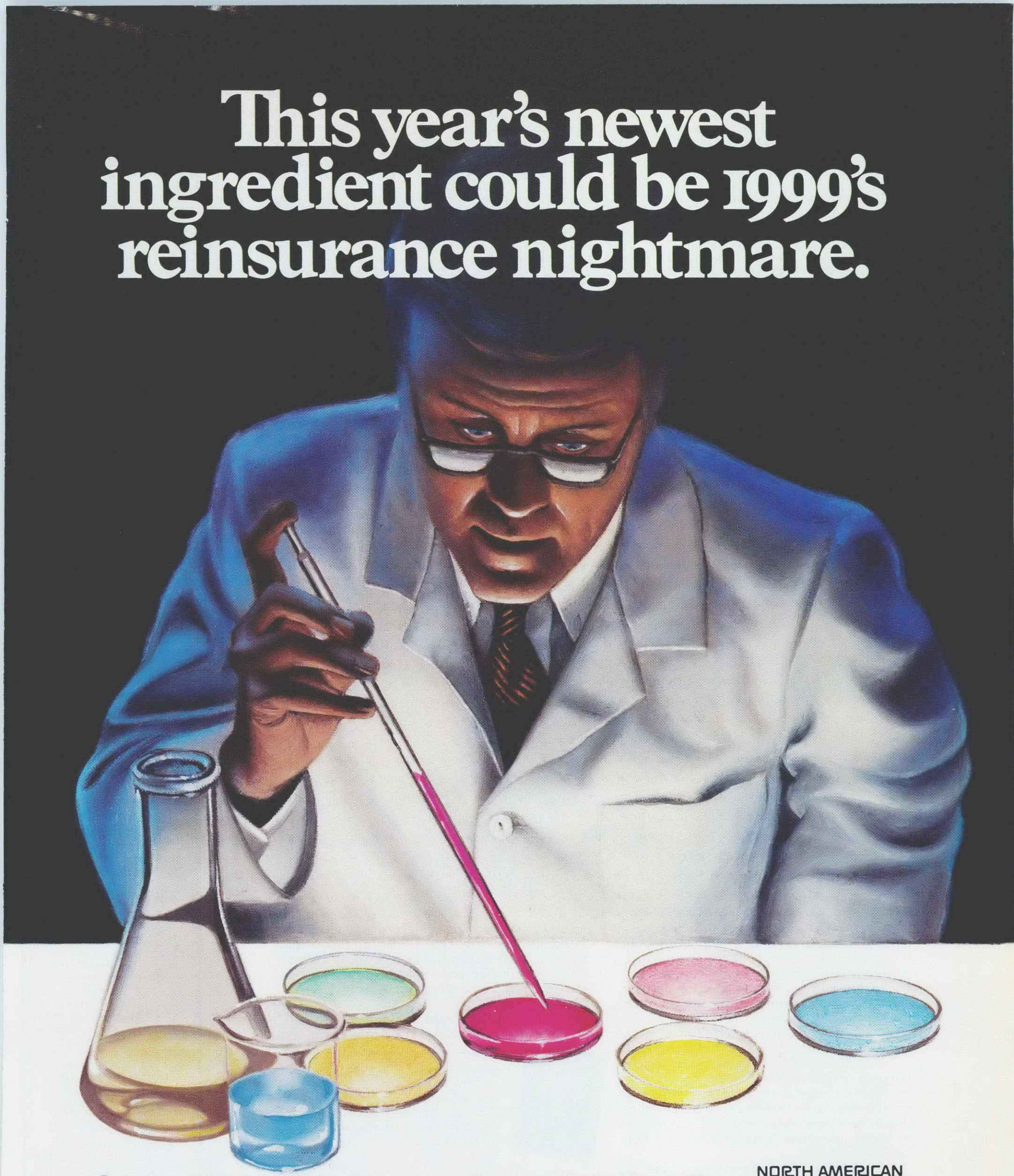

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Flex plans

Continued from page 18
small employers and Fortune 500 companies.

Kenneth E. Feltman, executive director of the Employers Council on Flexible Compensation, said his group completed a study in 1985 that shows flex plans offer the same advantages to small companies as to large ones.

"We did this study because Congress was saying that flex plans were for large companies only," Mr. Feltman explained. "We knew that wasn't the case. We wanted to verify that, and did."

The ECFC study showed that while 10.7% of employers with more than 100 workers sponsored flexible benefit plans, so did 6% of companies with fewer than 100 workers. The study surveyed 600 employers and used estimates on the total number of employees and employers gathered by the Bureau of Labor Statistics.

Furthermore, the study found that 401(k) plans, which are often offered in conjunction with a flexible benefit plan, are offered by 28.3% of the larger employers and 10% of the smaller companies. The survey projected a 34.1% increase in the number of large companies offering 401(k) plans this year and a 26.7% jump in smaller companies offering 401(k) plans.

Ms. Hainken of Consulting Group Inc. pointed out that, "Everybody has the same needs. I can't imagine that everybody won't get there eventually."

She said her company can provide flexible benefit plans for small employers that provide the same core group of benefits that is offered by large companies.

In addition, she noted, "Dependent care and spending accounts are extremely popular."

Several insurers are marketing flexible benefit programs to small and large employers.

CIGNA Corp.'s flexible benefit programs "make sense for any size client," according to Pete Goff, assistant vp of flexible benefits in Bloomfield, Conn.

Ray Linstrum, vp of advisory services in CIGNA's flexible benefits division in Bloomfield, said flexible benefit plans can be customized for all the insurer's clients, but "on the smaller end, from a cost standpoint, customization is something an employer might not want to pay for."

CIGNA offers four different standardized flexible plans for smaller groups, Mr. Linstrum added. They range from: a plan offering only flexible spending accounts; a plan with a flexible spending account and choice of medical plans; a plan offering choices including medical, dental, life and other coverages; and a more sophisticated flexible plan using a credit system to assist employees in designing their own benefit plans.

Zelda Lipton, second vp for flexible benefits at UNUM Life Insurance Co. in Portland, Maine, said her company offers a full range of flexible benefit plans for small employers with fewer than 500 lives.

Ms. Lipton agreed that a small business "needs as much as the large employer" in terms of benefits choices. She also pointed out that "the small employer prefers all of the benefits be handled in one place," where a larger company may have the resources to maintain plans that are administered by different insurers.

At Metropolitan Life Insurance Co. in New York, most clients getting involved with flexible benefits have more than 1,000 employees and most are offering just flexible spending accounts, according to Neil Waldron, assistant vp of group marketing, and Vincent Vieni, product management consultant in group marketing.

Mr. Waldron of Metropolitan Life said the insurer will consider structuring flexible benefit plans for clients with fewer than 500 lives "on a case-specific basis."

But, he pointed out that administrative expenses begin to catch up with savings in flex plans with fewer than 500 participants.

"The expense becomes more of a concern for the benefits you get."

Mr. Goff of CIGNA notes that "any insurer can write a piece of a flexible benefits plan." But, he pointed out, not all can offer all the components that include underwriting and administration of flexible benefit plans. Mr. Goff said most insurers can handle the employee communications and preliminary administration duties involved with implementing a flexible benefits plan. And some can provide a wide array of prepaid alternatives like health maintenance organizations and preferred provider organizations as benefit choices, he said.

But not many can provide all that and an extensive record keeping system that is required of a broad flexible benefits plans with many choices. Such plans require someone to keep track of different choices employees make, and not all insurers offer those record keeping systems, Mr. Goff explained.

Only "a distinct few insurers" can provide all of the components that go into implementation and administration of a cafeteria plan, he contends.

CIGNA considers its competition in offering the broad array of services to be Metropolitan, Aetna Life & Casualty Co. and Prudential Insurance Co. of America.

The current popularity of offering employees benefit choices means the plans will continue to grow, those involved with flexible benefit programs agree.

Mr. Feltman of the ECFC remarked that, "Employers are saying, 'What is the best way to deliver benefits?' Flex makes sense." ■

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Plan terminations don't hurt benefits: PBGC

By AVRA WING

Most employers that terminate overfunded defined benefit plans subsequently adopt new defined benefit or contribution plans that provide substantially the same level of benefits as the previous plan, the Pension Benefit Guaranty Corp. says.

The PBGC has concluded, based on a report on plan terminations released earlier this year by the General Accounting Office, that it is "very rare for anyone to lose benefits" when plans are terminated and new plans are instituted, said Royal Dellinger, the agency's deputy executive director.

Since 1980, he said, about 70% to 80% of participants in terminated pension plans have continued to be covered by an "identical or superior" defined benefit plan following the termination.

However, other pension experts point out that terminations of overfunded plans can rob employees of future benefit increases they may have received had the original plan not been terminated.

In addition, the loss of excess pension assets through a reversion can place an employer's pension program on shakier ground if subsequent investment performance does not live up to expectations, these experts say.

And, observers note that it is impossible to make a comparison of benefits when a defined contribution plan replaces a terminated defined benefit plan.

Numerous employers in the past several years have terminated overfunded defined benefit plans to recapture assets that exceeded the plans' liabilities. In most cases, according to PBGC statistics, a new plan—either a defined benefit or a defined contribution plan—is established to continue to provide workers with retirement benefits:

- As of Sept. 30, 92 plans were terminated in 1986, affecting 122,645 participants. Those terminations resulted in reversions valued at about $3 billion.

(The PBGC takes into account only notices of intent to terminate plans that would result in reversions valued at $1 million or more.)

So far in 1986, new defined benefit plans have replaced 47.8%, or 44, of the terminated plans; new defined contribution plans have replaced 29.3%, or 27, of the terminated plans; and there has been no successor plan in 22.8%, or 21, of the terminations.

Of the $3 billion in reversions, $2 billion in excess assets were collected by Phillips Petroleum Co. and Exxon Corp., Mr. Dellinger of the PBGC noted (*BI*, June 16).

Besides energy companies, lumber and metal companies and financial institutions have accounted for the greatest share of termination filings with the PBGC so far this year.

- Of 525 terminations in 1985 that resulted in $6 billion in reversions, defined benefit plans replaced 52%, or approximately 273, of the terminated plans; defined contribution plans replaced 29.5%, or approximately 155, of the terminated plans; and no successor plans were established for 18.5%, or approximately 97, of the terminations.

- Of the 330 terminations in 1984 that resulted in reversions valued at about $3.5 billion, defined benefit plans replaced 39%, or approximately 129, terminated plans; defined contribution plans replaced 45%, or approximately 149, terminated plans; and there were no successor plans for 16%, or approximately 53, terminated plans.

Mr. Dellinger said that since 1980, plan terminations have affected only 1.5 million of the some 40 million total participants in retirement plans.

Only about 5% to 8% of the participants were left with no successor plan, and in most of those cases, the plans were terminated because the employers had gone out of business, Mr. Dellinger noted.

In other cases in which no successor plans were implemented, companies had merged with or had been acquired by another company, and the participants in the terminated plans were included in other plans, resulting in continuity of benefits, noted John Erlenborn, chairman of the ERISA Advisory Council and a partner with the Washington office of Seyfarth, Shaw, Fairweather & Geraldson.

Furthermore, a study conducted last April by Hay/Huggins Co. Inc. of Philadelphia, under contract from the Department of Labor, also concluded that no benefits were lost when terminated defined benefit plans were replaced by other defined benefit plans—both in terms of benefit formulas and in the extension of credit for all past service by employees.

However, of some 200 reversions in excess of $1 million made or pending since January 1984—the period of time covered by the study—information was gathered on only 80 companies, and about one-third of those were reversions exceeding $10 million, noted Edward Hustead, senior vp in Hay/Huggins' Washington office.

While Mr. Hustead feels the GAO study is "consistent with" the Hay study, he also noted that it was possible that cost-of-living increases, usually granted on an ad hoc basis, might be lost or decreased under the replacement plans because they no longer would contain excess funds that could be used to finance such benefit increases.

But other benefits experts say terminations deprive employees of future benefits they would have received if the original plans had not been terminated.

"By taking money out of the plan, the plan is left without a cushion for future benefits or for rainy day investment losses," observed Karen Friedman, education director for the Pension Rights Center in Washington.

And, although terminations have affected "only a small portion of the private pension universe," the practice "leads participants everywhere to question the integrity of

Continued on next page

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Plan terminations

Continued from previous page
the private pension system," said Michael Gordon, a Washington attorney active in employee benefits law and a former Senate committee staffer.

"Plans are being robbed of assets that would have made benefits stable," he said.

Mr. Gordon also said the GAO study reveals that many replacement defined benefit plans have "weaker benefit formulas" than the original plans.

Mr. Dellinger agreed that there is a potential that an employee will receive reduced benefits when a defined benefit plan is terminated and replaced by a defined contribution plan. But, he said, because of the difficulty of comparing benefits under the two types of plans, it is extremely hard to measure the amount of benefits employees might lose under such a scenario.

Hay/Huggins also looked at cases where defined benefit plans were replaced by defined contribution plans and found that in about half of the cases, employees were better off with defined contribution plans. However, in the other half of the terminations, employees received reduced benefits under the successor defined contribution plans.

Benefit consultants say they believe employers usually match previous benefit levels when they establish new programs following terminations.

An employer's motivation for terminating an overfunded plan in most cases is "not to cut benefits, but to get at the assets," because the company needs those funds either to survive or to strengthen itself through acquisitions, noted Owen McCaffrey, a consultant with The Wyatt Co. in New York.

Consultants report that employers that terminate their defined benefit plans and replace them with new defined benefit plans sometimes also supplement those new plans with defined contribution plans. The combination of the two plans can result in improved benefit levels when compared with the original plan, they say.

"If you look at defined benefit only, there could be a loss (of benefits to employees)" noted Edward J. Davey, vp of technical analysis with Johnson & Higgins in New York.

But, he added that while the new defined benefit plans may not promise the same level of benefits as the previous plans, employees are getting benefits from a "range of programs," including defined contribution plans such as 401(k) plans.

Mr. Gordon agreed that some employers establish defined contribution plans to augment less generous defined benefit replacement programs.

"Not everyone is villainous," he said. "But there are plenty of villains." ■

Proposal would allow easier asset recovery

By AVRA WING

More employers will attempt to recapture excess pension assets if Congress acts on a proposal to allow the withdrawal of excess assets from defined benefit plans without terminating the plans, observers say.

But, even if Congress does not take such action, pension experts expect fewer employers will terminate overfunded pension plans to recapture assets, especially because interest rates have fallen.

Although the proposal, now under consideration by the U.S. Department of Labor, "would allow for the reduction of assets in a plan's account . . the establishment of such a procedure would enhance benefit security because it would act as an incentive for sponsors not to terminate plans," stated a report by the ERISA Advisory Council on the recommendations, which it devised.

The recommendations, submitted to Secretary of Labor William Brock in June, are based on the findings of a task force the council established to study terminations (*BI*, June 2).

"Of equal import, as an alternative to terminations, the withdrawal would alleviate the psychological trauma experienced by participants and beneficiaries, both active workers and retirees, when plans are terminated, regardless of whether a successor plan is established," the council report said.

Specifically, the council recommended that:

- Employers that want to capture excess assets without terminating a plan leave a sufficient "cushion" of assets to protect accrued benefits. Employers would only be allowed to recapture assets in excess of 120% of termination liabilities.
- Liabilities of the plan be calculated as of the date of the withdrawal, using Pension Benefit Guaranty Corp. interest rates.
- A 20% surcharge be assessed on the amounts employers realize from a reversion following a termination, in addition to and separate from the 10% excise tax on reversions imposed under the Tax Reform Act of 1986. But there would be no surcharge—or a considerably lower surcharge—on excess assets withdrawn from an overfunded plan that is not terminated.

The termination/reversion surcharge would be used "to enhance worker and retiree benefits, although we are not in full agreement on how to implement this recommendation," the council report said.

- Employers be allowed to withdraw excess assets only once in a 10-year period.
- Excess asset withdrawals be treated as losses to the plan with a 10-year amortization period.

In addition, the council recommended modifying the joint guidelines on terminations promulgated by the PBGC, the Labor Department and the Internal Revenue Service in May 1984 "to require that a successor defined benefit plan provide past service credits."

The council also recommended requiring that in all "termination/reversions and withdrawals of excess assets, participants and beneficiaries receive advance notification from plan administrators, on a timely basis, of the sponsor's intent and the economic impact of the transaction."

The task force found that those affected by terminations were "often uninformed about the process and its consequences for them."

Pension rights advocates—who generally oppose asset reversions because they contend they result in lower benefits for plan members—say that while the proposal may be a step in the right direction, they do not necessarily support it.

Michael Gordon, a Washington attorney practicing employee benefits law, said that while it was "better to let (employers) get the surplus without a termination," withdrawals still would "allow wholesale reversions. An employer could get his hands on quality assets and leave not-so-good assets in the plan."

Mr. Gordon agreed, however,

Continued on page 30

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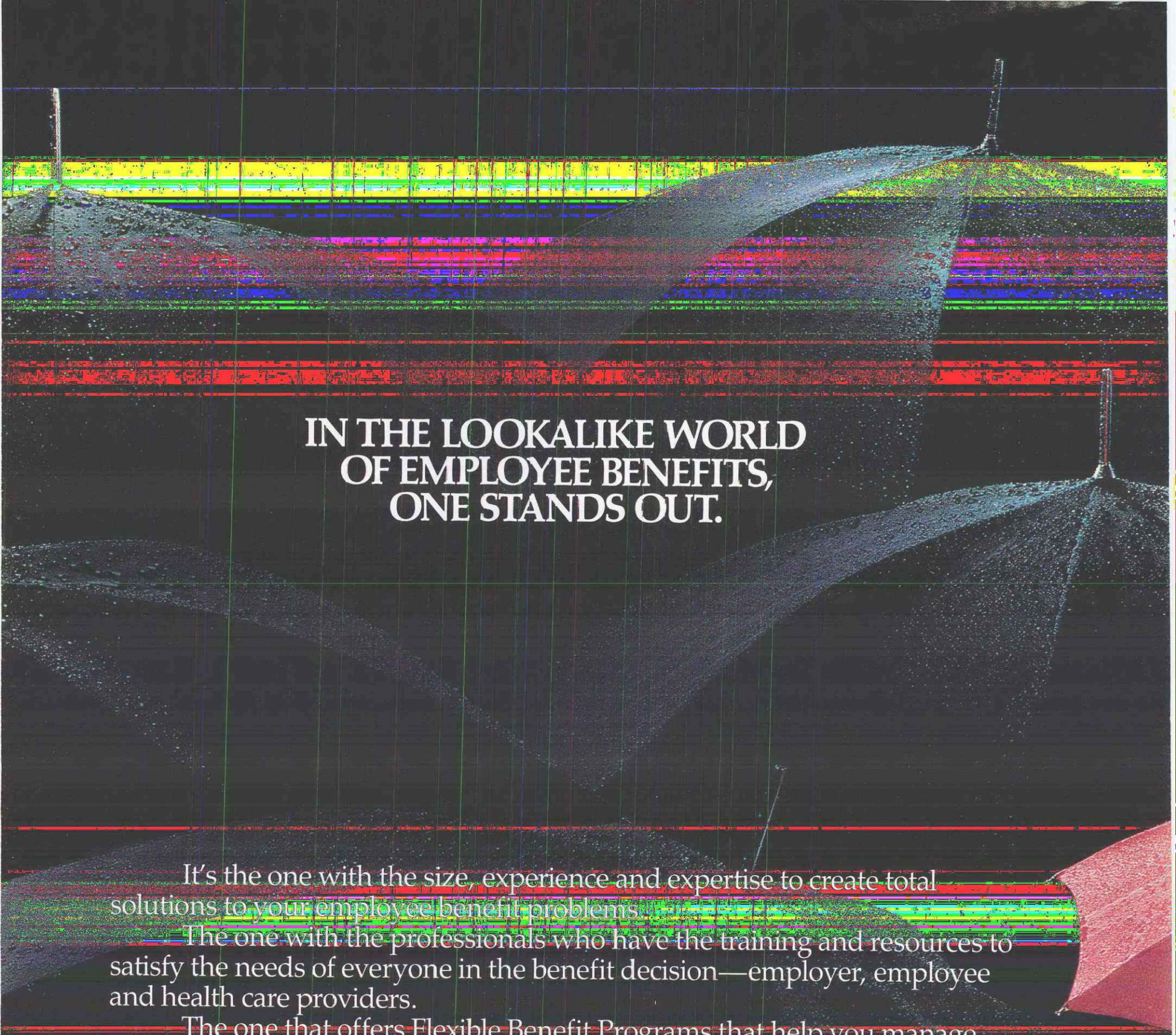

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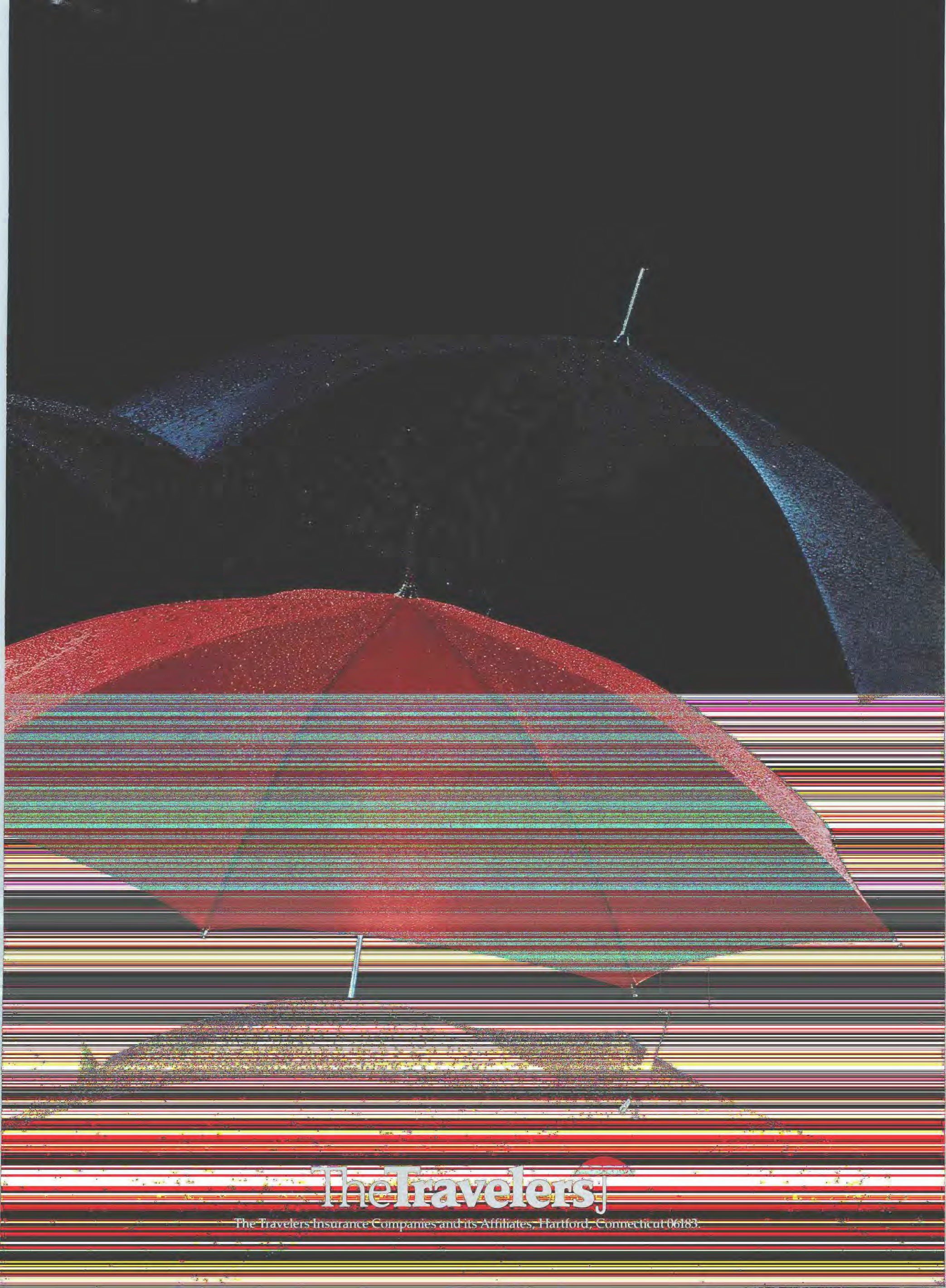

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Reversions

Continued from page 26

that if reversions of some form continued to be allowed, "we need to go down the road of restrictions. Now we have a carrot approach (to reversions). We need a stick also" to limit the attractiveness of withdrawals, he said.

Mr. Gordon was one of several representatives of pension rights groups and labor unions who contended that the ERISA council's task force did not represent the views of workers and retirees and subsequently formed the Reversion Policy Study Group to represent those views.

The group's basic premise was that asset withdrawals should be allowed only if there were "protections to the benefit expectations of workers and retirees on plan terminations for reversions and if the withdrawal procedure itself was sufficiently circumscribed to ensure that withdrawals will not endanger those expectations."

The Reversion Policy Study Group asked the Labor Department to scrap the the council's recommendations and support its own recommendations:

- A plan would not be considered overfunded until the reasonable benefit expectations of workers and retireees are protected. This would be accomplished by redefining excess assets to recognize two additional categories of benefits—an adjustment to benefits earned by active participants to reflect increases in compensation that are reasonably projected to occur during participants' working lives; and an adjustment to benefits earned by retired participants to reflect that plan surpluses generally include earnings on contributions made during retirees' periods of active plan participation.
- In a plan termination, these benefits would be paid out to participants. In a withdrawal from ongoing plans, they would remain in the plan.
- An employer would be permitted to obtain a plan's excess assets only once every 15 years. Withdrawals would be treated as experience losses to the plan to be amortized over a 15-year period.
- The plan sponsor would be required to pay a surcharge on any excess assets obtained from a plan, whether the assets were obtained from a termination or withdrawal.

Until Congress acts on any recommendations on terminations and withdrawals that the Labor Department may advance, observers expect terminations and reversions of overfunded defined to continue their two-year decline.

During the nine-month period ending Sept. 30, 92 terminations that each will result in reversions of more than $1 million had been made, compared with 525 in all of 1985, according to data from the PBGC.

The main reason for the declining number of plan terminations is the precipitous drop in interest rates. Declining rates have led to shrinking pension fund surpluses as investment returns have shrunk and have prompted insurers to increase the cost of annuities that employers purchase to guarantee benefits following a plan termination.

"An awful lot of interest in reversions has abated since interest rates have fallen off," noted John Erlenborn, chairman of the ERISA Advisory Council and a partner with the Washington office of Seyfarth, Shaw, Fairweather & Geraldson.

In addition, the extensive changes affecting employee benefits introduced in the 1986 tax act —such as the reduced maximum deferrals employees can make to 401(k) salary reduction plans and stricter discrimination rules governing those plans—also have led many employers to further review the ramifications of terminating overfunded plans, noted Peggy Warner, a consultant with William M. Mercer-Meidinger Inc. in New York.

Royal Dellinger, deputy executive director of the PBGC, says he thinks that most reversion activity is over "for the foreseeable future. It's not presently a big issue. Some of the steam has been taken out of it."

Mr. Gordon suggested the number of reversions has declined because there are not many overfunded plans left.

However, Mr. Gordon cautioned that if the economy worsens, it could again bring together elements—such as soaring interest rates and declining employee populations—that made pension asset reversions so popular earlier this decade.

"One shouldn't assume things might not start burning brightly again," Mr. Gordon said, referring to plan termination activity.

In fact, some consultants say that the 10% excise tax on pension asset reversions contained in the newly enacted tax law may not discourage employers from seeking reversions, especially when an employer desperately needs the excess funds.

If a company needs the excess pensions assets to survive, it would not be stopped by the 10% tax on the reversion, Ms. Warner observed.

Owen McCaffrey, a consultant with The Wyatt Co. in New York, agreed. He noted that some of his clients said, " 'So be it; we still want to do it.' "

Edward J. Davey, vp of technical analysis at Johnson & Higgins in New York, also said he did not think the tax would be a "significant barrier to reversions," primarily because companies that put their excess assets into Employee Stock Ownership Plans through Dec. 31, 1988, would be exempt from the tax.

Meanwhile, in a recent survey by Mercer-Meidinger of 492 chief executive officers representing a range of industries and employee populations, 82% agreed that employers should be allowed to recapture assets from defined benefit pension plans without terminating the plans.

Sixty-five percent said that if employers could recapture surplus assets without terminating plans, they would consider such an asset recapture.

Only 10% of the respondents said they had already taken any action to terminate a plan, 77% said they had not, and 13% said they had no overfunded plans. ■

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Top consultants

Continued from page 3

cross the $300 million mark if its merger with A.S. Hansen Inc., the ninth-largest consultant, is consummated. Hansen shareholders are expected to vote on the merger in February (*BI*, Dec. 15).

In 1986, benefit revenues at Deerfield, Ill.-based Hansen increased 7.4% to an estimated $52 million. Hansen alone in the Top 10 had single-digit growth.

Experts believe more merger activity is inevitable because smaller firms lack resources to compete.

For example, Towers, Perrin, Forster & Crosby President James Kielley says preparing for the Tax Reform Act of 1986 was the largest undertaking in TPF&C history.

TPF&C ran about 100 seminars on the new law. "This was a sizable investment, which the bigger firms have the resources to make. Not everyone can do that," he says.

Some say smaller firms—those with $40 million to $60 million in annual revenues—can survive and prosper if they specialize.

For those that survive, the future appears bright. Benefit consulting has been virtually recession-proof, and in light of legislative changes, further growth seems certain.

Profiles of the 10 largest benefit consultants follow:

William M. Mercer-Meidinger Inc.

Mercer-Meidinger pursued its aggressive strategy in 1986, chalking up four acquisitions or mergers and negotiating its largest ever.

"Our acquisition strategy is directed at making us the leading and best consultant in all areas of our practice," says President Diljit S. Juneja.

The largest of the completed transactions—the May 1 merger of Duncan C. Fraser & Co. with William M. Mercer-MPA Ltd., a wholly owned Mercer-Meidinger subsidiary—has made the company the leading benefit consultant in Great Britain, he says. The firm now operates in 23 cities in the United Kingdom and Europe as William M. Mercer Fraser Ltd.

Mercer-Meidinger's three U.S. acquisitions also fulfilled corporate objectives.

Its March 1 purchase of actuarial firm McGinn Associates in Anaheim, Calif., strengthens its base in actuarial consulting.

Its May purchase of Frederick Teague & Co. Inc. in Chicago, an executive compensation consultant, shows the commitment to growth in the compensation consulting field, Mr. Juneja says.

And its August acquisition of National Medical Audit, a San Francisco-based medical cost management consultant, boosts its already broad health care consulting capabilities, Mr. Juneja says.

Finally, just this month, Mercer-Meidinger announced its plans to merge with Hansen—a $45 million transaction and the largest merger ever in the industry.

Although Mercer-Meidinger's estimated 1986 revenues of $281 million dwarf Hansen's estimated 1986 revenues of $52 million, Mr. Juneja says Hansen has several strengths.

Mr. Juneja.

"Hansen has a strength in geographic locations where we are strong, but not as strong," he says, citing Hansen's strong base in Chicago, Denver and Dallas.

Mercer-Meidinger also values Hansen's expertise in alternative health care and compensation, he said.

Mercer-Meidinger, a subsidiary of Marsh & McLennan Cos. Inc., is the world's largest benefit consultant in ways other than revenues. It has more offices worldwide—87, including 42 U.S. offices—and more clients—about 14,000. It has 4,129 employees, up from 3,511.

But size alone means little to Mr. Juneja. "There is nothing special about being big," he says, noting its size results from its objective to be the best.

Size does have its advantages. Clients are best served, Mr. Juneja says, from local offices with the backup of a global organization.

However, local offices are encouraged to chart their own areas of growth and specialization, Mr. Juneja says, citing Mercer-Meidinger's decentralized approach.

Of Mercer-Meidinger's benefit consulting revenues, 62% are derived from pension and savings plan consulting and 31% from welfare plan consulting. Also, communications consulting generates 5% of revenues and international benefit consulting generates 2%.

Mr. Juneja describes pension and savings consulting—which had a 33% increase in revenues in 1986—as a major growth area. Years ago, consultants often were limited to actuarial valuations. Now, they are used to measure pension liabilities in mergers, he noted.

Towers, Perrin, Forster & Crosby

TPF&C's Mr. Kielley describes 1986 as an "extraordinarily good year. We set very stiff goals for ourselves. . .and we achieved all those goals."

Benefit consulting revenues surged 19.4% to an estimated $215 million from $180 million at the New York-based firm, the nation's second-largest benefit consultant.

Mr. Kielley

And, 1987 is expected to be as good or better because employers will need consultants' help to comply with the Tax Reform Act of 1986, Mr. Kielley said.

While 1986 benefit revenue growth was across the board, pension consulting, which produces 36% of TPF&C's total revenues, enjoyed an especially strong year—the result of more actuarial contracts and helping companies with new pension accounting rules from the Financial Accounting Standards Board, Mr. Kielley noted.

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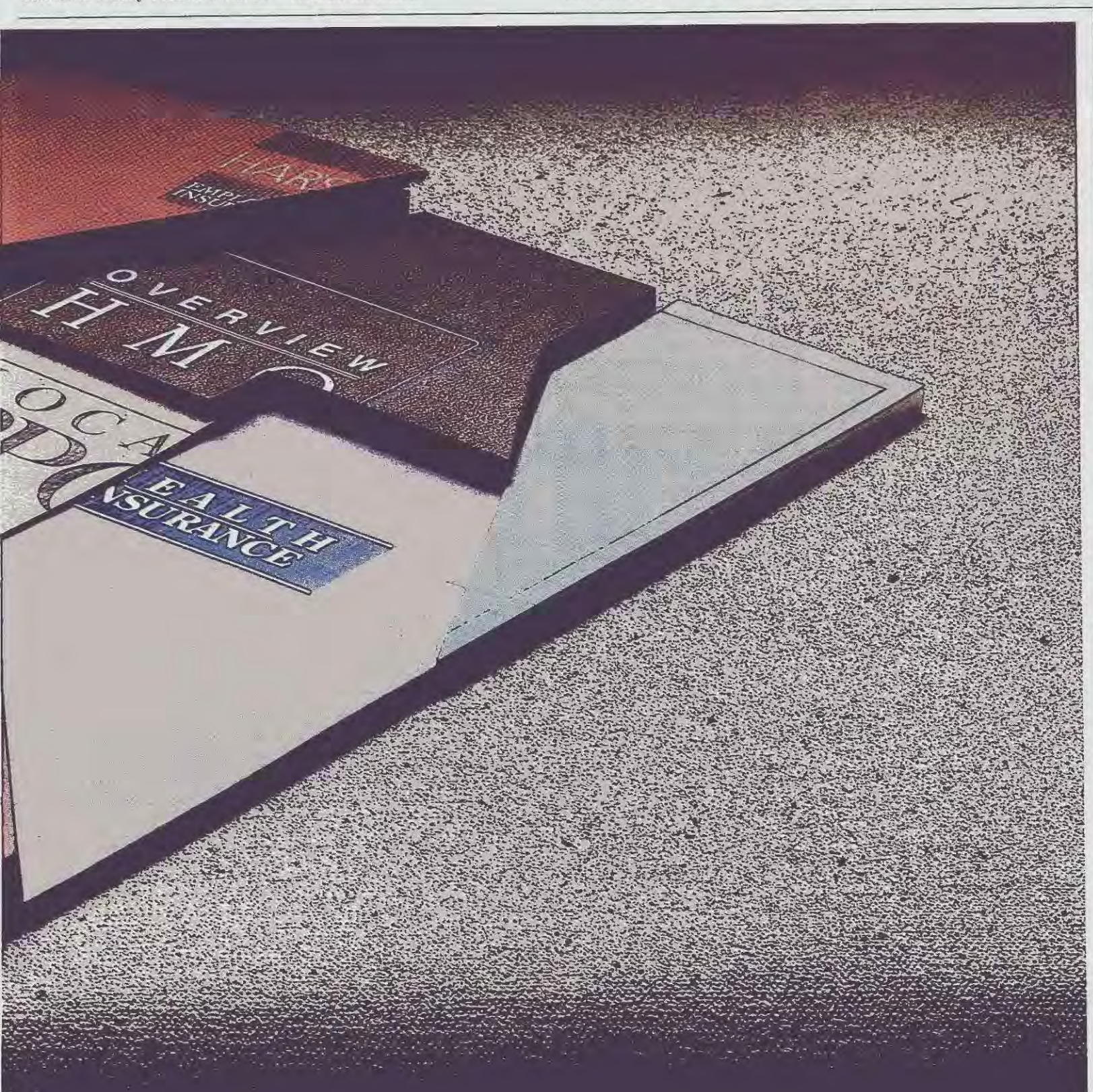

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Top consultants

Continued from previous page

Benefit consulting produces 58% of TPF&C's gross revenues. The remainder comes from: insurance industry actuarial and management consulting, 19%; general management consulting, 12%; and compensation consulting, 11%.

International benefit consulting —a traditional TPF&C strength— grew ahead of target. "It was a good year in Australia and the United Kingdom and a spectacular year in Canada," Mr. Kielley said.

During the year, TPF&C increased its international presence by opening an office in Rio de Janeiro, its second in Brazil. TPF&C also has an office in Sao Paulo, and a total of 19 offices outside the United States.

TPF&C's revenues from health care consulting also increased sharply as employers sought help in cost containment. Health care has become a competitor to pensions in corporate interest and attention, Mr. Kielley said.

While the May merger between TPF&C and Tillinghast, Nelson & Warren Inc. gave TPF&C new strength in risk management and insurance industry consulting, the merger also brought TPF&C sizeable benefit operations in Atlanta, Boston and St. Louis.

And, down the road, more acquisitions seem likely. "We're open to acquisitions"—good high-quality firms where there will be a good fit, he said.

While acquisitions reduce the number of competing consultants, competition is more intense than ever, Mr. Kielley noted. "There are fewer, but stronger, players."

Mr. Kielley noted that the quality of corporate benefits staffs has never been higher, which challenges consultants.

"We have to bring added value, to do something more by being a specialist and to be plugged into the scene in a very close way."

TPF&C, for example, conducted about 100 seminars on the new tax law, and its analysis of the law is considered one of the best.

The year also marked the beginning of top management changes at TPF&C.

Quentin I. Smith Jr., chairman and chief executive officer, announced his retirement effective Jan. 1, 1988. Mr. Kielley will assume Mr. Smith's position as CEO. As part of the transition, Mr. Kielley has assumed the responsibilities of managing director of TPF&C's Consulting Division.

Also, Charles E. Peartree, currently TPF&C's Consulting Division eastern regional manager and manager of the New York consulting office, will become executive vp on Jan. 1.

Lawrence Margel, TPF&C's chief actuary, will become chief financial officer in January. Mr. Margel succeeds Mario Leo, who will become an executive vp.

The Wyatt Co.

The Wyatt Co., the nation's third-largest benefit consultant, had an impressive year, with benefit revenues rising 21.9% to $184 million in the year ending June 30.

"It's been a very busy year with all the legislative changes" in Washington, said Wyatt President J. Perham Stanley.

And, Mr. Stanley predicts 1987 could be another exceptional year, noting that much of the work in helping employers overhaul their benefit plans to comply with the Tax Reform Act of 1986 begins next year.

Flexible benefit plans, communications and health care consulting experienced above-average growth, Mr. Stanley said.

Despite growth in other areas, Wyatt still derives the majority—68%—of its total revenues from retirement and savings plans consulting. Some 8% of revenues come from welfare plan consulting, 7% from communications consulting, 3% from international benefit consulting and 14% from other services.

While defined benefit plan design and administration continues to be the core of Wyatt's business, revenue growth in this area was flat this year, Mr. Stanley said.

To help clients understand and comply with the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act, Wyatt has developed a software package that is tailored for each client, Mr. Stanley said. "We don't go in for canned software."

Mr. Stanley

During the year, Wyatt made one acquisition: In July, it purchased The Analysis Group, a Portland, Ore.,-based firm that specializes in the measurement of pension fund investment performance and assists in the selection of investment managers. The company now is part of Wyatt Asset Services Inc.

This month, Wyatt opened an office in Irvine, Calif., about midway between its Los Angeles and San Diego offices, "because of the great amount of work in that geographic area," Mr. Stanley said.

Also this month, Wyatt closed its small Orlando, Fla., office and shifted business to its Miami office.

Internationally, Wyatt opened new offices in July in Tokyo and Singapore, significantly expanding its presence in Asia. "Given the importance of the Japanese economy, we felt a firm like ours simply has to be there.

"Singapore is an important worldwide financial center, and we felt there are good business opportunities there," Mr. Stanley said.

In addition, Wyatt next month will open an office in Amsterdam. "Holland is one of the more attractive European countries in terms of pension work," he said.

Wyatt issues newsletters and holds seminars to keep clients informed of all legislation. "We held about 50 seminars on the new tax act," Mr. Stanley said.

This information is prepared by a staff of 40 in Wyatt's Research and Information Center in Washington, one of three Wyatt offices in the nation's capital, he said.

"Some of these people spend their full time tracking legislation and they publish the 'Compensation and Benefits File,' " a monthly newsletter devoted to recent legislative, judicial and regulatory developments involving employee benefit plans.

However, "we believe individual consulting is still the best way to help clients, and it's the way we recommend," Mr. Stanley said.

Johnson & Higgins

When President Reagan signed the Tax Reform Act of 1986 in October, the massive legislation contained few employee benefit surprises for Johnson & Higgins clients.

"We have been preparing for two years for the Tax Reform Act," said Edward J. Davey, a vp in J&H's home office in New York. "We analyzed every bill and every proposal since" the Treasury Department's first tax proposal in late November 1984, Mr. Davey noted.

In that two-year span, Mr. Davey

Continued on page 34

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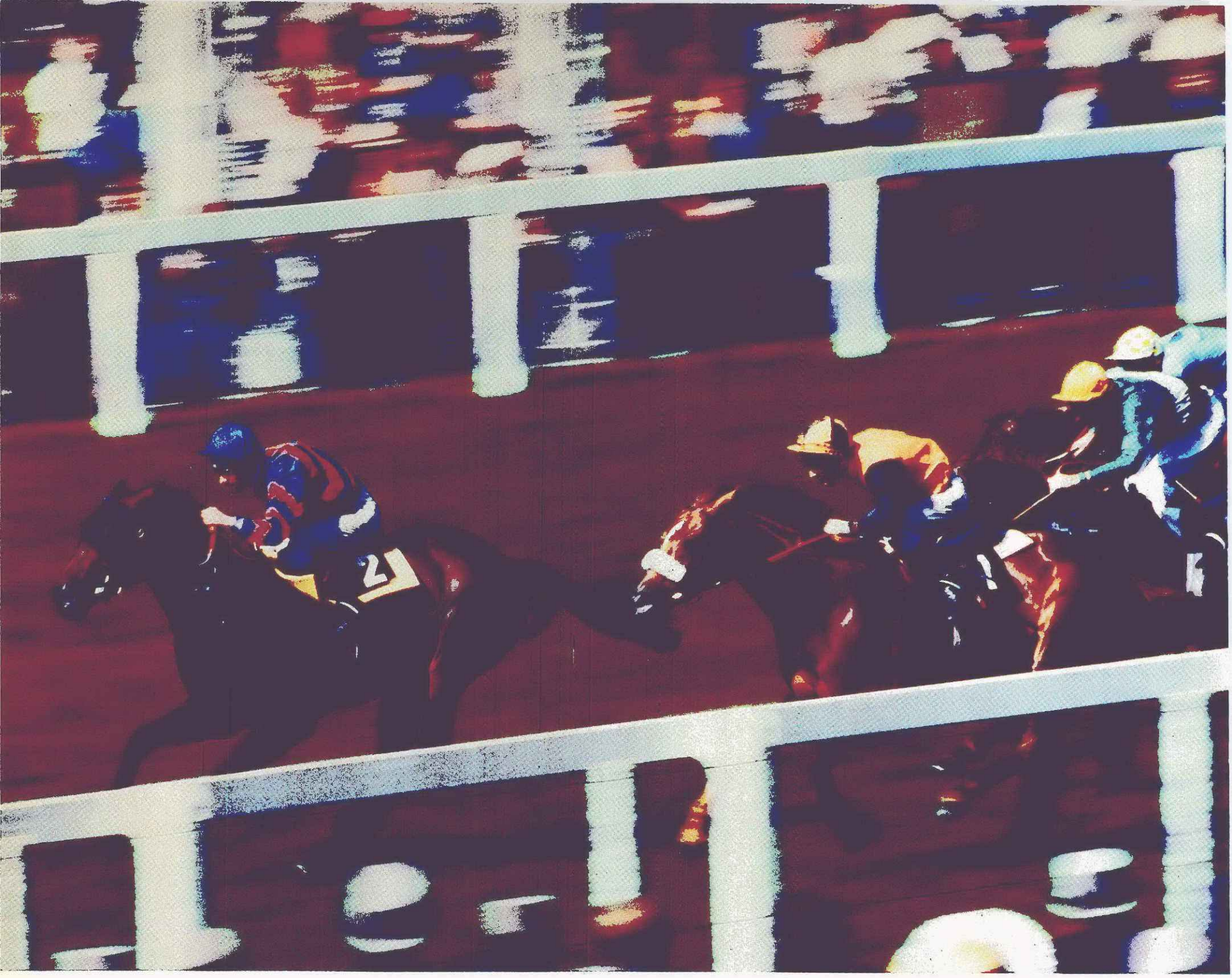

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THE BEST DEFENSE

Improving indemnity plan is a good offense against HMO costs

By David R. Evert

HEALTH MAINTENANCE organizations are being touted as the newest and best way to control an employer's health care benefit costs. But, there is increasing evidence that this may not be the case, and that employers should begin to take matters into their own hands.

Recently, Control Data Corp. surveyed benefit managers and executives of 175 large employers—those with more than 3,000 employees each. The overwhelming majority report they want to reduce their employee populations' involvement with HMOs.

These managers contend that HMO involvement increases employers' health care benefit costs and adds significant communication costs and administrative workloads. There also is considerable resentment regarding the failure of HMOs to provide useful management information.

Many managers contend that HMOs increase their costs because:

- As HMOs compete, they are offering services employers hadn't previously included, thus involuntarily expanding employers' benefit plans.
- Adverse selection—younger, healthier employees tend to seek coverage under the HMO. The problem is that employers must contribute to an HMO based upon their contribution to the regular benefit plan. As the regular plan's participation evolves adversely over several years, the cost per participant rises and, thus, the employer contribution to the HMO rises correspondingly.
- Although HMOs frequently drive down health care costs, the difference between these costs and the employer's contribution is pocketed by the HMO's for-profit management company and not returned to the employer in the form of lower rates.
- Finally, these managers are irritated with the failure of HMOs to provide useful utilization data and "their ability to avoid scrutiny and accountability because of legislated protection."

There is also the problem of keeping track of various HMOs, if you have locations scattered across the nation.

How, then, does the employer combat these problems? A worn phrase comes to mind: The best defense is a good offense.

Perhaps the best way to avoid the problems is to make changes in traditional indemnity plans to draw employees away from HMOs.

The first step may be to self-insure if you aren't not self-insuring already. This allows you to keep cash in-house longer and to keep all of what otherwise would be insurer profits. Also, you avoid premium taxes.

Of course, self-insuring means you must buy unbundled services somewhere. But, aren't unbundled services what benefit managers have been fighting to get for more than 20 years?

This may mean a little increased effort on the employer's part initially. However, you fully control your program design and implementation. You pay only for the services you choose. The key here is you're doing the choosing.

The second, and probably most important, step is to get claims under control. You need accurate, timely and consistent claims administration.

Ask yourself: Are claims being paid consistently according to your plan design? Are appropriate measures in place to eliminate duplicates, to deny bills for services that aren't medically necessary? Are plan limits consistently enforced? Do all claims examiners interpret your benefits the same way?

Is coordination of benefits handled correctly? Is subrogation pursued effectively? Are experienced people handling your claims, or is high turnover subjecting you to trainees?

Are your employees dealt with properly? Are you getting useful information and effective loss-reduction assistance from your administrator?

If you don't really know, perhaps an audit is in order to find out.

The third step is to take a good look at your plan provisions and make changes that will reward people for behavioral changes. To do this effectively, you must have accurate and detailed claims-payment data.

The problem is, most benefit managers are not getting the most useful claims data. If you're not getting cost and utilization data by diagnosis, procedure, provider, division, etc.—and the analysis help needed to anticipate and plan effectively—something is wrong.

Consider for a moment all of the articles and advertising claims your executives are reading—some by those who can produce the kind of service you deserve, some by those who just talk about it. Are some of your executives wondering why you're not making changes?

A logical fourth step is cost-containment, emphasizing a program to improve quality of care as you control costs. This improves quality of care because when unnecessary service is prevented, when individuals are helped to avoid some portion of disruption to their life, when less-risky alternative treatment methods are utilized, the quality of care has been improved. As employers, vendors and health care providers educate buyers to make more-informed choices, quality will continue to improve.

As you implement cost-containment programs such as pre-certification, second opinion, case management and managed provider arrangements, quality should go up and your costs should go down.

But how will you know? If you don't have a good base line measurement on your claim costs, and their causes, and if you don't have a method for measuring the impact of each action you implement, how will you know if it is working?

I am not suggesting these programs are ineffective; I'm perhaps noting the obvious. All are not the same, and if you don't measure impact, you're not able to effectively manage.

Finally, the longest and largest benefit may be derived from implementing a good self-health management, or wellness, program. This is to keep today's healthy and high-risk individuals from becoming tomorrow's claims.

Again, your selection decisions will be better if you have good claims history data. For example, a recent analysis for a client revealed smokers incur $500 per year more in health costs than non-smokers. Wouldn't your deliberations and decisions improve with similar analyses of high blood pressure, obesity, chemical dependency, etc.?

Combining claims history, employee surveys and health risk appraisal information will give you a solid base line from which to launch risk-reducing strategies.

The most effective means available to you to prevent changes in health care plan and delivery systems from increasing your benefit costs is to drive down the costs of your general indemnity plan. That requires a well-thought-out, strategically sequenced and effectively implemented, total approach.

Making this all work together to reduce your costs is a good bit more difficult than writing about it, but it can be done. It requires your personal committed involvement:.

- Get current claim costs under control and collect accurate benefit cost data, even if you are two or three years from making full use of it.
- Use thorough information analysis of your own history to select cost-containment and plan design strategies for your future.
- Measure program impact regularly and make corrections.
- Implement medium-range strategies that reduce the health risks and improve the elective behavior of your covered population.

These tools are available to give your organization the savings and control of a managed provider program. This approach can reduce health plan costs 10% to 20%, induce employees out of the HMO and into your indemnity plan and supply the informational power you need to better control your future.

speaking out

David R. Evert is the senior sales executive of the Benefit Services Group of Control Data in Bloomington, Minn.

perspective

Honoring a broker—and a friend

By Dennis D'Oca

FIFTEEN YEARS ago I applied for the position of insurance analyst (it wasn't called risk management at that time) at Columbia Broadcasting System (it wasn't CBS at that time). The insurance manager wanted Mr. Hilliard (Hilly) Feldman of Schiff Terhune Inc. to interview me.

Hilly invited me to meet him for lunch at "21." As the maitre d' escorted me upstairs to "Mr. Feldman's table," I thought, "Not a bad way to start a relationship." Still, I was little prepared for the man himself.

Hilly was impeccably dressed, immaculately groomed and sparkled with energy and vitality—a silver fox. To tell the truth, all of a sudden I felt unwashed, crumpled—and nervous.

As I glanced around the room, I felt I did not belong there among the celebrities, politicians and power people. I even recognized some key media people from CBS. (Ah, those were the days when revenues were rolling in).

By the end of our lunch, however, Hilly, the ultimate salesman, had made me feel I was the most important person in the room.

Obviously, we hit it off, and when the insurance manager subsequently made an offer, I accepted.

In the years that followed, I found that Hilly's conception of himself as broker extended beyond the technical definition of being an agent of the insured: He placed himself in the role of the insured. We had the same bottom line—whatever is best for CBS.

Although for years the word on the street was that the CBS account was "politically tied" to Schiff Terhune, this was so far from the truth that I refused to defend the position. The choice has always been based on superior product and service.

Hilly understood this so well that he treated the account as if it were always under competition and attached the utmost importance to serving the buyer most effectively.

Hilly did not just advise and market, he made sure I understood the product and also knew the marketplace—literally. The education I gained through correspondence courses, seminars and at The College of Insurance was important, but it paled in comparison to the technical knowledge and background of experience Hilly brought to me.

My introduction to the London market, in particular, was learning at its best with Hilly. He so impressed me that marketing and underwriting are not just the business of dollars and risk, but also the business of people, that I can never lose sight of that relationship.

Through his skill and salesmanship, Hilly played a vital role in helping me to establish and maintain the company's personality in the marketplace.

He was my tutor and mentor. But, the more I learned, the more I realized how much I did not know.

Hilliard Feldman

Certainly there are other brokers out there who are equally conscientious about their clients. It's just that Hilliard Feldman was that rare individual who had it all—brains, integrity, creativity and the respect and confidence of the underwriting community and his colleagues.

When a problem arose he would respond, not with an excuse, but with corrected measures to ensure that it would not happen again. He was always searching for new ideas: CBS had cash-flow plans and a fee-basis arrangement years before they became popular alternatives.

He did not have to wine and dine clients, take them to play golf or cater to them for results "like in the old days"; his knowledge and ability were impressive enough. In fact, I once asked him to join me for lunch at my favorite sushi bar. He graciously declined, saying he would never eat anything that people used for bait.

In recent years, Hilly's health started to deteriorate. First his eyes, and then, more seriously, he had bypass surgery. Through it all, he did not miss a beat, and his razor-sharp mind was always working.

"How can we improve this? . . .There is a new market for. . . .Did you see the recent article about CBS? . . ." He truly cared about CBS, so much so that I knew several people who worked with Hilly who to this day refuse to watch CBS because that's all they heard about from him—day after day after day. . . .

Hilly hit a low point when he was hospitalized for his eye problem and was depressed because of a pending merger/acquisition of Schiff Terhune and Reed Stenhouse Cos. Ltd. (I now know that feeling.) Even though he never wanted visitors, I wanted to see him.

Before going to the hospital, I stopped at "21" and asked to see the manager for an unusual request: an extra dry Bombay gin martini—with no fruit—to go. The manager, who of course knew Mr. Feldman, had the bartender make the drink and gave it to me with his compliments.

So there I was with a martini in a taxi heading for the hospital. It turned out to be the right medicine. Hilly and his wife, Doris, had a big laugh over it. As I said to Hilly, some things should never change.

But changes come, wanted or not. Although Hilly remained at 100% mentally, eventually he was physically unable to continue, and he appointed other people on the account.

These people are now with other firms: Joe Lombardo, senior vp, Alexander & Alexander; Herb Selander, vp, Johnson & Higgins; and Susan Schrenzel, assistant vp, Marsh & McLennan.

Although Hilly's gone now, I feel there are pieces of him at three different brokers. I can use them to compete against each other. He would have liked that.

A few days before he died, I went to visit him. We both knew it would be for the last time. We reminisced over the good and bad times. He was still talking about CBS: "Now, with this restructuring of the company, you should look into. . . ."

Hilly died of cancer Oct. 29. His funeral was private. He was loved and admired by his family, friends and associates. He was one of the best in the business because of his dedication, creativity and caring.

He cared so much. Joe Lombardo went to see Hilly during his last days, and they too reminisced, mostly about good times.

Hilly reached over to Joe and asked him to put an earphone on. Joe did and said "Yeah, I can hear the radio." Hilly replied, "No, it's *CBS* radio. . . ."

For those who knew him, a fund has been set up at Brandeis University—The Hilliard Feldman Science Fund. Contributions may be sent in care of Ms. Shirley Brickman, 2602 N.W. 26th Circle, Boca Raton, Fla. 33431.

Dennis D'Oca is vp-risk management and finance at CBS Inc. in New York.

Comp benefits not altered by loss of parental rights

A conclusive presumption of dependency that is created by workers compensation law was not nullified by the termination of the parental rights of a worker who later dies in a work-related accident, according to a ruling by the Supreme Court of Georgia.

Christopher Michael Bird, born March 1, 1971, was found to be a deprived child by the juvenile court in 1979.

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

legal briefs

The court terminated the rights of his natural father, Alfred M. Bird, as well as his natural mother, Elizabeth Bird Hainut.

In May 1980, Mr. Bird was killed as the result of an on-the-job accident while he was working for Fairchild Roofing Co.

Later, Christopher was adopted by the Menard family. A claim was filed for workers compensation benefits on Christopher's behalf in 1981.

Although workers compensation benefits originally were denied for Christopher, the state board found he was entitled to make the claim and awarded benefits.

However, a trial court reversed the award.

At issue in the appeal was whether the termination of Mr. Bird's parental rights also terminated Christopher's right to receive workers compensation benefits after the death of his natural father.

The appellate court said that the termination of parental rights was designed to protect a child who has been abandoned, deprived or unsupported.

But, an adoption does more, the court emphasized, by creating a new relationship between the child and the adopting parents.

The court said that after termination of parental rights, the parties still remain parent and child, while an adoption alters their status.

The court held that the conclusive presumption of dependency under the compensation law was a recognition of status and eliminated any requirement of actual dependency.

Furthermore, the court said that Christopher's adoption after his natural father's death did not diminish his vested right to recover compensation, since that right was determined as of the date of the accident that resulted in the death of his father. *Menard vs. Fairchild,* Supreme Court of Georgia, April 24, 1985, *certiorari denied,* Oct. 18, 1985 (*BI*/05/O.—$10)

Directory of employee benefit consultants

a

The Administrative Management Group Inc.

3223 N. Frontage Road, Arlington Heights, Ill. 60004; 312-577-6000

Year founded: 1982.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 85% of business. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 5% of business. Includes plan design consulting.
Employee benefit communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Staff: 32 total staff members, 26 professionals.
Clients: 130 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 100% corporations; minimum size client, 100 employees.
Compensation: By the project, by the hour.
1986 gross revenues: Not reported.
Principal officers: John Salajka, president.

Aldrich & Cox Inc.

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

Year founded: 1951.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.
Welfare plan consulting: 28.5% of business. Includes plan design consulting; insurer/broker selection consulting; evaluation of other service providers; continuous plan supervision including loss review and control, working with agents and brokers, annual plan reviews.
Employee benefit communication consulting: 1.5% of business. Includes general consulting on communications programs, benefit statement preparation.
Other services: 70% of business. Includes risk management consulting.
Staff: 15 total staff members; five professionals, including six CPCUs, one attorney, four ARMs, one ALCM.
Clients: 60 total clients (30 of which are employee benefit consulting clients); 30% with more than 500 employees, 70% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.
Compensation: By the project; on retainer; by the hour, consultant: $55-$85.
1986 gross revenues: Not reported.
Principal officers: Herbert Cox, president; Charles H. Cox and James B. Hood Jr., vps.

ALTA Health Strategies Inc.

2614 South, 1935 West, Salt Lake City, Utah 84119; 801-973-7300

Year founded: 1960.
Services provided: 20% of gross revenues from benefit consulting, 80% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 1% of business. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 18% of business. Includes plan design consulting.
Employee benefit communication consulting: 1% of business. Includes benefit statement preparation, booklet preparation.
Other services: 80% of business. Includes brokering, health care and other types of claims administration.
Locations: Albuquerque, N.M.; Atlanta; Boise, Idaho; Boston; Dallas; Denver; Houston; Santa Ana, Calif.; Milwaukee; Philadelphia; Phoenix, Ariz.; St. Louis; San Francisco.
Staff: 650 total staff members; 80 professionals, including 17 MBAs, eight CEBSs, two CLUs, one PhD, five CPAs.
Clients: 2,200 total clients; 11% with more than 500 employees, 89% with fewer than 500 employees; 100% corporations.
Compensation: Commissions for insurance placed with underwriters.
1986 gross revenues: Not reported.
Principal officers: W. Terry Nofsinger, president/chief executive officer; David H. Olson and Keith F. Kinghorn, executive vps/regional directors; Lane A. Summerhays, senior vp-finance; Robert B. Shomer, senior vp-marketing/national accounts; Dennis Burge, senior vp-administration; Carvel Whiting, senior vp.

Associated Agencies Inc.

230 W. Monroe St., Chicago, Ill. 60606; 312-372-7000

Year founded: 1971.
Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 10% of business. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 14% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: 16% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, presentations to employees.
Other services: 60% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration.
Staff: 32 total staff members; eight professionals, including two CLUs, four CPCUs, one CPA.
Clients: Total clients not reported; 22% with more than 500 employees, 78% with fewer than 500 employees; 75% corporations, 10% multiemployer plans, 15% individuals; minimum size client, 50 employees.
Compensation: By the project, commissions for insurance placed with underwriters, on retainer, by the hour.
1986 gross revenues: Not reported.
Principal officers: Robert M. Schrayer, Irving Shainberg, Karen Vacko, Patti Vile and Lanny Levin.

Association Benefits Agency

20 Watsessing Ave., Bloomfield, N.J. 07003; 201-429-7550

Year founded: 1936.
Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 19.3% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, non-qualified executive compensation programs.

Continued on next page

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Guide to directory

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

The directory is published as an editorial service, and there is no charge for companies to be listed. But to be included, companies must generate at least 30% or $500,000 of their gross revenues from benefit consulting. *BI* defines benefit consulting as providing advice on benefit issues on a fee-for-service basis, excluding brokering insurance; health care and other types of claims administration; compensation consulting; and other non-benefit-related consulting.

Each listing includes the year the company was founded and its parent company, if any. If you are concerned about using consultants affiliated with brokers or insurers, you will want to check this section.

The services provided heading lists the percentage of gross revenues a company derives from benefit consulting and from other services it provides. In the paragraphs that follow, these percentages are broken down into the amount of gross revenues generated from retirement and savings plan consulting, welfare plan consulting, employee benefit communication consulting, international benefit consulting and any non-benefit related services the company may provide.

Also listed are locations of branch offices and subsidiaries conducting benefit consulting, total number of staff members, number of professional staff members assigned to benefit consulting and professional designations they hold. Also included is the number of current clients and their size and type.

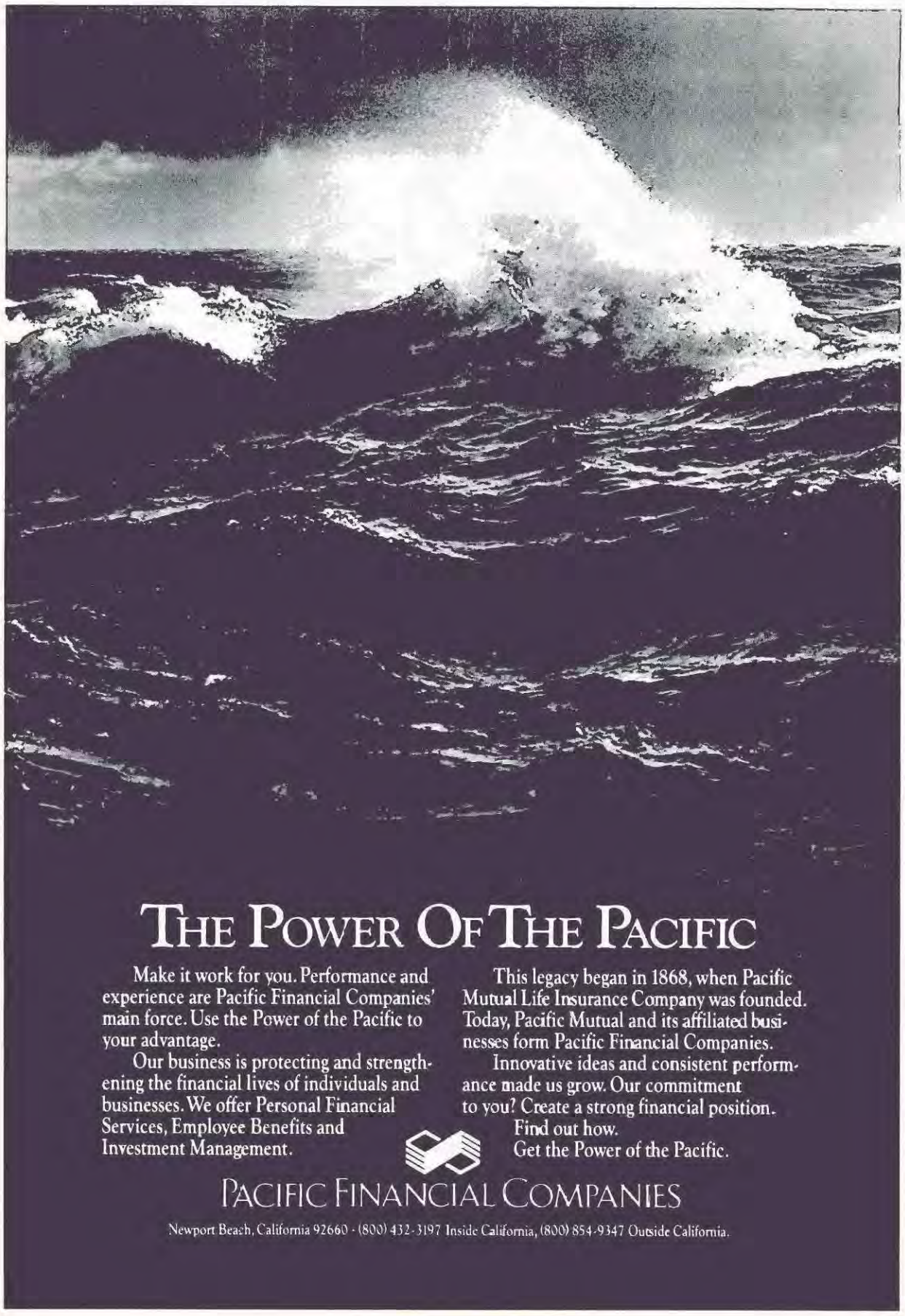
Methods by which a company bills for its services are provided under the compensation heading.

When reported by the company, total estimated 1986 gross revenues are provided, as well as the amount of estimated 1986 revenues generated from benefit consulting only.

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

Following are the full professional designations for the abbreviations listed under the staff heading:

ACA is Associate, Conference of Actuaries in Public Practice; **ACAS** is Associate, Casualty/Actuarial Society; **ALCM** is Associate in Loss Control Management; **ARM** is Associate in Risk Management; **ASA** is Associate, Society of Actuaries; **CEBS** is Certified Employee Benefit Specialist; **CFP** is Certified Financial Planner; **ChFC** is Chartered Financial Consultant; **CIC** is Certified Insurance Counselor; **CLU** is Chartered Life Underwriter; **CPA** is Certified Public Accountant; **CPCU** is Chartered Property Casualty Underwriter; **EA** is Enrolled Actuary; **FCA** is Fellow, Conference of Actuaries in Public Practice; **FCAS** is Fellow, Casualty/Actuarial Society; **FCIA** is Fellow, Canadian Institute of Actuaries; **FLMI** is Fellow, Life Management Institute; **FSA** is Fellow, Society of Actuaries; **ISCEBS** is Fellow, International Society of Certified Employee Benefit Specialists; **LIA** is Licensed Insurance Advisor; **MAAA** is Member, American Academy of Actuaries; **MBA** is Master of Business Administration; **MCA** is Member, Conference of Actuaries in Public Practice; **MD** is Medical Doctor; **NASD** is National Assn. of Security Dealers; **PhD** is Doctor of Philosophy; **QHA** is Qualified Health Actuary; **RHU** is Registered Health Underwriter; **RN** is Registered Nurse.



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Welfare plan consulting: 10.5% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, cost control utilization surveys.

Employee benefit communication consulting: 5.2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee assistance programs.

Other services: 65% of business. Includes mortgage and credit insurance for financial institutions.

Staff: 20 total staff members; 10 professionals, including one FSA, one ASA, one MBA, two CLUs.

Clients: 200 total clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 80% corporations, 15% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: up to $500; consultant: $125; clerical: $25.

1986 gross revenues: $2 million* total, $700,000 from benefit consulting.

Principal officers: William I. Rosenthal, chairman of the board; Stanley Washington Kaplan, president; David M. Rosenthal, executive vp.

**BI estimate.*

b

Benefit Communicators Inc.

9950 Scripps Lake Drive, Suite 101, San Diego, Calif. 92131; 619-566-8860

Year founded: 1975.

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

Employee benefit communication consulting: 100% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, benefit change brochures, newsletters, payroll inserts, posters, wellness communication programs.

Staff: 22 total staff members; seven professionals, including one MBA, one PhD, one CPA.

Clients: 250 total clients; 33% with more than 500 employees, 67% with fewer than 500 employees; 67% corporations, 33% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project; by the hour, senior consultant: $125; consultant: $75; clerical: $35.

1986 gross revenues: $2 million total, all from benefit consulting.

Principal officers: Douglas Lonergan, president; William Spencer, vp/creative director; Joseph Birney, art director; Susan Stoltze, communications consultant; Rebecca Rogers, controller.

Benefits Planning & Insurance

900 Larkspur Landing Circle, Suite 230, Larkspur, Calif. 94939; 415-461-8383

Year founded: 1978.

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

Retirement and savings plan consulting: 4% of business. Includes plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 34% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, cost containment, health promotion.

Employee benefit communication consulting: 2% of business. Includes benefit statement preparation, booklet preparation.

Other services: 60% of business. Includes brokering, general management consulting, health care and other types of claims administration.

Staff: Seven total staff members; four professionals, including one MBA, one CLU, one attorney.

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Clients: Total clients not reported; 65% with more than 500 employees, 35% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 50 employees.

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

1986 gross revenues: $210,000 from benefit consulting, $525,000 total.

Principal officers: Gary W. High and Victor A. Deksnys, general partners.

Blackwood-Frazier Inc.

1600 A St., Suite 300, Anchorage, Alaska 99501; 907-258-1169

Year founded: 1982.

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

Retirement and savings plan consulting: 5% of business. Includes plan design consulting, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 25% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

Other services: 70% of business. Includes brokering insurance, risk management consulting.

Staff: Five total staff members; four professionals, including three CLUs, one CPA.

Clients: 18 total clients; 28% with more than 500 employees, 72% with fewer than 500 employees; 40% corporations, 60% public entities; no minimum size client.

Compensation: On retainer; by the hour, senior consultant: $100; clerical: $50.

1986 gross revenues: Not reported.

Principal officers: David Frazier, president.

R.N. Blomquist & Co.

122 W. 22nd St., Suite 100, Oak Brook, Ill. 60521; 312-574-7436

Year founded: 1970.

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

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

Welfare plan consulting: 65% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, consulting on cost containment, regulatory changes and plan documents.

Employee benefit communication consulting: 30% of business. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

Staff: 15 total staff members, five professionals.

Clients: Total clients not reported; 80% with more than 500 employees, 20% with fewer than 500 employees; minimum size client, 100 employees.

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

1986 gross revenues: Not reported.

Principal officers: Richard N. Blomquist, president; Jack A. Diem and Kurt S. Starbuck, vps.

Booke & Co.

310 W. Fourth St., Winston-Salem, N.C. 27102; 919-748-1120

Year founded: 1941.

Retirement and savings plan consulting: 76% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting, asset accumulation/investment consulting, executive benefit planning, on-line administrative systems.

Welfare plan consulting: 9.5% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, flexible benefit plans, consulting and administration of cafeteria plans, plan administration.

Employee benefit communication consulting: 9.5% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: Less than 1% of business.

Other services: 5% of business. Includes health care and other types of claims administration.

Locations: Columbus, Ohio; Birmingham, Ala.

Staff: 310 total staff members; including 10 FSAs, four ASAs, 18 MBAs, 13 CEBSs, four CLUs, six CPCUs, nine CPAs, 10 attorneys.

Clients: Not reported.

Compensation: By the project, by the hour.

1986 gross revenues: Not reported.

Principal officers: Samuel L. Booke Jr., chairman of the board;

Continued on next page

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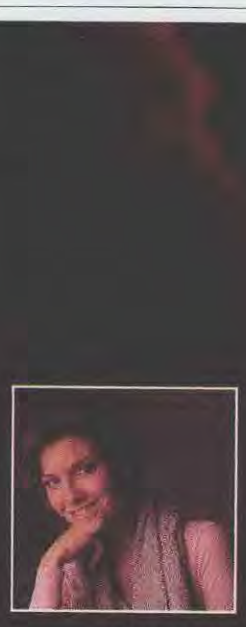

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T.E. Brennan & Co.

221 N. LaSalle, Suite 2017, Chicago, Ill. 60601; 312-346-6656

Year founded: 1895.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.
Welfare plan consulting: 30% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Other services: 70% of business. Includes risk management consulting.
Staff: 15 total staff members: 11 professionals, one benefit professional; professional designations held by staff include two MBAs, one CPCU, one CPA, two attorneys.
Clients: Total clients not reported.
Compensation: By the project; by the hour: $35-$150.
1986 gross revenues: $3.4 million* total, $1 million from benefit consulting.
Principal officers: John Hayes, chairman.
**BI estimate.*

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121; 212-330-1000

Year founded: 1916.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, dependent care consulting.
Employee benefit communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: Includes consulting via overseas correspondents, consulting from the U.S., assignments involving overseas travel.
Locations: Atlanta; Chicago; Dallas; Fort Wayne, Ind.; Harmon Meadow, N.J.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Washington, D.C.; Toronto.
Staff: 842 total staff members; 625 professionals, including 45 FSAs, 48 ASAs, 17 MBAs, seven CEBSs, six PhDs, five CPAs, 20 attorneys, 87 EAs.
Clients: 1,000 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees.
Compensation: By the project; by the hour, senior consultant: $104-$272; consultant: $64-$112.
1986 gross revenues: $79 million total, all from benefit consulting.
Principal officers: William E. Giegerich, president/chief executive officer; John Seltzer, chairman.

R.J. Burns & Associates Inc.

311 W. Superior St., Chicago, Ill. 60610; 312-280-5700

Year founded: 1979.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 10% of business. Includes plan design consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 78% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
International benefit consulting: 2% of business. Includes consulting from the U.S.
Staff: Three total staff members; two professionals, including two CEBSs.
Clients: 30 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 75% corporations, 25% multiemployer plans; minimum size client, 10 employees.
Compensation: By the project; by the hour, senior consultant: $35-$175.
1986 gross revenues: $350,000 total, all from benefit consulting.
Principal officers: Richard J. Burns, president; David P. Hermes, treasurer.

Bushnell, Ducham & Co.

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

Year founded: 1977.
Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 50% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, plan termination administration.
Welfare plan consulting: 30% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, audits, actuarial services, designing bid specifications, electronic tie-in to insurers.
Employee benefit communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: 5% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.
Other services: 5% of business. Includes compensation consulting.
Staff: Nine total staff members; five professionals, including one ASA, one CLU.
Clients: 175 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 100 employees.
Compensation: By the hour, senior consultant: $135; consultant: $50-$75; clerical: $20-$40.
1986 gross revenues: Not reported.
Principal officers: James E. Bushnell, president; David A. Ducham, vp; Brent A. O'Donnell, secretary; Patricia Barry, treasurer.

Business-Estate Underwriters Inc.

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

Year founded: 1968.
Services provided: 57% of gross revenues from benefit consulting, 43% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 5.7% of business. Includes plan design consulting, plan administration consulting.
Welfare plan consulting: 51.3% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.
Other services: 43% of business. Includes compensation consulting, brokering insurance.
Locations: Asheville and Hickory, N.C.
Staff: 12 total staff members; eight professionals, including four CLUs, one PhD, two attorneys.
Clients: 140 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 90% corporations, 10% individuals; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $130; consultant: $90; clerical: $30.
1986 gross revenues: $1.2 million total, $710,000 from benefit consulting.

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WEST VIRGINIA
McDONOUGH-CAPERTON INSURANCE GROUP
WISCONSIN
LAUB GROUP, INC.

Continued from facing page

Principal officers: Joe Young, chairman; William A. Gantt, president; Michael A. Hawkins, J. Timothy Wilson, Richard A. Gantt, P. Edwin Icard and Otis B. Kempson, vps.

Byerly & Co. Inc.

3443 S. Galena St., Suite 300, Denver, Colo. 80231; 303-696-6677

Year founded: 1959.

Services provided: 85% of business from benefit consulting, 15% of business from activities other than benefit consulting.

Retirement and savings plan consulting: 1.7% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, actuarial services provided through joint venture with Byerly-Roeder & Co.

Welfare plan consulting: 79% of business.

Employee benefit communication consulting: 3.4% of business.

International benefit consulting: 1% of business.

Other services: 15% of business. Includes compensation consulting, brokering insurance, health care and other types of claims administration.

Locations: Chicago; Overland Park, Kan.; Baton Rouge, La.; Cheyenne, Wyo.

Staff: 58 total staff members; 13 professionals, including two MBAs, four CEBSs, four CLUs, one CFP, three RNs.

Clients: 620 total clients; 5% with more than 500 employees, 95% with fewer than 500 employees; 83% corporations, 15% multiemployer plans, 2% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $100-$150; consultant: $35-$100; clerical: $20-$40.

1986 gross revenues: $3.5 million total, $3 million from benefit consulting.

Principal officers: Robert Byerly, chairman of the board; Robert N. Morehead, president; Alfred A. Gimbel, Mark E. Hogan, Gerald A. Peters, Bruce T. Tawson and Vincent R. Peyton, vps; Warren Tasset, president-Byerly & Co. of Wyoming Inc.; William A. Heine, president-Byerly & Co. of Louisiana Inc.; William E. Shannon, president-Byerly & Co. of Illinois Inc.

C

The CBI Group

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

Year founded: 1983.

Parent company: Joseph Lemmer & Co.

Services provided: 55% of gross revenues from benefit consulting, 45% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 50% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, labor negotiations.

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

Other services: 45% of business. Includes brokering insurance.

Staff: Six total staff members, five professionals.

Clients: Total clients not reported; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: Commissions for insurance placed with underwriters; by the hour, senior consultant: $65-$110; consultant: $40-$65; clerical: $15-$25.

1986 gross revenues: Not reported.

Principal officers: Joseph Lemmer, president; Neil Livingston, vp; Linda Cain, assistant vp.

Claims Administration Services Inc.

1250 W. Northwest Highway, Suite 600, Palatine, Ill. 60067; 312-934-7772

Year founded: 1982.

Parent company: The Travelers Plan Administrators.

Services provided: 23% of gross revenues from benefit consulting, 77% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 18.4% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communication consulting: 4.6% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation.

Other services: 77% of business.

Continued on next page

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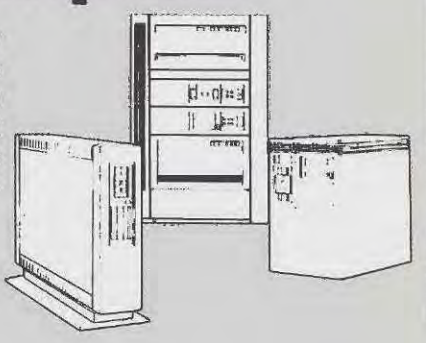

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Continued from previous page

Fringe Benefit Review Inc.

3700 Latrobe Drive, Charlotte, N.C. 28211; 704-366-7453

Year founded: 1978.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.
Welfare plan consulting: 30% of business. Includes plan design consulting, insurer/broker selection consulting.
Other services: 70% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration.
Locations: High Point and Raleigh, N.C.
Staff: 70 total staff members; 15 professionals, including four MBAs, four CLUs.
Clients: 175 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 100% corporations; minimum size client, 100 employees.
Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant: $150; consultant: $80; clerical: $40.
1986 gross revenues: $2.3 million total, $690,000* from benefit consulting.
Principal officers: F. Richard Atkinson and W. James Michelsen, senior partners.
**BI estimate.*

g

Arthur J. Gallagher & Co.-Benefit Planning Services

10 Gould Center, Golf Road, Rolling Meadows, Ill. 60008; 312-956-5038

Year founded: 1927.
Parent company: Arthur J. Gallagher & Co.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 2% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 24% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 70% of business. Includes brokering insurance, general management consulting, health care and other types of claims administration.

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Frank B. Hall Consulting Co.

261 Madison Ave., New York, N.Y. 10016; 212-922-1300

Year founded: 1980.
Parent company: Frank B. Hall & Co. Inc.
Services provided: 89% of gross revenues from benefit consulting, 11% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 46.2% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, record keeping for COBRA.
Welfare plan consulting: 29.4% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: 8.9% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, benefit advisory systems.
International benefit consulting: 4.5% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.
Other services: 11% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other claims administration.
Locations: 126 locations in the U.S., 92 foreign locations.
Staff: 880 total staff members; 600 professionals, including 20 FSAs, 20 ASAs, 30 MBAs, 25 CEBSs, 65 CLUs, five CPCUs, five PhDs, 10 CPAs, 25 attorneys, 40 EAs, 80 NASDs, five ARMs.
Clients: 7,400 total clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 89% corporations, 1% multiemployer plans, 10% individuals; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $130-$250; consultant: $70-$95; clerical: $30-$50.
1986 gross revenues: $65 million total, $58 million from benefit consulting.
Principal officers: Michael J. Reynolds, president; David Burkstaller, Craig Adams, Robert Bishop, Jack Giddens, Frank LeFurgy and William Xanthos, executive vps.

A.S. Hansen Inc.

1417 Lake Cook Road, Deerfield, Ill. 60015; 312-948-7400

Year founded: 1930.
Services provided: 80% of gross revenues from benefit consulting,

Continued on facing page

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CEBS

Continued from facing page
20% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 65.6% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 5.6% of business.

Employee benefit communication consulting: 7.2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: 1.6% of business. Includes consulting from the U.S.

Other services: 20% of business.

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

Staff: 703 total staff members; 525 professionals, including 85 FSAs and ASAs, 43 MBAs, 20 CEBSs, seven CLUs, two PhDs, two CPAs, 16 attorneys.

Clients: 2,600 total clients.

Compensation: By the hour.

1986 gross revenues: $64 million total, $52 million from benefit consulting.

Principal officers: Steven W. Fargason, chairman/chief executive officer; Howard F. Lund, president/chief operating officer; Philip G. Henderson, senior vp; James E. McGarry, executive vp-finance/administration.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19102; 215-875-2300

Year founded: 1911.

Parent company: Saatchi & Saatchi P.L.C.

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

Retirement and savings plan consulting: 55% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 25% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

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

International benefit consulting: 10% of business. Includes consulting via overseas branch offices, consulting from the U.S.

Locations: New York; Atlanta; Los Angeles; Pittsburgh; San Francisco; Washington, D.C.; Toronto; London.

Staff: 150 total staff members; 75 professionals, including 30 FSAs, 10 ASAs, 10 MBAs, five PhDs, five attorneys.

Clients: 1,000 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; no minimum size client.

Compensation: By the hour, senior consultant: $200; consultant: $100; clerical: $50.

1986 gross revenues: $20 million total, all from benefit consulting.

Principal officers: Kenneth P. Shapiro, president/chief executive officer.

Health Claims Administration Inc.

20 E. Cass, Joliet, Ill. 60431; 815-740-4251

Year founded: 1976.

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

Retirement and savings plan consulting: Includes plan design consulting, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: Includes plan design consulting, insurer/broker selection consulting.

Employee benefit communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 70% of business. Includes brokering insurance, general management consulting, health care and other types of claims administration.

Staff: 15 total staff members; five professionals, including one MBA, one CLU, one CPA, one attorney.

Clients: Total clients not reported; no minimum size client.

Compensation: By the project, on retainer.

1986 gross revenues: Not reported.

Principal officers: George T. Relyea, president; James Relyea, vp; Leanne Lantz, corporate counsel.

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Continued from previous page

Herget & Co. Inc.

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

Year founded: 1949.
Services provided: 94% of gross revenues from benefit consulting, 6% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 70% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 18% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, actuarial evaluation of self-insured plans.
Employee benefit communication consulting: 6% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 6% of business. Includes compensation consulting, brokering insurance, general management consulting.
Locations: Pittsburgh; Fort Lauderdale, Fla.
Staff: 64 total staff members; 20 professionals, including four FSAs, one ASA, one MBA, two CEBSs, one CLU, one CPA, five EAs, five MAAAs.
Clients: 1,500 total clients; 12% with more than 500 employees, 88% with fewer than 500 employees; 97% corporations, 3% multiemployer plans; no minimum size client.
Compensation: By the hour, senior consultant: $160; consultant: $100; clerical: $35.
1986 gross revenues: $4.4 million total.
Principal officers: Charles E. Herget Jr., chairman/chief executive officer; Thomas J. Egan Jr., president; Ross L. Coffey and C. Richard Donovan, senior vps; Morton A. Kesler, vp-finance/administrative services.

Hewitt Associates

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

Year founded: 1940.
Services provided: 85% of gross revenues from benefit consulting, 15% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 50% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 20% of business. Includes plan design consulting, consulting on selection of investment managers, evaluation of other service providers.
Employee benefit communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, employee listening programs.
International benefit consulting: 5% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.
Other services: 15% of business. Includes compensation consulting, health care and other types of claims administration.
Locations: 23 offices in the U.S., 10 foreign offices.
Staff: 1,520 total staff members; 875 professionals, including 83 FSAs, 57 ASAs, 105 MBAs, two CEBSs, four CLUs, 11 PhDs, 21 CPAs, 34 attorneys.
Clients: 1,862 total clients; 90% with more than 500 employees, 10% with fewer than 500 employees; 99% corporations, 1% multiemployer plans; no minimum size client.
Compensation: By the project; by the hour, senior consultant: $272 and under.
1986 gross revenues: $120 million total, $100 million from benefit consulting.
Principal officers: Peter E. Friedes, chief executive.

Holzman Post Ludwig & Schwartz Chtd.

125 S. Wilke Road, Arlington Heights, Ill. 60005; 312-392-2999

Year founded: 1977.
Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 85% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting, plan administration consulting, asset accumulation/investment consulting.
Employee benefit communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Other services: 10% of business. Includes investment brokering and advice.
Staff: 32 total staff members; 24 professionals, including six CPAs, three attorneys, one EA.
Clients: 700 total clients; 1% with more than 500 employees, 99% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.
Compensation: By the project; on retainer; by the hour, senior consultant: $120-$150; consultant: $65-$100; clerical: $35-$60.
1986 gross revenues: $1.8 million total, $1.6 million from benefit consulting.
Principal officers: Ira A. Post, secretary; William C. Ludwig, treasurer; Mark Schwartz, president; George F. Castillo, vp.

Human Resource Management Group of Alexander & Alexander Inc.

1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000

Year founded: 1898.
Parent company: Alexander & Alexander Services Inc.
Services provided: 65% of gross revenues from benefit consulting, 35% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 28% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 21% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: 14% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: 2% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting via the U.S.
Other services: 35% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration.
Locations: 21 offices in the U.S., 34 foreign offices.
Staff: 1,426 total staff members (1,137 in U.S.); 900 professionals (632 in U.S.), including 32 FSAs, 45 ASAs, 22 MBAs, 14 CEBSs, 40 CLUs, five PhDs, three CPAs, 12 attorneys, one MD, two RHUs, three ISCEBSs, two ChFCs.
Clients: 13,000 total clients (more than 7,700 in U.S.); 20% with more than 500 employees, 80% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $150-$200; consultant: $75-$125; clerical: $20-$30.
1986 gross revenues: $120 million total, $78 million from benefit consulting.
Principal officers: A.M. D'Alessandro, chief executive officer; Donald Cleveland, chief operating officer; Edward J. Rudzinski, Eugene W. Teal, Joseph R. Zatto, Robert K. Burden and John L. Goodyear, division directors.

Hunter & Associates

9842 Hibert St., Suite 152, San Diego, Calif. 92131; 619-578-7461

Year founded: 1984.
Services provided: 93% of gross revenues from benefit consulting, 8% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 4.6% of business. Includes plan design consulting, plan/trust legal document drafting.
Welfare plan consulting: 55.8% of business. Includes plan design consulting, plan/legal document drafting.
Employee benefit communication consulting: 32.6% of business. Includes general consulting on communications programs, booklet preparation, summary plan description drafting.
Other services: 8% of business. Includes writing claims policy and personnel policy manuals.
Staff: Five total staff members; two professionals, including one MBA.
Clients: 95 total clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 90% corporations, 10% multiemployer plans;

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minimum size client, 25 employees.

Compensation: By the project; by the hour, senior consultant: $120; consultant: $60.

1986 gross revenues: Not reported.

Principal officers: David H. Gluck, president; Susan L. Waybourn, vp.

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Thomas L. Jacobs & Associates

230 W. Monroe St., Suite 545, Chicago, Ill. 60606; 312-346-0155

Year founded: 1915.

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

Welfare plan consulting: 50% of business. Includes plan design consulting, evaluation of other service providers.

Employee benefit communication consulting: 10% of business. Includes booklet preparation, claims handbooks, staff training.

Other services: 40% of business. Includes general management consulting, health care and other types of claims administration.

Locations: Philadelphia, Houston.

Staff: 40 total staff members; 25 professionals, including three MBAs, one FLMI, one RN.

Clients: 150 total clients; 90% with more than 500 employees, 10% with fewer than 500 employees; 90% corporations, 10% government entities; minimum size client, 50 employees.

Compensation: By the project; on retainer; by the hour, senior consultant: $100-$125; consultant: $75-$90; clerical: $15-$25.

1986 gross revenues: Not reported.

Principal officers: Richard A. Lewis, president; Richard H. Wille, executive vp; James E. Roman, senior vp; George Krzmlen, vp/controller.

Johnson & Higgins-Human Resource Consulting

125 Broad St., New York, N.Y. 10004; 212-574-7212

Year founded: 1845.

Parent company: Johnson & Higgins.

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

Retirement and savings plan consulting: 37.8% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, administrative software for clients, executive benefit consulting.

Welfare plan consulting: 38.7% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, studies setting management objectives in conjunction with flex feasibility.

Employee benefit communication consulting: 4.5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, communicating benefits to employees through personal computers, employee attitude surveys.

International benefit consulting: 9% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.

Other services: 10% of business. Includes compensation consulting.

Locations: 45 offices in the U.S., 32 foreign offices.

Staff: 950 total staff members, including 72 FSAs, 54 ASAs, 31 MBAs, 29 CEBSs, 46 CLUs, four PhDs, 20 attorneys.

Clients: Total clients not reported; no minimum size client.

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

1986 gross revenues: Not reported.

Principal officers: James G. Harlow and Thomas G. Patzau, senior vps/directors; Kenneth K. Keene, senior actuary/senior vp/director.

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Keenan & Associates

3715 W. Lomita Blvd., P.O. Box 4328, Torrance, Calif. 90510; 213-373-8811

Year founded: 1972.

Services provided: 52% of gross revenues from benefit consulting, 48% of gross revenues from activities other than benefit consulting.

Welfare plan consulting: 52% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Other services: 48% of business. Includes brokering insurance, health

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care and other types of claims administration, risk management consulting.

Locations: Chico, Riverside, Sacramento, San Diego, San Jose, Fresno, San Rafael, Santa Ana and Thousand Oaks, Calif.; South Bend, Ind.

Staff: 170 total staff members; 35 professionals, including one CEBS, eight CLUs, two CPCUs, one CPA, one ChFC, two ARMs.

Clients: 500 total clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 10% corporations, 90% public entities.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $150; consultant: $100; clerical: $32.

1986 gross revenues: $11.5 million total, $6 million from benefit consulting.

Principal officers: John R. Keenan, president; James M. Eppolito, executive vp; Frederick A. Johnson, John L. Kuykendall and Eileen F. Raney, senior vps.

Kwasha Lipton

2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300

Year founded: 1944.

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

Retirement and savings plan consulting: 70% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 5% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, actuarial valuation of self-insured plans, flexible benefit programs.

Employee benefit communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, surveys, focus groups, communications audits, computer-assisted communication programs.

International benefit consulting: 5% of business. Includes consulting via overseas correspondents, consulting from the U.S.

Other services: 5% of business. Includes compensation consulting.

Staff: 280 total staff members; 250 professionals, including 20 FSAs, 20 ASAs, four MBAs, two CPAs, four attorneys, 36 MAAAs, two FCIAs, nine FCAs, 13 MCAs, one ACA.

Clients: 400 total clients; 95% with more than 500 employees, 5% with fewer than 500 employees; 99% corporations, 1% multiemployer plans; no minimum size client.

Compensation: By the project, by the hour.

1986 gross revenues: Not reported.

Principal officers: Dick Sears, chief executive partner; David Skovron, chief operating partner.

L

Long Financial Services

271 W. Cerritos Ave., Anaheim, Calif. 92805; 714-774-8051

Year founded: 1974.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 17% of business. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 9% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

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

Other services: 65% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration, benefit billing, tax reform and COBRA compliance.

Staff: Two total staff members, both of whom are professionals.

Clients: 50 total clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 100% corporations.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $80.

1986 gross revenues: $160,000 total, $55,000 from benefit consulting.

Principal officers: Mark E. Long, partner; Alfred O. Long, founding partner.

M

The Maxon Co.

76 N. Broadway, Irvington, N.Y. 10533; 914-591-7111

Year founded: 1955.

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

Retirement and savings plan consulting: 5% of business. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

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

Employee benefit communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, foreign translations.

Other services: 60% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration.

Locations: Washington, D.C.

Staff: Total staff members not reported; professional designations held by staff include two MBAs, two PhDs, one attorney.

Clients: 40 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 30% corporations, 50% multiemployer plans, 20% individuals; no minimum size client.

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

1986 gross revenues: Not reported.

Principal officers: Stanley Rubenzahl, owner.

MedEval

2 E. 22nd St., Suite 301, Lombard, Ill. 60148; 312-629-5900

Year founded: 1982.

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

Welfare plan consulting: 100% of business. Includes providing medical recommendations to companies that self-insure or self-administer income continuation plans.

Staff: Nine total staff members; six registered nurses; two employee benefit professionals.

Clients: 63 total clients; 100% with more than 500 employees; 100% corporations; minimum size client, 1,000 employees.

Compensation: By the project.

1986 gross revenues: Not reported.

Principal officers: Ronald F. Smentek, president; Dennis Streelman, vp.

MEDSTAT Systems Inc.

400 E. Eisenhower Parkway, Ann Arbor, Mich. 48104; 313-996-1180

Year founded: 1981.

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

Welfare plan consulting: 100% of business. Includes plan design consulting, consulting on medical benefit cost control.

Locations: San Francisco.

Staff: 45 total staff members; professional designation held by staff include five MBAs, two CPAs.

Clients: 30 total clients; 100% with more than 500 employees; 100% corporations; minimum size client, 15,000 employees.

Compensation: By the project.

1986 gross revenues: $3.8 million*, all from benefit consulting.

Principal officers: Ernest G. Ludy, president; Dennis J. Becker, vp-marketing; J. Dennis Bush, vp-product development; William Duddleson, vp-information service products; Paul A. Lansky, vp-insurance accounts; Jennifer Ponski, vp-finance/planning.

**BI* estimate.

William M. Mercer-Meidinger Inc.

1211 Ave. of the Americas, New York, N.Y. 10036-8855; 212-997-7171

Year founded: William M. Mercer Inc. and Meidinger Inc. merged in February 1984. Mercer was founded in 1937; Meidinger was founded in 1936.

Parent company: Marsh & McLennan Cos. Inc.

Services provided: 96% of gross revenues from benefit consulting, 4% of gross revenues from activities other than benefit consulting.

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

Welfare plan consulting: Includes plan design consulting, consulting on selection of investment managers, insurer selection consulting, evaluation of other service providers, health care cost management consulting.

Employee benefit communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, benefit communication software.

International benefit consulting: Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.

Other services: Includes compensation consulting, general management consulting, health care and other types of claims administration.

Locations: 42 offices in the U.S., 45 foreign offices.

Staff: 4,129 total staff members; 1,881 professionals, including 350 FSAs, 171 ASAs, more than 60 MBAs, more than 20 CEBSs, more than 34 CLUs, 17 PhDs, more than 15 CPAs, more than 60 attorneys, 41 EAs or qualified actuaries in non-English-speaking countries.

Clients: 14,000 total clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 97% corporations, 3% multiemployer plans, less than 1% individuals; no minimum size client.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $201-$300; consultant: $100-$200.

1986 gross revenues: $292 million total, $281 million from benefit consulting.

Principal officers: Diljit S. Juneja, president; John G. Ireland, chairman; Douglas D. Stegner, vice chairman; Robert A. Brochu, Peter Coster, Joseph Holtzer, Frank Peabody III and Ronald M. Walker, executive vps.

Midwest Benefits Corp.

22255 Greenfield Road, Suite 404, Southfield, Mich. 48075; 313-569-9700

Year founded: 1972.

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

Welfare plan consulting: 10% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service provides.

Other services: 90% of business. Includes brokering insurance, health care and other types of claims administration.

Continued on next page

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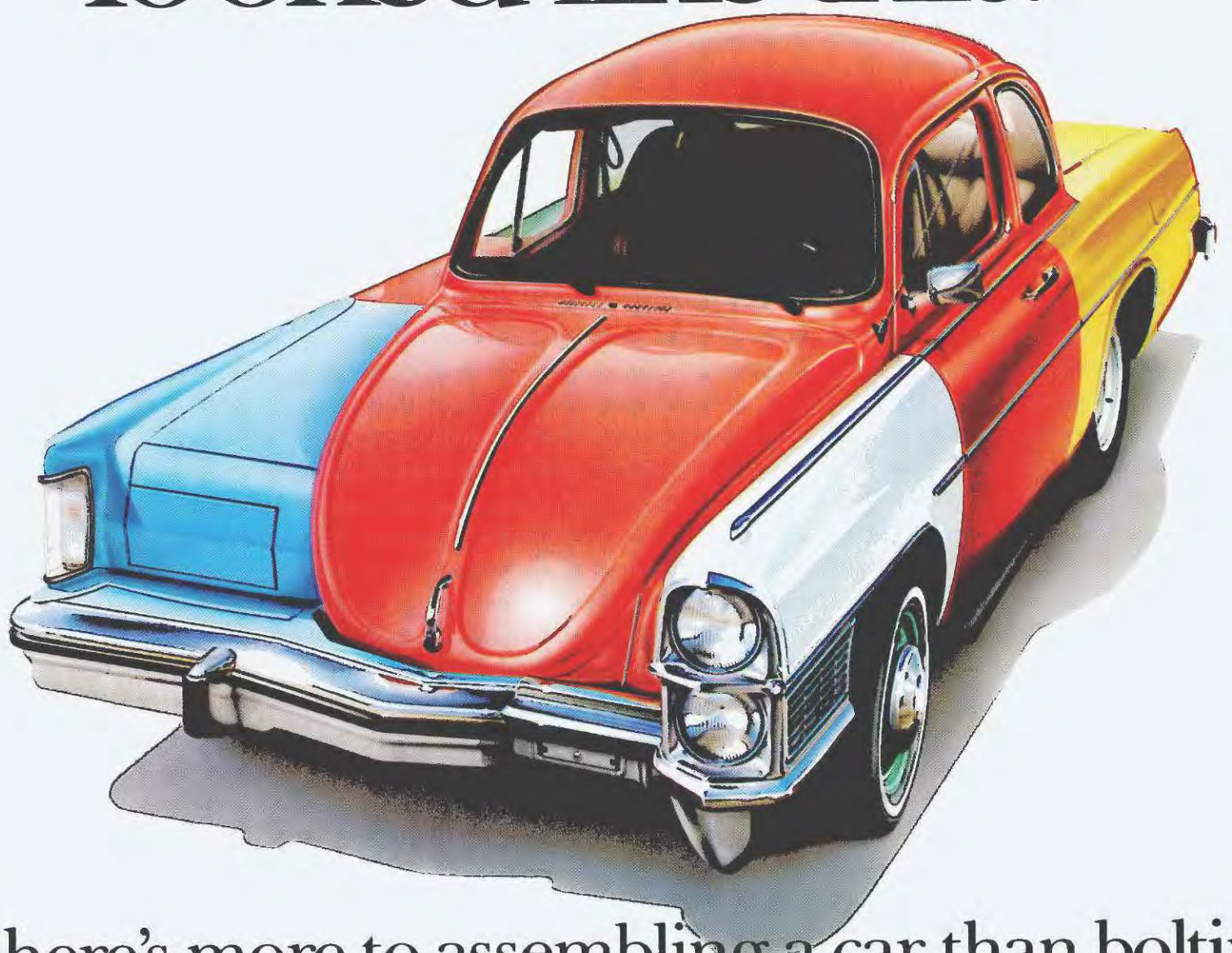
If health management services were cars, would you buy one that looked like this?



There's more to assembling a car than bolting four fenders on a body. And more to assembling a cost containment program than putting products from different sources under a slick proposal cover. To learn how much more–and what you've been missing–please turn the page.

HMS

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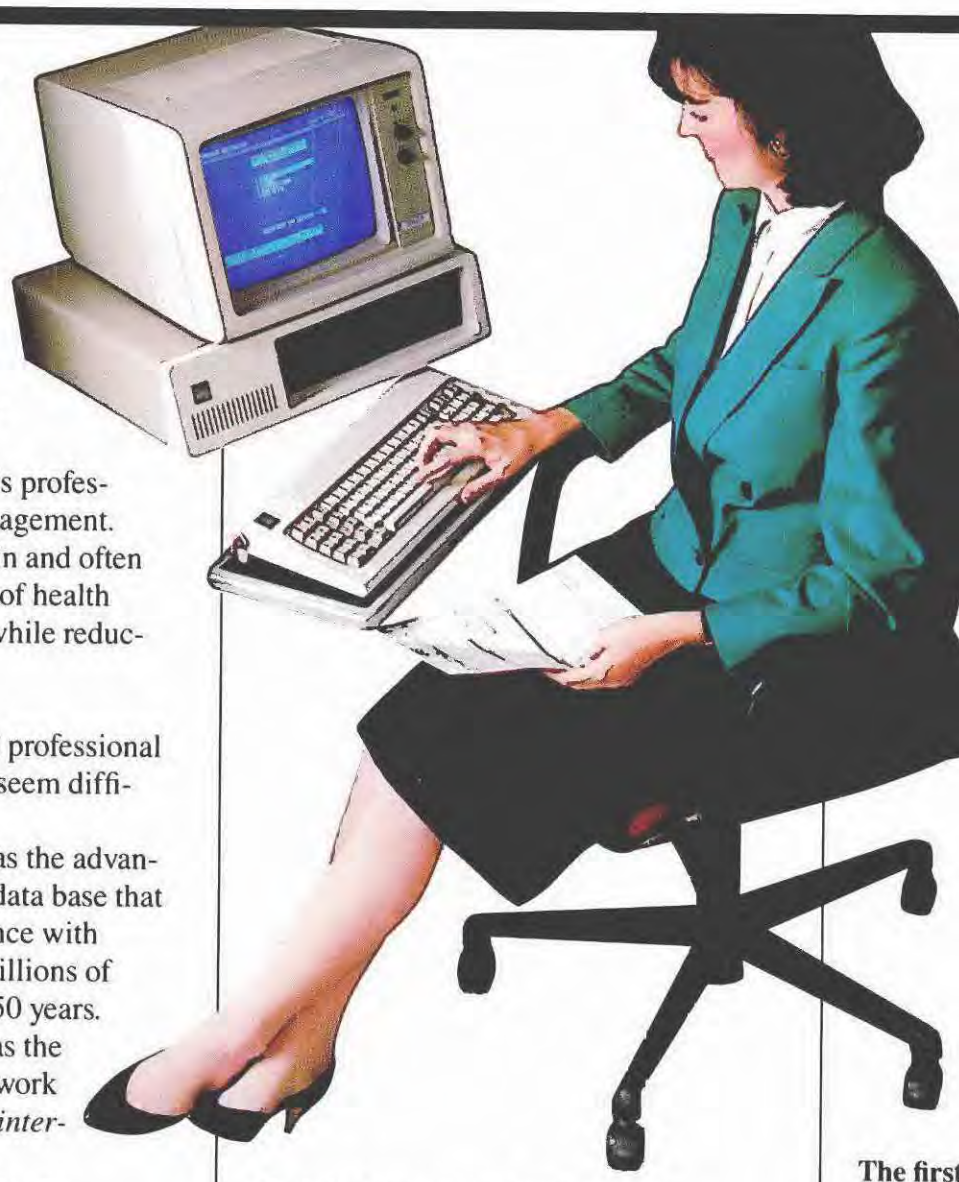

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- ☐ Alternative Delivery Systems
- ☐ Other _____

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ORGANIZATION _____ ADDRESS _____

CITY _____ STATE _____ ZIP _____ ( ) PHONE NUMBER _____

Continued from facing page

Locations: Grand Rapids, Mich.
Staff: 90 total staff members, 50 professionals.
Clients: Total clients not reported; 20% with more than 500 employees, 80% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 25 employees.
Compensation: By the project, commissions for insurance placed with underwriters, on retainer.
1986 gross revenues: Not reported.
Principal officers: Frank Spadafore, president; Ron Klein, executive vp; Mike Zuzenak and Larry Ostling, secretaries.

Miller Mason & Dickenson Inc.

1 First Ave., Conshohocken, Pa. 19428; 215-834-2100

Year founded: 1960.
Services provided: 92% of gross revenues from benefit consulting, 8% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 55% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: 25% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, actuarial valuations and rate making.
Employee benefit communication consulting: 10% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: 2% of business. Includes consulting via overseas correspondents, consulting from the U.S.
Other services: 8% of business. Includes compensation consulting, brokering insurance.
Locations: Chicago, Detroit, Dallas, Houston.
Staff: 220 total staff members; 75 professionals, including three FSAs, four ASAs, 10 MBAs, 10 CEBSs, one PhD, two attorneys.
Clients: 400 total clients; 38% with more than 500 employees, 62% with fewer than 500 employees; 97% corporations, 2% multiemployer plans, 1% individuals; no minimum size client.
Compensation: By the project; on retainer; by the hour, senior consultant: $120-$220; consultant: $60-$120; clerical: $20-$60.
1986 gross revenues: $13.2 million total, $12.2 million from benefit consulting.
Principal officers: Melville P. Dickenson, chairman; Richard A. Scott, president; Ernest M. Thompson, senior vp; James Callahan, Harvey Kesselman and John McCue, vps.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3600, Seattle, Wash. 98101; 206-624-7940

Year founded: 1957.
Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 35% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 5% of business. Includes plan design consulting.
Other services: 60% of business. Includes consulting with casualty, health and life insurance companies.
Locations: Albany, N.Y.; Atlanta; Chicago; Dallas; Denver; Hartford, Conn.; Houston; Indianapolis, Ind.; Milwaukee; Minneapolis; New York; Omaha, Neb.; Pasadena, Calif.; Philadelphia; Phoenix, Ariz.; Portland, Ore.; St. Louis; San Francisco; Washington, D.C.
Staff: 515 total staff members; 112 professionals, including 127 FSAs, 49 ASAs, 17 FCASs, four ACASs, 162 MAAAs, 71 EAs.
Clients: Total clients not reported; no minimum size client.
Compensation: By the project, on retainer, by the hour.
1986 gross revenues: $51.4 million total, $20.6 million from benefit consulting.
Principal officers: James A. Curtis, chairman/president/chief executive officer; W.R. Fleckenstein, financial vp/secretary; L.J. Lee, treasurer.

Mitchell & Hartmann Inc.

13400 Riverside Drive, Sherman Oaks, Calif. 91423; 818-907-6800

Year founded: 1964.
Services provided: 67% of gross revenues from benefit consulting, 33% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 60% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting.
Welfare plan consulting: 5% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, experience reviews.
Employee benefit communication consulting: 2% of business. Includes benefit statement preparation, booklet preparation.
Other services: 33% of business. Includes general management consulting, insurance company consulting, expert witness testimony.
Staff: Nine total staff members; five professionals, including two FSAs.
Clients: 300 total clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 100% corporations; no minimum size client.
Compensation: By the hour, senior consultant: $160; consultant: $60-$100; clerical: $40.
1986 gross revenues: Not reported.
Principal officers: Lawrence Mitchell, president; Jeffrey F. Hartmann, vp.

J.F. Molloy & Associates Inc.

2511 E. 46th St., Building M, Indianapolis, Ind. 46205; 317-547-5441

Year founded: 1966.
Services provided: 30% of gross revenues from benefit consulting, 70% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 2% of business. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: 25% of business. Includes plan design consulting, insurer/broker selection consulting.
Employee benefit communication consulting: 3% of business. Includes general consulting on communications programs, audiovisual program preparation.
Other services: 70% of business. Includes health care and other types of claims administration.
Locations: Orlando, Fla.
Staff: 40 total staff members, 11 professionals.
Clients: 26 total clients; 85% with more than 500 employees, 15% with fewer than 500 employees; 50% corporations, 50% multiemployer plans; no minimum size client.
Compensation: By the project; by the hour, senior consultant: $100; consultant: $70; clerical: $30.
1986 gross revenues: Not reported.
Principal officers: David W. Blanford, president; Craig S. Penwell, executive vp; Monica Earlywine, Karen Moffitt and Nan Gill, vps.

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keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers.

Welfare plan consulting: 18% of business.

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

Other services: 68% of business. Includes health care and other types of claims administration, welfare and pension administration.

Locations: Cincinnati; Memphis, Tenn.; Indianapolis; Jacksonville, Fla.

Staff: 109 total staff members; 49 professionals, including one FSA, one MBA, two CLUs, one PhD, two attorneys, four EAs, one QHA.

Clients: 9,218 total clients; 1% with more than 500 employees, 99% with fewer than 500 employees; 83% corporations, 17% multiemployer plans; no minimum size client.

Compensation: On retainer; by the hour, senior consultant: $100; consultant: $60; clerical: $15.

1986 gross revenues: Not reported.

Principal officers: John B. Conrad, president; Joseph M. Whitmer, executive vp; Eldon Asher and R. Richard Cooley, senior vps; Susan G. Bogie, senior vp/corporate secretary; Richard E. Stump, senior vp/treasurer.

R

R.M. Associates

416 Cary Ave., P.O. Box 491, Cary, Ill. 60013; 312-639-5665

Year founded: 1985.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 5% of business. Includes plan design consulting, plan administration consulting.

Welfare plan consulting: 30% of business. Includes plan design consulting, insurer/broker selection consulting.

Other services: 65% of business. Includes compensation consulting, brokering insurance, general management consulting.

Staff: Four total staff members.

Clients: Total clients not reported; 100% with fewer than 500 employees; 50% corporations, 50% individuals; no minimum size client.

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

1986 gross revenues: Not reported.

Principal officers: Richard A. Milucky, president.

Risk Administrators Inc.

P.O. Box 1269, Midlothian, Va. 23113-8569; 804-379-0086

Year founded: 1980.

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

Retirement and savings plan consulting: 10% of business. Includes plan administration consulting.

Welfare plan consulting: 5% of business. Includes evaluation of other service providers.

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

Other services: 70% of business. Includes compensation consulting, general management consulting, health care and other types of claims administration, services for captives, risk management.

Locations: Washington, D.C.; Hamilton, Bermuda.

Staff: Five total staff members.

Clients: Total clients not reported; 85% corporations, 15% individuals; no minimum size client.

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

1986 gross revenues: Not reported.

Principal officers: G.H. Crosby III, president.

Risk Management Group Inc.

P.O. Box 357, Newtown Square, Pa. 19073-0357; 215-359-1776.

Year founded: 1984.

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

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

Welfare plan consulting: 60% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, risk assessment and intervention programs.

Employee benefit communication consulting: 8% of business. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation.

International benefit consulting: 4% of business. Includes consulting from the U.S.

Other services: 20% of business. Includes brokering insurance.

Locations: St. Louis.

Staff: Seven total staff members; four professionals, including one PhD, one attorney.

Clients: 35 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 100% corporations; minimum size client, 100 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $85; consultant: $50; clerical: $30.

1986 gross revenues: More than $200,000 from benefit consulting.

Principal officers: Jerald D. Adair and Donald V. Barbuto.

Rubell Helm Insurance Services Inc.

1 Corporate Park Drive, Irvine, Calif. 92714; 714-474-9200

Year founded: 1983.

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

Retirement and savings plan consulting: 1.4% of business. Includes plan design consulting.

Welfare plan consulting: 56% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, plan management.

Employee benefit communication consulting: 7% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

International benefit consulting: 5.6% of business. Includes consulting via overseas correspondents, consulting from the U.S.

Other services: 30% of business. Includes claims adjusting, risk management consulting.

Locations: Century City, Calif.; London.

Staff: 30 total staff members; 15 professionals, including one FSA, three MBAs, one CPCU, two CICs.

Clients: 60 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; minimum size client, 50 employees.

Compensation: By the project, on retainer.

1986 gross revenues: $2.7 million total, $1.9 million from benefit consulting.

Principal officers: James B. Helm, president/chief executive officer; Michael A. Rubell, chairman.

S

Martin E. Segal Co.

730 Fifth Ave., New York, N.Y. 10019; 212-586-5600

Year founded: 1939.

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

Retirement and savings plan consulting: 45% of business. Includes plan design consulting, actuarial work for defined benefit plans,

Continued on facing page

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

Welfare plan consulting: 40% of business. Includes plan design consulting, consulting on selection of investment managers, evaluation of other service providers, health care cost management, health care coordinator selection, PPO services, claims and audits, analysis of health care claims data.

Employee benefit communication consulting: 6% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: 4% of business. Includes consulting via overseas branch offices, consulting from the U.S.

Other services: 5% of business. Includes compensation consulting.

Locations: Atlanta; Boston; Chicago; Cleveland; Dallas; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; Phoenix, Ariz.; San Francisco; Washington, D.C.; Edmonton, Alberta; Toronto.

Staff: 611 total staff members; 455 professionals, including 14 FSAs, 20 ASAs, 22 MBAs, two PhDs, two CPAs, nine attorneys.

Clients: Total clients not reported; 85% with more than 500 employees, 15% with fewer than 500 employees; 46% corporations (including government entities and not-for-profit organizations), 54% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant: $100-$250 including clerical and support services; consultant: $50-$100 including clerical and support services.

1986 gross revenues: Not reported.

Principal officers: Martin E. Segal, chairman; Robert D. Paul, vice chairman; Robert D. Krinsky, president; John F. Gentleman, executive vp.

E.W. Siver & Associates Inc.

9400 Fourth St. N., Suite 119, St. Petersburg, Fla. 33702; 813-577-2780

Year founded: 1970.

Services provided: 35% of gross revenues from benefit consulting, 65% of gross revenues from activities other than benefit consulting.

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

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

Other services: 65% of business. Includes property/casualty insurance and risk management consulting.

Staff: 17 total staff members; 11 professionals, including one FSA, four CLUs, four CPCUs, two attorneys, one ChFC, two ARMs.

Clients: More than 100 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 95% corporations, 1% multiemployer plans, 4% individuals.

Compensation: By the project; on retainer; by the hour, senior consultant: $125; consultant: $65; clerical: $25.

1986 gross revenues: $1.3 million total, $420,000 from benefit consulting.

Principal officers: Edward W. Siver, president; Robert I. Siver, vp/treasurer/secretary; James Marshall Jr., vp.

Smith Administrators

P.O. Box 6123, Salt Lake City, Utah 84106; 801-272-8811

Year founded: 1976.

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

Welfare plan consulting: 8% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers, health incentive programs.

Employee benefit communication consulting: 1.8% of business. Includes booklet preparation, audiovisual program preparation.

International benefit consulting: 0.2% of business. Includes consulting from the U.S.

Other services: 90% of business. Includes brokering insurance, health care and other types of claims administration.

Locations: Denver; Houston; Albuquerque, N.M.

Staff: Total staff not reported; professional designations held by staff include three CEBSs, two CPCUs, one attorney.

Clients: 375 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 100% corporations; minimum size client, 10 employees.

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

1986 gross revenues: $5.6 million total, $560,000 from benefit consulting.

Principal officers: Richard L. Smith, chief executive officer; Steve

Continued on next page

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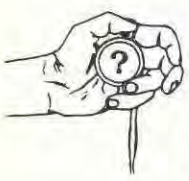

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Continued from previous page
Stirling, account executive; LaVon Elliot, operations manager; Wesley Argyle, attorney.

Donald F. Smith & Associates

1 Airport Place, Route 206, P.O. Box 2197, Princeton, N.J. 08540; 609-924-8700

Year founded: 1964.
Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 20% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 30% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.
Other services: 50% of business. Includes brokering insurance, health care and other types of claims administration.
Locations: Pennington, N.J.; Augusta, Maine; Concord, N.H.; Wallingford, Conn.; Richmond, Norfolk and Newport News, Va.
Staff: 130 total staff members, 90 professionals.
Clients: More than 5,000 total clients; 10% corporations, 70% multiemployer plans, 20% individuals.
Compensation: By the project, commissions for insurance placed with underwriters, on retainer, by the hour.
1986 gross revenues: Not reported.
Principal officers: Donald F. Smith, president; Terence J. McDonough, executive vp; Robert Neuman, senior vp; Robert B. Bainbridge, Earl Stalker, Thomas Remond, Richard Poveromo, Jeanne Trayah, Roz Morris and Ronald Keefe, vps.

Southern Employee Communications

P.O. Box 7683-A, Birmingham, Ala. 35253; 205-870-3999

Year founded: 1971.
Parent company: Southern Production Cos. Inc.
Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 5% of business. Includes plan design consulting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: 20% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting.
Employee benefit communication consulting: 25% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 50% of business. Includes cost-containment consulting, plan design and implementation.
Staff: Seven total staff members, one professional.
Clients: 28 total clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 100% corporations; no minimum size client.
Compensation: By the project; on retainer; by the hour, senior consultant: $150; consultant: $75; clerical: $30.
1986 gross revenues: Not reported.
Principal officers: R. Craig Fulford, president; Deborah S. Fulford, secretary/treasurer.

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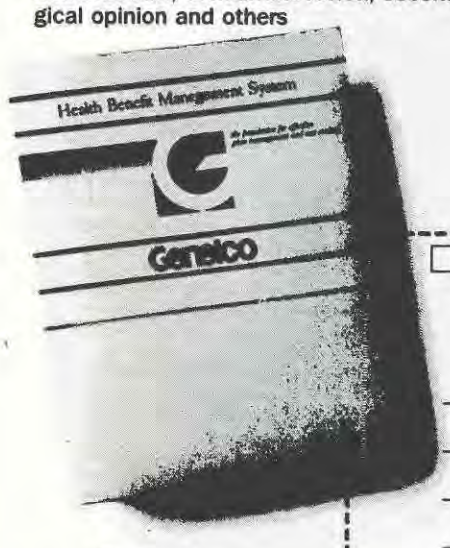

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TIC International Corp.

3901 N. Meridian St., Suite 500, Indianapolis, Ind. 46208; 317-924-5311

Year founded: 1951.
Services provided: 27% of gross revenues from benefit consulting, 73% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 15% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.
Welfare plan consulting: 8% of business. Includes plan design consulting, insurer/broker selection consulting.
Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Other services: 73% of business. Includes health care and other types of claims administration.
Locations: Birmingham and East Lansing, Mich.; New York; Milwaukee.
Staff: 124 total staff members; 70 professionals, including two FSAs, one PhD, two CPAs.
Clients: 150 total clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 90% multiemployer plans, 10% miscellaneous; no minimum size client.
Compensation: By the project, on retainer.
1986 gross revenues: $5.9 million total, $1.6 million from benefit consulting.
Principal officers: Ronald B. Woodard, president/chairman; Stephen E. Kraabel, executive vp/chief operating officer; John M. Meyer, vp/chief financial officer; Len Teeuws, executive vp; Thomas F. Milton, vp/chief actuary.

Touche Ross & Co.-Actuarial, Benefit & Compensation Consulting

1633 Broadway, New York, N.Y. 10019; 212-489-1600

Year founded: 1949.
Parent company: Touche Ross & Co.
Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 45% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers.
Welfare plan consulting: 25% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers, claims audits.
Employee benefit communication consulting: 5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 25% of business. Includes life, health and casualty actuarial services.
Locations: Hartford, Conn.; Boston; Detroit; Chicago; Minneapolis; Grand Rapids, Mich.; Dallas; Los Angeles; San Francisco.
Staff: Not reported.
Clients: Total clients not reported; 94% corporations, 1% multiemployer plans, 5% individuals.
Compensation: By the project; by the hour, senior consultant: $175; consultant: $100; clerical: $40.
1986 gross revenues: Not reported.
Principal officers: David E. Dresner, national director; Thomas C. Taveggia, director-compensation consulting; James M. Magalska, Keith S. Swenson and Robert Zieminski.

Towers, Perrin, Forster & Crosby

245 Park Ave., New York, N.Y. 10167-0128

Year founded: 1934.
Services provided: 58% of gross revenues from benefit consulting, 42% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 36% of business.
Welfare plan consulting: 6% of business.
Employee benefit communication consulting: 7% of business.
International benefit consulting: 9% of business.
Other services: 42% of business. Includes compensation consulting, general management consulting, consulting to the insurance industry, actuarial consulting.
Locations: 29 offices in the U.S., 19 foreign offices.
Staff: 3,800 total staff members, including 346 FSAs, 169 ASAs.
Clients: 10,000 total clients; 100% corporations (including not-for-profit organizations and government agencies); no minimum size client.
Compensation: By the hour.
1986 gross revenues: $370 million total, $215 million from benefit consulting, $410 total corporate revenues.
Principal officers: Quentin I. Smith Jr., chief executive officer/chairman; James E. Kielley, president; Charles E. Peartree, executive vp; Donald E. Sullivan, vp-practices/products; Gary Hallenbeck, chief actuary.

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W

WHP, First in Employee Benefits Inc.

100 Second Ave. S., 11th Floor, St. Petersburg, Fla. 33701; 813-898-4147

Year founded: 1980.
Parent company: Lincoln National Corp.
Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.
Welfare plan consulting: 38% of business.
Employee benefit communication consulting: 2% of business.
Other services: 60% of business. Includes compensation consulting, brokering insurance, general management consulting, health care and other types of claims administration.
Staff: 30 total staff members, five professionals.
Clients: 116 total clients; 15% with more than 500 employees, 85% with fewer than 500 employees; 100% corporations; minimum size client, 100 employees.
Compensation: By the project.
1986 gross revenues: $4.5 million total, $1.8 million from benefit consulting.
Principal officers: James L. Hanahan, president/chief executive officer; Adrienne Glowatsky, director-claims; William Hollister, director-sales; Gary York, director-finance; Mark Heacox, director-customer service; Cherie Lundquist, director-administration.

Walker & Co.

777 Davis St., San Francisco, Calif. 94111; 415-398-2655

Year founded: 1948.
Services provided: 70% of gross revenues from benefit consulting, 30% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 14% of business.
Welfare plan consulting: 49% of business.
Employee benefit communication consulting: 7% of business.
Other services: 30% of business. Includes benefit system audits.
Staff: 15 total staff members; eight professionals, including two MBAs.
Clients: 50 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 33% corporations, 67% multiemployer plans; minimum size client, 50 employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant: $150; consultant: $75; clerical: $25.
1986 gross revenues: Not reported.
Principal officers: David S. Walker, managing general partner; Arthur C. Mathews and Robert W. Morrill, partners.

Williams, Thacher & Rand

708 Third Ave., New York, N.Y. 10017; 212-949-1344

Year founded: 1975.
Services provided: 90% of gross revenues from benefit consulting, 10% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 55% of business.
Welfare plan consulting: 25% of business.
Employee benefit communication consulting: 10% of business.
Other services: 10% of business. Includes compensation consulting.
Locations: Baltimore; Washington, D.C.; Richmond, Va.; Indianapolis.
Staff: 65 total staff members; 45 professionals, including three FSAs, six ASAs, three MBAs.
Clients: 650 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 100% corporations; no minimum size client.
Compensation: By the project; on retainer; by the hour, senior consultant: $140-$225; consultant: $90-$140; clerical: $30-$40.
1986 gross revenues: $5.6 million* total, $5 million from benefit consulting.
Principal officers: Charles G. Thacher, office head-New York; Robert L. Williams, office head-Baltimore; Thomas O.S. Rand, office head-Washington; Terry G. Stokes, office head-Richmond.

*BI estimate.

W.H. Wohl & Associates/In Plain English

P.O. Box 3300, Gaithersburg, Md. 20878; 301-340-2821

Year founded: 1977.
Services provided: 50% of gross revenues from benefit consulting, 50% of gross revenues from activities other than benefit consulting.
Employee benefit communication consulting: 50% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation, audiovisual program preparation, health care cost containment newsletters.
Other services: 50% of business. Includes marketing research and advertising for insurance companies.
Staff: 12 total staff members, five professionals.
Clients: 50 total clients; 90% with more than 500 employees, 10% with fewer than 500 employees; 100% corporations; minimum size client varies.
Compensation: By the project.
1986 gross revenues: $400,000

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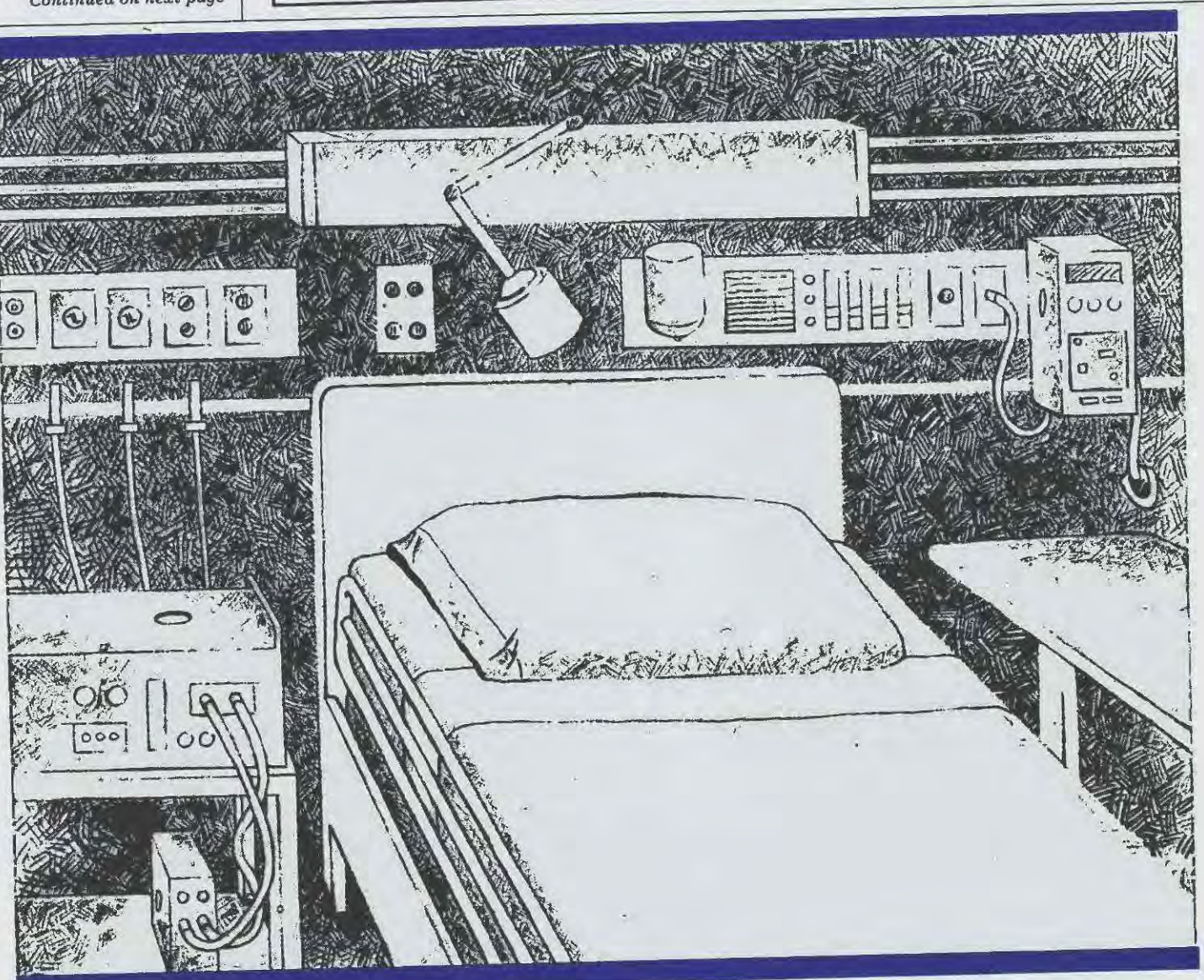

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Continued from previous page
total, $200,000* from benefit consulting.

Principal officers: Ronald H. Wohl, president; Edward Gold, senior writer/documentation manager; Ann Ellis, senior writer/editor.

**BI estimate.*

The Wyatt Co.

1850 M St. N.W., Suite 700, Washington, D.C. 20036; 313-961-5485

Year founded: 1946.

Services provided: 86% of gross revenues from benefit consulting, 14% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 68% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 8% of business. Includes plan design consulting, consulting on selection of investment managers, evaluation of other service providers.

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

International benefit consulting: 3% of business. Includes consulting via overseas branch offices, consulting via overseas correspondents, consulting from the U.S.

Other services: 14% of business. Includes compensation consulting, health care and other types of claims administration and risk management consulting.

Locations: 30 offices in the U.S., 24 foreign offices.

Staff: 2,280 total staff members; 1,400 professionals, including 178 FSAs, 140 ASAs, 30 attorneys.

Clients: More than 10,000 clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; no minimum size client.

Compensation: By the hour.

1986 gross revenues: $234 million total, $201 million from benefit consulting.

Principal officers: J. Perham Stanley, president (Detroit); V. Clark Beaird, vp/treasurer (Dallas); Edwin F. Boynton, vp/secretary (Washington); Michael H. Davis, vp (Boston); Paul H. Jackson, vp (Washington).

Y

Yaffe & Co. Inc.

800 N. Charles St., Baltimore, Md. 21201; 301-332-1166

Year founded: 1976.

Services provided: 98% of gross revenues from benefit consulting, 2% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 68.6% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, pension fund financial management.

Welfare plan consulting: 19.6% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

Employee benefit communication consulting: 9.8% of business. Includes general consulting on communication programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 2% of business. Includes compensation consulting, human resource management.

Locations: Washington, D.C.

Staff: 30 total clients; 25 professionals, including two FSAs, two MBAs, two CEBS, one CLU, one CPA, one ChFC.

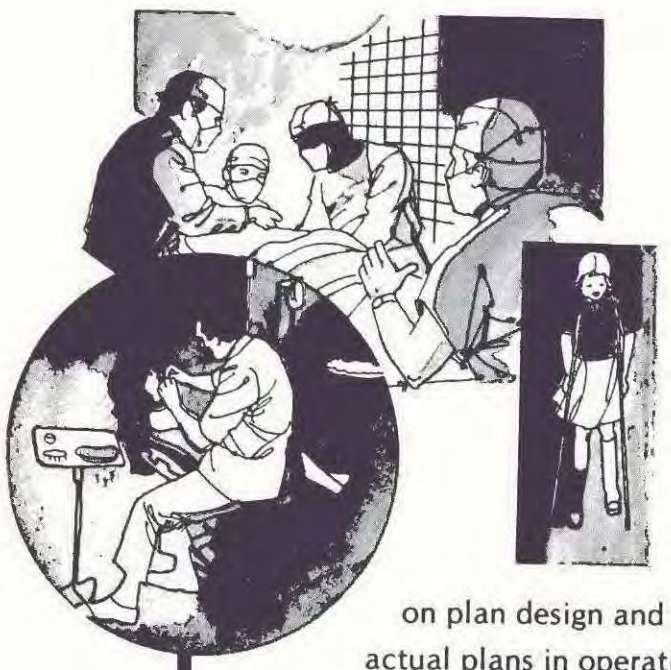
Clients: 53 total clients; 36% with more than 500 employees, 64% with fewer than 500 employees; 98% corporations, 2% multiemployer plans; no minimum size client.

Compensation: By the hour, senior consultant: $150; consultant: $100; clerical: $25.

1986 gross revenues: $2.24 million* total, $2.2 million from benefit consulting.

Principal officers: Rian M. Yaffe, president/chief executive officer; William J. Nicholas, principal.

**BI estimate.* ■



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IIE hikes deposits into guaranty fund

CHICAGO—Illinois Insurance Exchange member syndicates will have to double their $500,000 deposits to the guaranty fund trust account—a move to enhance the exchange's image in the market.

Syndicates in the IIE will be required to deposit $1 million of their capital into the guaranty fund trust, as well as an amount equal to 1% of their gross written premiums, said James M. Skelton, president and chief executive officer of the exchange.

The New York Insurance Exchange requires its member syndicates to deposit $500,000 plus 0.75% of gross written premium in its security funds, and the Insurance Exchange of the Americas in Miami requires its syndicates to deposit $500,000 plus 1% of its gross premium. Both exchanges also may assess syndicates up to an additional $500,000 if the initial funds are exhausted.

The change in the IIE's rules was approved by its board Dec. 10 and, though no deadline for the additional deposits was set, Mr. Skelton believes syndicates will comply by early next year.

The guaranty fund now totals about $15 million.

Last month, the IIE board approved a $15 million limit on guaranty fund payouts per insolvency. In the past, there was no specified cap.

The board also set a $300,000 limit per claimant on covered claims and a $10,000 limit for unearned premiums on covered claims. ■

comings & goings: industry

Heap named chairman of X.L. Insurance Co.

Ian R. Heap has been named chairman and chief executive officer of Bridgetown, Barbados-based excess insurer X.L. Insurance Co. Ltd.

Mr. Heap

Mr. Heap is retiring from Crum & Forster Corp. as executive vp-insurance operations to assume his duties at X.L. on Jan. 1.

Before joining C&F in 1979, Mr. Heap had been vp-underwriting for The Home Insurance Co. X.L., formed earlier this year by Marsh & McLennan Cos. Inc. and Morgan Guaranty Trust Co., provides excess liability insurance and directors and officers liability insurance limits of $75 million excess of at least $25 million to shareholder/policyholders.

In other excess/surplus insurer changes:

Lewis M. Chamberlain appointed vp of Southern American Insurance Co., a subsidiary of Memphis, Tenn.-based The Crump Cos. Inc.

William Griffiths named executive vp of Cameron & Colby Co. Inc. and executive vp and chief operating officer of New England Reinsurance Corp., two Boston-based affiliates of Hartford Insurance Group. Mr. Griffiths previously was president of Hartford Re Management Co.

Insurers

Rolf Hueppi named deputy chief operating officer of Zurich Insurance Co.'s worldwide operations, effective Jan. 1.

Mr. Hueppi has been with Zurich since 1963, most recently serving as senior executive vp. He will assume the position of chief operating officer at the end of 1987, succeeding **Heinz Portmann**, who will then retire. For the past three years, Mr. Hueppi has served as manager of Zurich's U.S. branch and chief executive officer of the Zurich-American Insurance Group. He also is one of Zurich's seven senior managers governing the company's worldwide operations.

Joseph P. Decaminada elected executive vp, secretary and counsel of The Atlantic Cos. of New York. Mr. Decaminada, who joined Atlantic in 1959, had been senior vp, secretary and counsel since 1976.

Thomas J. Prendergast elected vp and manager of the Marine Office of America Corp.'s international and treaty assumed region.

Also, **Stephen T. Chambers** named vp of MOAC and manager of MOAC UK Ltd. Mr. Prendergast, who had been vp and managing director of MOAC UK based in London, will return to New York to direct all overseas underwriting and production of marine business. Mr. Chambers, who succeeds Mr. Prendergast in London, joined MOAC in June 1986 as vp and managing director after 28 years with Chubb & Son Inc., most recently as assistant vp.

Reinsurers

Ronald E. Ferguson to take over as chairman, president and chief executive officer of General Re Corp. of Stamford, Conn., effective March 1. He will succeed **Frank W. Munson**, who is retiring June 1 after 33 years of service. Mr. Ferguson had been president of the company. Also, **John C. Etling**, president of General Reinsurance Corp., the major subsidiary of General Re, will take on the additional post of vice chairman of the parent company as of March 1.

Stephen S. Kitsakos named chief operating officer of Peglar & Associates Inc., a Stamford, Conn.-based reinsurance intermediary. The firm was formed in September 1986 by **Robb K. Peglar**, who was formerly the president of John F. Sullivan Co. in New York. Prior to this appointment, Mr. Kitsakos was a vp of Thomas A. Green & Co. ■

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There is disturbing evidence that AIDS is spreading to the American populace from a base formerly confined to high risk individuals. The National Center for Disease Control estimates the U.S. will experience 270,000 cases by 1991. This contrasts with 27,000 cases diagnosed to date. (The fatality rate—in the absence of an effective vaccine—is 100 percent.)

Employers must examine seriously—and soon—the potential impact of AIDS on overall employee benefit program expense. While there is controversy concerning the medical cost of treating an AIDS victim, it is undeniably expensive. J&H projects the typical per-case financial impact on all benefit plans, including medical, disability and life insurance, could average $150,000 for an employee earning $25,000 per year and $250,000 for someone earning $75,000.

If AIDS enters the experience of previously unaffected plans, employer costs would escalate dramatically. A J&H projection estimates a cost of $14 billion to employers over the next five years if the average case costs $100,000.

Some important issues for study:

- Most health benefit plans offer hospital treatment only and do not contain hospice or home health care provisions. Many health professionals feel the latter are more appropriate for AIDS cases, as well as less costly. Medical case-management programs also may deliver more appropriate treatment at lower cost.
- Group term-life programs should be assessed to determine if full employer coverage should be maintained or if some risk should be transferred to employees through vehicles such as group universal life insurance.
- Self-insured arrangements must be reevaluated with an eye toward preventing catastrophic claims that could cause program insolvency.

Despite the emergence of some promising AIDS treatments, no cure is in sight, according to Surgeon General Dr. C. Everett Koop. He also says that a vaccine probably will not be available before the end of the century. Employers therefore might consider making a serious long-term financial commitment to help accelerate AIDS research in the public and private sectors.

For more information, call your J&H office, or call Brian Harrigan or Nancy Jones at 617-742-5300.

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New NAIC leaders are targeting Congress

By CAROL CAIN

ORLANDO, Fla.—The newly elected leaders of the National Assn. of Insurance Commissioners hope to answer Congress's inquiries about insurance industry regulation and operation during its next session.

Few in Congress have any understanding of insurance, said Edward J. Muhl, who was elected president of the NAIC Dec. 10 during the group's winter meeting in Orlando. Mr. Muhl is commissioner of the Maryland Insurance Division.

"We have very much of a common ground with Congress. We all are serving the same constituency," he said.

The NAIC's presence was evident on Capitol Hill several times during the last session of Congress as its officers or representatives testified before various congressional committees. And, during the past few months, Mr. Muhl, as vp of the NAIC, met frequently with individual congressional members or their staffs "to bring them up to speed" on the regulation of insurance and the trends in the marketplace.

"I anticipate we will keep that same pace," Mr. Muhl said. The NAIC "will continue to offer as much information, as much clarification, as to what we do."

Congressional interest in the regulation of insurance tends to flare during hard markets, when rates are high and coverage is scarce.

Mr. Muhl

"They talk about a federal system, but they could not do it any better," claims Illinois Insurance Director John E. Washburn, new NAIC vp.

"Collectively, we are very sophisticated and strong. . . .We have more examiners than the FDIC," Mr. Washburn said, referring to the Federal Deposit Insurance Corp.

The "beauty" of a state-regulated system is the opportunity to try various programs tailored for local needs, he said.

He referred to the states as laboratories where if a program, product or regulation works it can be exported to another state.

The pressure for federal regulation of the industry also was pointed out by Oregon Insurance Commissioner Josephine M. Driscoll, who recapped her term as NAIC president during opening ceremonies Dec. 8.

"The work of many people helped us retain control of insurance regulation, but with the change in Congress, watch out next year," she warned fellow regulators.

The recent passage of amendments to the federal Risk Retention Act "is an example of what happens when even the slightest in-roads are made into our purview," Ms. Driscoll said. "The 1981 act left an open invitation to Congress and it was a most difficult task to secure acceptance of the NAIC amendments and keep some control by the states."

"Let me caution (the insurance) industry in this regard. The availability and affordability issues brought about by this past liability crisis—and I do hope it is past—provided the catalyst for congressional expansion of this act," Ms. Driscoll said.

Mr. Washburn

"We were placed in the extremely difficult position of defending effectiveness of state regulation under very adverse market conditions. State regulation may not be perfect, but it is still the best option," she said.

Ms. Driscoll also warned regulators: "All of us must gain sensitivity and responsiveness. All this reinforces the continued need for an NAIC Washington presence."

The NAIC apparently agreed: During the winter meeting it decided to open a Washington office with one full-time employee. No timetable was set for the opening.

And, the NAIC, based in Kansas City, Mo., also will continue to employ counsel in Washington.

But issues closer to home, in their individual states, also will grab regulators' attention.

"Our days of quiet existence are probably gone," Mr. Washburn said.

"We have a tremendously changing business that we are trying to regulate," noted Mr. Muhl. "The NAIC is in an evolutionary process as well.

"Whatever direction we need to go in to supply effective regulation. . .we need to stay ahead."

Mr. Muhl was appointed Maryland's insurance commissioner in June 1983. He had served 18 months as deputy commissioner and acting commissioner.

The 41-year-old Maryland native previously was director of claims for the Maryland Automobile Insurance Fund. Prior to that, Mr. Muhl worked in the claims department for Nationwide Insurance Co. after a period as a claims adjuster for General Adjustment Bureau.

Mr. Muhl has a bachelor's degree in social science from the University of Baltimore, which he earned by taking night classes after a stint in the U.S. Navy.

While Mr. Muhl brings an insurance background to his post, Mr. Washburn has had a career in state government.

Mr. Washburn, 43, was appointed Illinois insurance director in November 1983 after three years as director of Gov. James Thompson's legislative office.

Prior to that, Mr. Washburn held several spots in state government, including as a staff member in the office of minority business with the Department of Business and Economic Development, and as director of the Senate Republican appropriation staff.

He has a bachelor's degree in political science from Northern Illinois University in DeKalb. ■

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ANSUL

NAIC meeting

Continued from page 2

The committee also recommended that insurers, policyholders and government form a partnership to tackle environmental insurance market problems. This coalition should be receptive to proposals for alternative financing mechanisms and voluntary pooling arrangements to cover pollution exposures and to satisfy pollution-related financial responsibility requirements, the report said.

In the legislative arena, the committee report called upon the NAIC to:

- Recognize that hazardous-waste cleanup is a societal problem with national ramifications that can be handled more efficiently through workable federal legislation, and that state statutes need not duplicate liabilities created under federal law.
- Seek to amend federal and state environmental laws dealing with cleanup of hazardous waste and state laws dealing with bodily injury and property damage liability to provide defenses based on laws, regulations and state-of-the-art standards that existed at the time an activity took place. Using those standards would eliminate joint and several liability and re-establish traditional tort principles of fault and causation as conditions for recovery.
- Support repeal of all retroactive liability at the federal and state levels for prior pollution, except for those guilty of intentional wrongdoing. It must be recognized that this action in effect shifts additional responsibility for financing cleanup to the public and will require adequate financial resources at the federal level, the report notes.
- Support restructuring federal environmental laws to require that cleanup of hazardous-waste sites be cost-efficient and reasonably fast. The laws also should provide that cleanup costs be distributed fairly across society.

The findings in the committee's report include:

- Court decisions regarding liability associated with pollution episodes have directly influenced insurers' decision to withdraw from the pollution liability marketplace.
- Legislation and tort laws expanding both insurers' and policyholders' liabilities have hampered insurers' ability to adequately rate and underwrite pollution exposures.
- Cleanup of hazardous-waste sites is a societal problem with national ramifications, the burden of which should not rest solely on the insurance industry.

Kenneth D. Merin, New Jersey's insurance commissioner and vice chairman of the task force, charged that findings in the advisory committee's report do not support its recommendations. He asked that additional input be sought from health officials and other parties involved in the cleanup of hazardous waste.

A critique of the report submitted by the New Jersey insurance commissioner— who employed outside experts, including academicians, to review the advisory committee's conclusions and recommendations—notes that implementation of the committee's recommendations would produce sweeping changes in the hazardous waste compensation/liability system.

The New Jersey critique labeled the report's recommendations for regulatory changes and support of new insurance mechanisms as "sufficiently nebulous and

Continued on next page

Mission rescue

Continued from page 1

of that amount initially agreed to take part in MIC's reorganization, so far companies owed only about $358 million have signed the final agreement, he says.

Collecting outstanding reinsurance proceeds continues to be a major obstacle. Mr. Becker says these funds are "only a trickle" of what they were in the early months of MIC's conservation.

Among the companies not paying claims that MIC says it is owed are two groups of mainly non-U.S. reinsurers.

One of these groups is pursuing arbitration of disputes with MIG's Pacific Reinsurance Management Corp.—a defunct pool manager in New York—and the other is auditing Sayre & Toso, MIG's wholesale underwriting manager in Los Angeles.

If MIC's reorganization fails, MIG also will suffer. MIG's own debt restructuring, created to stave off a bankruptcy petition, is by agreement dependent on MIC's rescue. ■

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Actuaries, Attorneys, Adjusters, Appraisers and Consultants..... 4,536
Others Allied to the Field..... 1,505
TOTAL..... 47,627

* Source Business/Occupational breakdown of qualified circulation, May 26, 1986 issue, as submitted to BPA for June 1986 BPA Publisher's Statement.

ISO to study impact of tort reforms

By CAROL CAIN

ORLANDO, Fla.—The relationship between liability insurance costs and the U.S. tort system is the subject of two $1 million studies the Insurance Services Office plans to complete during the next two years.

One study, which ISO expects will be completed by March, will evaluate the costs of liability insurance claims in 15 states that recently have enacted tort reforms, along with nine states that have not enacted reforms or have enacted tort reforms with "limited applicability."

The other study, not yet under way, will evaluate the impact that hypothetical tort reforms would have on claims in 27 states. ISO expects this study will be completed within 18 to 24 months.

The two claim studies were announced as "high-priority projects" by ISO President Daniel J. McNamara earlier this month during the annual winter meeting of the National Assn. of Insurance Commissioners held in Orlando (*BI*, Dec. 15).

The NAIC, which endorsed the two ISO studies, also is considering sponsoring a study by the Department of Insurance of the Wharton School at the University of Pennsylvania in Philadelphia.

That study would include an evaluation of the unpredictability of court damages on insurance costs.

"A lot of folks are asking us questions, and we have no answers," bemoaned Edward J. Muhl, newly elected president of the NAIC and Maryland's insurance commissioner.

Regulators, as well as state legislators, also have been asking what effects various tort reforms would have on insurance costs if the reforms were enacted.

An ISO outline of its studies notes that tort reforms "in widely diverse forms and scope of application" were enacted this year in more than half of the states.

"These reforms were enacted with the intention of improving the performance and predictability of the tort system dealing with liability claims.

"But the value of proposed or enacted reforms is a practical and political matter of substantive complexity and importance," ISO stated.

In the study that ISO expects to complete by March, "typical claims will be evaluated under current laws as well as under reformed tort laws," Mr. McNamara said.

"Until the actual impact of tort reform becomes clear to insurers through their loss experience, the evaluations developed through the ISO-sponsored project, based upon alternative legal contexts, should help in determining the relative cost impact on typical claims of various tort reforms," Mr. McNamara said.

A variety of claims will be examined, including those involving premises, operations, products and business vehicle coverages.

As many as 200 experienced insurer claims adjusters will make the evaluations in each of the 24 states included in the project, Mr. McNamara said. Claim experts from independent claims adjustment firms also will be asked to participate, he added.

Data in the representative claim files that adjusters are examining as part of the study include information on the claimant, the accident and the resulting injuries, as well as the claim cost.

States with recently enacted tort reform measurers involved in the project are: Alaska, California, Colorado, Connecticut, Florida, Illinois, Maryland, Michigan, Minnesota, New Hampshire, New York, Oklahoma, Utah, Washington and Wyoming.

States participating in the study that have not enacted tort reforms or that have enacted limited tort reform laws are: Georgia, Louisiana, Massachusetts, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and Virginia.

'A lot of folks are asking us questions, and we have no answers,' bemoans Edward J. Muhl, newly elected president of the NAIC.

The study is being conducted by Hamilton, Rabinovitz & Alschuler Inc., a policy and management consulting firm located in Los Angeles.

In the study on the potential impact that hypothetical tort reform would have on claims costs, ISO and 24 insurers that represent 80% of the commercial insurance market will analyze the insurance companies' claim files.

ISO and the insurers will study approximately 12,000 liability claims, half of which will be for amounts greater than $25,000.

ISO and the insurers will collect key information from actual claim files in 27 states that have enacted some form of tort reform, Mr. McNamara said.

Those states are: Alaska, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New York, Ohio, Oklahoma, South Carolina, South Dakota, Utah, Washington, West Virginia and Wyoming.

Although the study is not scheduled to be completed until sometime in 1987, Mr. McNamara expects that ISO will issue an interim report next year.

However, actual guidelines for the project have not been finalized. ISO asked the NAIC to coordinate input from its members and others to fine-tune the design of the project.

The NAIC will host a meeting next month to seek advice on the study from a spectrum of government and public interest groups. Among those invited to the meeting are representatives from Congress, the U.S. General Accounting Office, the National Governors Conference, the Conference of State Legislators and the National Conference of Insurance Legislators.

A study group of six state insurance regulators will assess ideas discussed during the January meeting and convey its recommendations to ISO no later than Jan. 31.

Besides the two ISO studies, the NAIC also may contract for an independent study of the tort system and insurance costs, Mr. Muhl said.

Following an NAIC solicitation, Patricia M. Danzon, an associate professor at Wharton, submitted an outline for a study designed to assess the impact of unpredictability of the tort system on liability insurance markets.

The study would cost approximately $140,000, exclusive of data collection costs, and could not be completed until 1988.

Although state insurance regulators are eager to have information soon, it's important to take the time necessary to complete a study of the scope proposed by Ms. Danzon, Mr. Muhl said.

The NAIC has postponed a decision on whether it actually will sponsor the study, though Mr. Muhl and several other regulators said they would like to see such a study undertaken.

Meanwhile, the NAIC has appointed a "statistical" working group that by mid-February will:

- Explore new mechanisms for obtaining classification details for commercial lines.
- Review the current insurer financial reporting requirements and recommend improvements to help identify emerging trends or problems in commercial liability lines of insurance.
- Recommend changes to the NAIC Statistical Handbook that will implement any changes that have been identified during this review.

"We also will be forming an ongoing statistical monitoring technical group," which will review the examiner's handbook and current technical data, Mr. Muhl said. ■

Christmas wish list

Continued from page 1

can come through with "lower prices and a lot of good luck," in the coming year.

"The first two are important," Mr. Fisher added, "but the third is the most important."

While on the West Coast, old St. Nick will have to stop in San Francisco to fill Ralph Perry's stocking at Amfac Inc.

Mr. Perry, vp and director of risk management at Amfac, is looking for "a sensible makeup" of policy forms in the casualty market, so that there is "no conglomeration of occurrence and claims-made contracts." Santa has to bring some "orderliness to the claims-made market or we should go back to the occurrence form," he said.

That's not all Mr. Perry is expecting on Dec. 25. He's also hoping Santa will beef up his staff. In fact, his No. 1 request is "an effective inside loss or risk control person who will have management's support to effectively challenge profit centers in their loss control."

And, the requests from Mr. Perry become yet more complicated as he draws on Kris Kringle's reputation for convincing the Internal Revenue Service that its regulations governing captives are not entirely fair.

Mr. Perry asks that Santa bring "recognition by authorities of deductions for incurred claims reserves" when a company is running "a bona fide insurance alternative" like a captive insurance company.

Once the beleaguered Mr. Claus leaves the West Coast, he'll turn Rudolph and the coterie of flying reindeer to the South, where James Matthews is waiting for "double the salary" and "hazardous duty pay" at Knight-Ridder Newspapers Inc. in Miami.

Life is tough in the risk management trenches, Mr. Matthews allows, but that hazardous duty pay will compensate him for the extra grief he has suffered during a topsy-turvy marketplace that has sent insurance prices far too high. But as far as lower rates are concerned, Mr. Matthews says he'll take what he can get for Christmas.

"Rate increases that aren't as much as they were two years ago," he requests, adding with mock enthusiasm, "the good news is, it's only 20% higher this year, guys."

While in Miami, Santa will have to consider a few requests from Susan Weiner, assistant superintendent in the office of risk management for Dade County Public Schools.

She wants Santa to change the premium payment system for continuing health insurance for divorced or widowed spouses of employees and former employees as outlined in the Consolidated Omnibus Budget Reconciliation Act. "Everything I think of revolves around COBRA," she said.

Ms. Weiner also would like to see state officials develop a program to help pay retirees' health insurance premiums and she would like Santa to "make asbestos go away in all schools."

Joseph Charles, the risk manager at Ryder System Inc. in Miami, is asking Santa to fulfill a request from a coworker who is particularly distressed about COBRA. "Someone in my department asked for a mongoose to kill COBRA," he explained.

In addition, Mr. Charles is asking for "a magic wand to refigure the office. When you're in a growth situation, it can get kind of cramped."

While passing through Rome, Ga., Santa has a sleigh stop scheduled for Georgia Kraft Co., where he'll once again be asked to promise some influence with the powers-that-be in Washington.

Leon F. Thomson, director of compensations and benefits at Georgia Kraft, hopes "the 100th Congress will leave benefits alone. That's my main concern."

Mr. Thomson is afraid, he says, "that there are more changes coming" that will complicate the lives of benefits managers. "With the makeup of the new Congress, we expect some changes."

He wants Santa to address the particular concern that Congress has taken upon itself to do the job of labor unions. It seems unions are not as strong as they once were, Mr. Thomson explains, and "instead of them coming to the table, Congress is telling businesses what benefits they should be giving to workers."

"First we get legislation that is unfavorable, then we have to wait for interpretations and guess what the IRS is going to do concerning the laws. It stays in constant turmoil," he added.

Heading up the East Coast, Santa will be asked to pull another staff member from his bag to deliver to American Safety Razor Co. in Stanton, Va. Risk Manager D.K. Willy Bach needs an additional risk analyst, he says.

And while there, Mr. Claus will begin to wonder if there is a shortage of cash east of the Mississippi River. Like Mr. Matthews, Mr. Bach is looking for more digits to the left of the decimal point on his paycheck.

When asked how much more money he needs, Mr. Bach replied unflinchingly: "A whole lot more. I work too much. This is the time of year when you don't get paid enough."

Because he knows who's been naughty, Santa's work likely will not take as long in the nation's capital this year, allowing more time to spend in places like Little Rock, Ark.

While there, he'll see Cecil Simmons, the employee benefits manager at Dillard Department Stores who admits, "I'm being very selfish here, but I'd like a promotion." A promotion in itself is good enough, he said. "Just anything will do."

And after revealing a universally foolish wish to be able to complete his Christmas shopping early, Mr. Simmons said unselfishly, "I'd like to be able to do for others everything I want to do for them."

While in Dallas, Mr. Claus will drop in on Ray Brooks, manager of group insurance at Texas Instruments Inc.

Once there, Santa will try to answer Mr. Brooks' request for "somebody to tell me what effect the new tax laws and COBRA legislation will have on employee benefits in the future."

Tax reform is having "all kinds of effects" on benefits because "the biggest area they're attacking is the benefits area," says Mr. Brooks.

Apart from clearing up tax law changes, Mr. Brooks wants Santa to deliver "a method or system to better inform employees about their medical coverage."

And, Mr. Brooks wants one sweeping gesture out of the white-bearded old man that will "get rid of all my other problems."

Douglas Bartlett, director of employee benefits at NCR Corp. in Dayton, Ohio, also is requesting regulatory help.

"A consistent, long-term policy at the federal level toward retirement planning" is No. 1 on Mr. Bartlett's wish list. And, he's looking for "effective interaction between the health care community and business to control health care expenses in the United States."

Lastly, said Mr. Bartlett, he could clear up a lot of problems if St. Nick would deliver "simplified reporting procedures to all levels of government."

While making the rounds in Canada on his way home, Santa will find that although the Canadians aren't as preoccupied with tax laws, their needs are otherwise similar to those of their American counterparts.

In Toronto, Joseph Hardy would like to see "more sincerity" among insurers to provide coverage capacity.

The risk manager at Carling O'Keefe Breweries said he wants insurers to analyze exposures, "write the risk for what it is, and charge the premium for it" instead of charging rates that do not bear close relation to the insured exposure.

Recognition for risk management professionals in Canada is just as important as it is in the United States, points out Mr. Hardy. And that's why he is requesting that Santa change the way some companies' management views these important professionals.

Mr. Hardy is asking that "senior management recognize risk management on a professional basis," rather than just a department in charge of buying insurance for the company.

While management at Carling O'Keefe recognizes risk management as a professional occupation, in other cases "we've needed something like the past 18 months" of tight market conditions to bring some awareness to company management as to the role of risk managers, said Mr. Hardy. "That's unfair."

If Santa brings North American risk and benefit managers even just a few of the items on these wish lists, it will be a very merry Christmas indeed. ■

Monsanto case

Continued from page 1
the time Mr. Skeen worked at the plant were Liberty Mutual Fire Insurance Co., which insured Monsanto from Oct. 1, 1968, to March 31, 1971; The Charter Oak Fire Insurance Co., a Travelers Corp. unit, from March 31, 1971, to April 1, 1978; and Texas Employers Insurance Assn., from April 1, 1978 to April 1, 1983, according to the Texas Accident Industrial Board.

Officials at Travelers and Liberty Mutual last week denied their companies have any potential liability for the award.

"My understanding is that we have no role," said Floyd Knowlton, a Travelers vp in Hartford, Conn.

"We were not involved in that lawsuit," said John Kendrick, claims manager of the work comp department for Liberty Mutual in Houston. "We're not responsible for the damages."

He said Texas workers compensation law provides that the insurer on the risk when the condition manifests itself and lost time begins is the responsible insurer.

Liberty Mutual stopped insuring Monsanto in 1971, prior to the time the disease was diagnosed.

But, William Huff, Texas Employers general counsel, said it is uncertain whether the insurers on the risk during the time Mr. Skeen was exposed to the benzene, those on the risk when the leukemia was manifested or those that wrote coverage in the interim would be responsible for the award.

And while in some states punitive damages are not insurable, they are generally insurable under Texas law, sources note. Punitive damages generally cannot be excluded from policies written by admitted insurers in Texas except for medical malpractice policies, Mr. Huff said.

However, he and others noted that it is possible certain exclusions might apply. For example, insurers might contest a punitive damage award, claiming it was based on the employer's intentional acts.

Insurers and attorneys also note that generally there are limits of liability in the Coverage B section, unlike the work comp section in which there are no limits unless set by statute. Once Coverage B limits are exhausted, an employer's umbrella liability coverage would be triggered, they say.

The verdict is one of the largest ever rendered in a personal injury action, observers agreed last week.

"It's the biggest ever in Texas and one of the biggest ever in the country," said John O'Quinn, the attorney for the Skeen family with the Houston firm of John O'Quinn & Associates.

"There's no doubt about that, it's one of the largest ever," adds David Owen, a law professor at the University of South Carolina Law School who has tracked such punitive damage verdicts.

The largest punitive damage award in a personal injury case against a business is believed to be $125 million, awarded in 1978 in a suit against Ford Motor Co. by Richard Grimshaw, who was injured when a 1972 Pinto gas tank exploded. That punitive award was reduced to $3.5 million. Ford settled the case for $7.5 million, including compensatory damages.

In the suit against Monsanto filed in 1982, Mr. O'Quinn charged that Mr. Skeen, who began working at the plant in 1969, was diagnosed as having leukemia in 1975, though he worked at the plant for five more years. He died in 1980.

Mr. O'Quinn said Monsanto rejected a work comp claim for Mr. Skeen. In 1982, the family sued the employer alleging gross negligence.

Mr. O'Quinn said the jury's verdict was "fully supported by the evidence."

He alleged the firm took the position that it had the right to poison workers, did not warn employees of the risk of cancer and failed to furnish respirators or provide urine or blood tests.

The company told Mr. Skeen he had leukemia, but they never told him it was due to his exposure to benzene, Mr. O'Quinn alleged, adding Monsanto allowed Mr. Skeen to work with the chemical for another five year after his diagnosis.

"It does send a message," Mr. O'Quinn said of the verdict. "The message is that companies should protect these workers from exposure to cancer-causing materials."

However, the Monsanto spokesman disagreed, noting there was "solid, scientific evidence to refute the plaintiffs' allegations."

"We take issue with all of that," he said, adding the company monitors workplace exposure closely, far beyond federal requirements.

"Monsanto is one of the safest companies in the chemical industry, and the chemical industry is one of the safest of all industries," the Monsanto spokesman added.

"We presented as evidence at trial that he was exposed to one part per million or less of benzene, and this is well below the federal level of 10 parts per million as established by OSHA," he said.

"The plant was designed, constructed and operated with minimum exposure in mind," the spokesman said, adding that Mr. Skeen's leukemia was never medically linked to benzene exposure.

The spokesman noted this was the first time Monsanto had been hit with a judgment in a benzene case and said the verdict was handed down by a "runaway jury."

"It sends a clear message that there is a desperate need for tort reform in this country," he said. ■

Jack Riffle dies of heart attack

Continued from page 2
who cared deeply about our community and worked hard on its behalf."

Mr. Riffle began his insurance career in 1950 as a district sales manager for Kemper Insurance Co. After serving as an officer in the U.S. Navy from 1952 to 1956, he rejoined Kemper as a special risks representative.

Mr. Riffle became manager of Scautub Insurance Agency in Schenectady, N.Y., in 1956.

In 1958, he joined Allstate Insurance Co. as district sales manager in its Rochester, N.Y. office, a position he held until he joined Utica National in 1965.

Mr. Riffle also was a director of the Alliance of American Insurers in Schaumburg, Ill., and was a member of the Alliance's executive committee, chairman of its Property Loss Research Bureau and director and former chairman of the Alliance's Insurance Claims Service.

"Jack was a man who was larger than life," said Franklin W. Nutter, president of the Alliance.

"He was committed to the concept of mutual insurance. He felt it important to convey that message. . .beyond the boundaries of the business." Mr. Nutter added.

Outside of the insurance field, Mr. Riffle was executive vp of the Boy Scouts of America and a member of its National Executive Board. His leadership in scouting earned him the Silver Bear and Silver Antelope awards.

Mr. Riffle also was a charter trustee of Hamilton College, a director of the Business Council of New York State, a member of the National Commission Against Drunk Driving, a director of Marine Midland Bank-Midstate Region and a member of the Faxton Hospital board of managers.

In addition, Mr. Riffle was a member of the 1985 and 1986 judging panels for the *Business Insurance* Risk Manager of the Year competition.

Mr. Riffle is survived by his wife, Suzanne, and four children.

Pinnacle considers action

Continued from page 2
had provided Mentor with reinsurance contracts that served to reduce Mentor's reported loss reserves.

Mentor was placed in liquidation by the Bermuda Supreme Court in 1985.

Pinnacle Chairman Bruce Swann in Bermuda said Pinnacle would contemplate filing in Bermuda against the liquidators to obtain quicker resolution of the dispute. He declined to elaborate on the action except to say it would not violate a restraining order on Pinnacle by the U.S. court stopping it from filing any action in any other court that would interfere with the federal court's jurisdiction.

The restraining order was issued after Pinnacle last month wrote the liquidators that it intended to apply to the Bermuda Supreme Court for an injunction preventing liquidators Charles Kempe and Michael Arnold from continuing their action in the United States.

Pinnacle's motion to dismiss it from the federal case in New Orleans denies Pinnacle committed a fraud or participated in a conspiracy, contends the federal court does not have jurisdiction over the Bermuda-based company and contends the type of reinsurance contracts Pinnacle issued had been accepted as reinsurance by the liquidators in audits of other companies.

Pinnacle also claims it has lost business this year as a result of the liquidators' legal action against it.

Pinnacle's brief says the reinsurer was not involved in any way in preparing, issuing or distributing Mentor's financial statements and or in deciding on the accounting treatment given to contracts, adding both issues were strictly between Mentor and its auditors.

Pinnacle also contends it had no reason to believe that Mentor's auditors would not give full balance-sheet relief to Mentor for the annuity-type reinsurance agreements, which it claims are fairly common.

And it adds: "As a matter of fact, both plaintiffs in this case, who are members of Arthur Young & Co. . . .have approved full balance-sheet relief for annuity-type reinsurance agreements such as those between Pinnacle and Mentor. Specifically, plaintiff Charles W. Kempe Jr. is a senior partner of Arthur Young & Co. in Bermuda, who were the auditors for Walton Insurance Ltd. and who gave Walton full balance-sheet relief for an annuity-type contract written by Pinnacle.

"It is therefore simply incredible that plaintiffs can now be allowed to denounce as fraudulent accounting practices which they. . .routinely approve in accordance with generally accepted accounting principles. Not only do plaintiffs. . . approve full balance-sheet relief for these annuity-type contracts, but PMM (Peat, Marwick, Mitchell) Bermuda, Mentor's auditors, also approve full balance-sheet relief."

The brief notes that Pinnacle contracts written for two companies audited by PMM's Bermuda office were afforded balance-sheet relief and PMM gave clean audit opinions to the companies, are identified as I.C. Industries Insurance Co. Ltd. in Bermuda and Southern Oil Insurance Ltd. in the Cayman Islands.

Pinnacle also argues changes in U.S. accounting standards for these types of contracts were made at the end of 1984—after the three contracts with Mentor had been agreed to in August 1982, March 1983 and April 1984.

In addition, responding to allegations that side letters to the contract suggest Pinnacle was participating in a conspiracy, Pinnacle maintains it would have had no reason to suspect Mentor would not make all contract documents available to PMM. It also points out the liquidators' complaint is founded on the false assumption that PMM was unaware the contracts were annuity-type arrangements.

"Mentor's 1983 financial statement describes the 1982 and 1983 reinsurance agreements in question and states that both of these are fully secured by letters of credit. PMM issued a clean audit opinion for Mentor's 1982 and 1983 financial statements. Since the 1982 and 1983 agreements collectively furnished $29.9 million of reinsurance to Mentor, they were material and PMM would have necessarily reviewed the letters of credit in order to make the statement that the contracts are fully secured by letters of credit.

"Those letters of credit. . .clearly show that the actual deal between the parties was that Pinnacle did not have to pay a dime until 10 years had run, thus the letters of credit themselves, which were reviewed by PMM, very clearly reflect that these were annuity-type transactions, otherwise PMM could not have said that they were fully secured. In truth, PMM knew full well that these were annuity-type contracts."

Further, Pinnacle says that partial drawings on the letters of credit were expressly prohibited. In contrast, LOCs that secure timing-risk reinsurance contracts, as opposed to annuity-type contracts, expressly permit partial drawings during the term of the LOCs.

Pinnacle's brief also charges that Mentor's demise was due to unprofitable business in its last seven to eight years. Moreover, it says Mentor was grossly underreserved and PMM was acutely aware of that fact.

Pinnacle already has suffered enormous damage as a result of the action, the brief says. Growth in business stopped after the suit was filed in March and its gross premium income this year is down 60%, or $117 million, from this time last year, the brief says. ■

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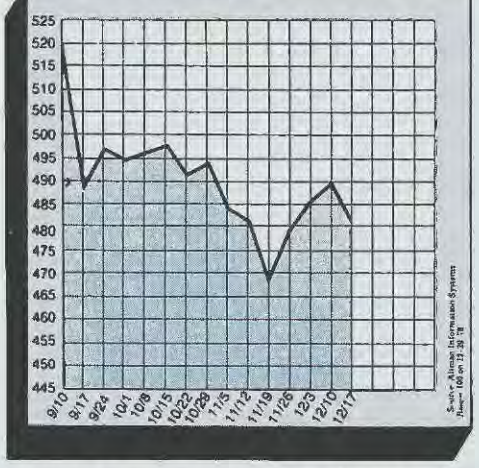


Insurance industry stocks slumped last week as the *Business Insurance* stock index declined 8.4 points to 481.2 points on Dec. 17 from 489.6 points on Dec. 10. Only seven stocks posted gains during the latest trading period, while 44 stocks declined and 13 issues were unchanged. The largest gains were reported by: Statesman Group Inc., up 5.4%; Tokio Marine & Fire Insurance Co., up 3.9%; Travelers Corp., up 2.0%; Durham Corp., up 1.8%; and American Heritage Life Investment Co., up 1.3%. The largest declines were suffered by: Alexander & Alexander Services Inc., down 10.3%; Corroon & Black Corp., down 6.4%; Aetna Life & Casualty Co., down 5.9%; Chubb Corp., down 5.7%; and Lincoln National Corp., down 5.4%. The *Business Insurance* index, which declined 1.7% during the latest trading period, performed worse than the major market averages: The New York Stock Exchange composite dropped 1.3%; the Standard & Poor's 500 average dropped 1.4%; and the Dow Jones 30 Industrials fell 0.8%.

British Issues

Dec. 16 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	267	16.1	18.3	6.9	269—	262
Genl Accident	807	13.4	37.7	4.6	815—	798
Gdn Royal Exch	769	12.6	46.5	6.0	787—	762
Royal	834	8.8	42.2	5.1	842—	822
Sun Alliance	637	18.2	29.5	4.6	645—	624
Brokers						
CE Heath	459	13.1	34.5	7.5	466—	459
Hogg Robinson	359	12.4	16.2	4.5	359—	345
JH Minet	241	10.0	13.2	5.5	244—	234
Sedg Grp	323	15.4	16.9	5.2	325—	316
Stew Wrightson	444	14.3	19.0	4.3	448—	437
Willis Faber	425	15.2	15.5	3.6	442—	422

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Santa calls on new recruits for help when all elves fail

By MYRON M. PICOULT

Special to Business Insurance

IT WAS DEC. 23 and Almost Donothing, the bedraggled chairman of Nearly Defunct Fire & Casualty Insurance Co., was looking forward to a peaceful night's sleep. It would be the first in many days, now that the 1986 books on Nearly Defunct were closed for the year. . . .Or so the chairman thought.

After dining with his family and viewing some television, the chairman decided to retire for the night. However, he could not forget the deluge of commercials. These vignettes explained to all who would listen that the law firm of Avaricious, Greedy, Shylock & Co. stood ready to seek reparations for the parents of children harmed by poorly designed Christmas toys.

Mr. Picoult

In fact, the 60-second spot aimed at kids, explaining how to sue Santa Claus if they get the wrong toys, drove the Old Boy bananas.

In any event, the chairman was now tucked in his bed snug as a bug and approaching Z-land. He was dreaming of sugarplum fairies, dancing candy canes and snowmen when three apparitions appeared. They were his chief underwriter, chief actuary and senior marketing manager. They each bore a striking resemblance to Marley's ghost, which haunted Scrooge in Charles Dickens' classic "A Christmas Carol."

The trio exerted a relentless barrage on our prone chairman to repent. It was a continuation of the day's last boisterous meeting.

The marketing fellow sorrowfully exclaimed that the chairman had been too tough in the business cutbacks that had occurred during the year, and he feared that both good and bad business had been thrown out.

The chief underwriter chimed in that he thought he did his best to re-underwrite Nearly Defunct's entire book of liability business, but he could not and would not guarantee success.

The spectacled chief actuary also complained about being pressured to sign off on reserves that were not yet up to snuff.

The distinct impression was left upon our beloved chairman that he had best show up at the North Pole at 8 o'clock the next morning to help Santa Claus prepare for his midnight ride.

Almost Donothing awoke with a start in a cold sweat, convinced he had just witnessed a bad dream. As he reclined, his head came to rest on a piece of paper bearing directions to Santa's workshop at the North Pole. Needless to say, there was not any more shut-eye, but a dash on his Vixen to get to the appointed place.

As the chairman arrived, so did others. There was "Jake" Mascotte of Continental Corp., who arrived in his Donner, and Bob Haugh of The St. Paul Cos. Inc. flew in on Cupid. Henry Harder of Chubb Corp. arrived on a Comet.

Marshall Manley from The Home Group Inc. "Pranced" up just as Jack Mosely of USF&G Corp. "Dashed" in. "Blitzen" in from the north was Jim Lynn from Aetna, and Bob Kilpatrick from CIGNA Corp. "Dancered" there.

Jack Byrne of Fireman's Fund Corp. arrived amid sirens and blinking noses on the most famous reindeer of all, Rudolph.

As these gentlemen greeted each other, it became apparent that each had seen an apparition, but of varying degrees.

They entered the workshop to find Santa conferring with both Hank Greenberg of American International Group Inc. and Ron Ferguson of General Re Corp. It seems that the inability to acquire a "little" liability coverage for his small elves forced Santa to cut short his workforce.

But, through some miracle, these fine gentlemen arrived to help Santa get ready for his midnight ride.

They all jumped into their tasks feverishly. Jim Lynn from Aetna, who seemed to be humming, "Won't you come home, Bill Bailey, won't you come home," was up in the loft—obviously a reflection on Mount Aetna —paring back little Christmas trees. This was similar to the paring done at Aetna after his arrival.

Below him, on the main floor in the corner, was Henry Harder of Chubb. Henry, who was wearing a big button inscribed "We try Harder," was stuffing rag dolls. . .like reserves.

Sitting on a window seat was Bob Kilpatrick of CIGNA. Mr. Kilpatrick was in charge of "The Game of Mergers," and was checking to see that all of the pieces were in the box before closing.

Over by the paint shop was Jack Byrne in fireman's regalia. Jack was scraping down little cars and trucks and passing them on to Jack Mosely of USF&G, who was in charge of painting the little vehicles.

At the end of the table, awaiting the finished product, was Ron Ferguson, who was in charge of quality control. He checked and returned several trucks with rough edges to Mr. Mosely.

On the other side of the room was Jake Mascotte of Continental, who was putting the finishing touches on some Continental soldiers and placing them on a shelf.

Nearby was Bob Haugh of St. Paul, who was in charge of "doctoring up" some dolls.

Nearby, wearing a T-shirt emblazoned with "I'm Home," was Marshall Manley, who was putting the final details on some miniature dollhouses.

Scurrying around, balancing sheets—of paper—was Hank Greenberg of American International Group. Hank was in charge of wrapping things up.

As dusk approached, Santa informed his new helpers that it was time to fill up the sacks with toys and pack up the sleigh. The dutiful group decried the news, for they had not yet finished their tasks. Was this a mirror image of both their collective work and that of their brethren in the current underwriting cycle?

Just then, Marley's ghost appeared. He implored them to realize there were lessons to be learned from the past, and they and their peers should not lose sight of them.

For the present, progress had been made, but not as much as they had led regulators, investors and policyholders to believe. And the future was still in their hands, for they had not yet completed the repairs.

As they hustled and bustled to get the sleigh loaded, Santa Claus said he hoped that they had learned something from the experience.

As the sun set, the group saw what appeared to be some storm clouds in the distance. It was unclear whether this was a premonition to be cautious or just darkness closing in.

As Santa climbed into his sleigh—headed by Rudolph to guide him through the fog that was enveloping the area—he begged the "new" elves to hold tight and not let loose of their reins.

They all nodded in agreement, but a uniformly sorrowful look appeared on their faces. They obviously did not believe they were going to receive recognition for their efforts.

Myron M. Picoult is senior vp 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.

Industry results

The nation's property/casualty insurers reported consolidated net aftertax operating income of $8.7 billion in the first nine months of 1986, a 625% increase compared with just $1.2 billion in the corresponding period last year, the Insurance Information Institute reports.

The statistics are based on results from insurers reporting to the Insurance Services Office and the National Assn. of Independent Insurers that represent 97% of the industry's aggregate premium.

In comparison, a *BI* survey of 25 major property/casualty insurers' nine-month results showed that aggregate net operating income among these companies rose 171% to $3.7 billion. These companies wrote 45% of the industry's premium volume.

The insurers responding to the ISO/NAII survey reported a nine-month 1986 combined ratio of 108.0%, compared with 116.1% the previous year. By contrast, the insurers surveyed by *BI* reported a 108.4% combined ratio in the first nine months of 1986, compared with a 116.9% in the first nine months of 1985. ■

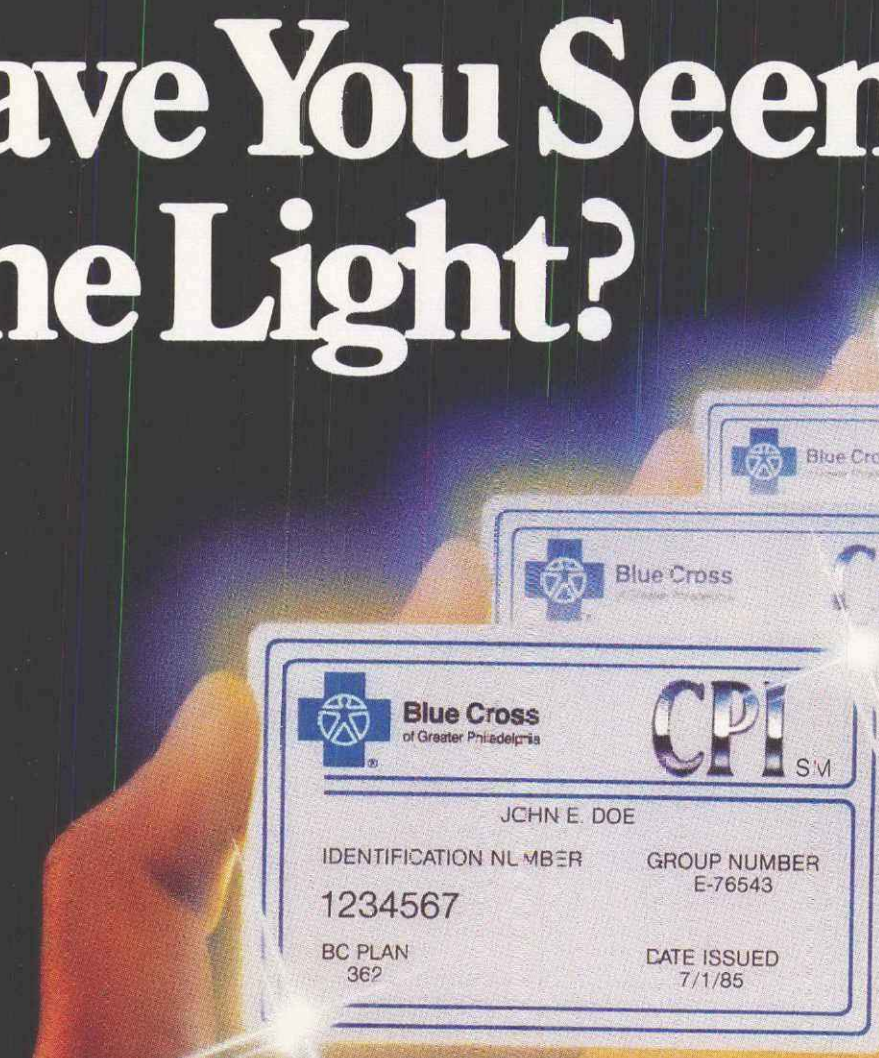
BI Industry Stock Report

December 17, 1986 12/11/86 thru 12/17/86

Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	26.00	-10.3	371.4	1.00	3.8	28.50	26.00*	1,602.9
Baldwin & Lyons Inc	OTC	20.50	-10.9	16.7	0.20	1.0	22.50	20.00	0.9
Corroon & Black Corp	NYSE	34.50	-6.4	15.6	0.65	1.9	36.25	34.50	297.8
Gallagher Arthur J & Co	OTC	27.75	-5.1	20.3	0.20	0.7	28.25	27.75	933.7
Hall Frank B & Co Inc	NYSE	15.88	-1.6	0.0	0.00	0.0	16.13	15.63	263.6
Marsh & McLennan Cos Inc	NYSE	63.00	0.0	20.1	1.90	3.0	63.00	60.50	653.2
Poe & Assoc Inc	OTC	11.50	-2.1	14.6	0.32	2.8	11.75	11.50	5.0
AGENTS/BROKERS	AVERAGE			20.8		2.3			
Conglomerates & Holding Cos.									
Anderson Clayton(Ranger/ParAm)	NYSE	65.63	0.0	18.8	0.00	0.0	0.00	0.00	0.0
Armco Inc	NYSE	5.00	-2.4	0.0	0.00	0.0	5.13	5.00	649.4
Berkley W R Corp	OTC	27.00	-0.9	14.9	0.24	0.9	27.25	26.50	393.3
Berkshire Hathaway Inc Del	OTC	2725.00	-0.5	158.1	0.00	0.0	2740.00	2715.00	2.1
CIGNA Corp	NYSE	54.75	-4.8	0.0	2.60	4.7	56.63	54.75	1,020.9
CNA Finl Corp (CNA)	NYSE	55.25	-0.7	13.9	0.00	0.0	56.00	54.00	270.0
General Re Corp	NYSE	57.38	-0.9	24.7	0.88	1.5	57.38	56.63	1,104.8
ITT (Hartford Group)	NYSE	53.38	-1.4	22.0	1.00	1.9	53.88	53.38	1,908.2
Sears Roebuck & Co. (Allstate)	NYSE	41.13	-2.7	11.2	1.76	4.3	41.88	41.13	3,553.8
Transamerica Corp (Occidental)	NYSE	35.00	-0.4	10.1	1.76	5.0	35.50	34.13	924.9
CONGLOMERATES/HOLDING COS.	AVERAGE			79.7		0.2			
Insurers									
Aetna Life & Cas Co	NYSE	55.88	-5.9	9.7	2.64	4.7	58.75	55.88	2,361.2
American General Corp	NYSE	38.75	-1.9	10.6	1.12	2.9	39.38	38.75	1,358.1
Amern Heritage Life Invt Co	NYSE	40.25	1.3	14.4	1.32	3.3	40.25	40.00	8.8
American Indty Finl Corp	OTC	18.25	-1.4	0.0	1.12	6.1	19.00	18.25	12.8
American Intl Group Inc	NYSE	62.13	-3.5	17.8	0.25	0.4	64.13	62.13	1,327.9
Anglo Reins Ltd	OTC	2.13	0.0	0.0	0.00	0.0	2.13	2.13	26.8
Aetna Corp	NYSE	28.25	-2.6	13.8	0.50	1.8	28.88	28.25	9.7
Business Mens Assurn Co Amer	OTC	26.00	-1.0	0.0	1.10	4.2	26.25	25.88	280.0
Chubb Corp	NYSE	60.38	-5.7	24.2	1.68	2.8	63.00	60.38	445.7
Combined Intl Corp	NYSE	56.38	0.0	10.6	2.24	4.0	56.50	56.00	309.2
Continental Corp	NYSE	47.50	-0.5	226.2	2.60	5.5	48.50	46.88	459.5
Crown Life Ins Co	OTC	354.75	-1.5	12.3	6.40	1.8	354.75	354.75	0.0
Durham Corp	OTC	41.50	1.8	12.7	1.36	3.3	41.50	41.00	24.0
Farmers Group Inc	OTC	38.50	-3.7	13.2	1.00	2.5	40.50	39.50	993.1
Fairmont Finl Inc	AMEX	14.75	-4.1	11.8	0.00	0.0	15.00	14.38*	44.5
Fireman Fd Corp	NYSE	35.50	-2.7	0.0	0.30	0.8	35.75	35.00	1,040.9
Fremont Gen Corp	OTC	16.00	-0.8	0.0	0.48	3.0	16.25	16.00*	69.1
Great West Life Assurn Co	OTC	700.00	0.0	14.4	18.00	2.6	700.00	700.00	0.0
Home Group Inc	AMEX	20.25	-3.6	32.7	0.00	0.0	20.88	20.00	314.0
Hanover Ins Co	OTC	61.50	-1.6	13.1	0.56	0.9	62.75	61.00	51.2
Harleysville Group Inc	OTC	15.50	0.0	9.9	0.32	2.1	15.50	15.25	53.4
Hartford Steam Boiler Inspctn	OTC	48.50	-2.5	12.4	1.60	3.3	48.50	48.25	114.3
Kans City Life Ins	OTC	26.00	-2.8	10.8	0.87	3.3	26.25	26.00	37.2
Kemper Corp	OTC	26.50	-0.9	10.6	0.60	2.3	26.75	26.50	847.7
Liberty Corp S C	NYSE	37.00	-2.6	12.5	0.72	1.9	38.13	37.00	35.2
Lincoln Natl Corp Ind	NYSE	46.25	-5.4	10.6	2.16	4.7	48.25	46.25	396.7
Mission Ins Group Inc	PAC	1.38	0.0	0.0	0.00	0.0	4.38	1.38	45.2
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	55.63	55.63	1.1
Nac Re Corp	OTC	26.00	-2.8	0.0	0.00	0.0	26.75	26.00	95.7
Nobel Ins Ltd	OTC	17.00	-4.2	12.8	0.37	2.2	17.50	16.75	103.4
Northwestern Natl Life Ins	OTC	32.00	0.0	10.7	0.86	2.7	32.38	31.88	210.0
Ohio Cas Corp	OTC	76.00	-3.5	14.3	3.00	3.9	77.25	76.00	140.1
Old Rep Intl Corp	OTC	28.38	-2.6	11.0	0.78	2.7	29.50	28.38*	309.3
Orion Cap Corp	NYSE	27.50	-1.8	0.0	0.76	2.8	27.75	27.50	122.2
Protective Corp	OTC	18.50	-1.3	10.2	0.70	3.8	19.00	18.50	65.7
Provident Life & Acc Ins Co	OTC	26.25	-0.9	9.9	0.84	3.2	26.75	26.25	148.5
St Paul Cos Inc	OTC	41.25	-1.8	12.7	1.50	3.6	41.25	40.75	414.6
SAFECO Corp	OTC	55.75	0.0	12.2	1.70	3.0	55.75	54.75	427.5
Scor U S Corp	OTC	12.00	0.0	24.0	0.00	0.0	12.00	12.00	20.9
Seibels Bruce Group Inc	OTC	15.50	-1.6	0.0	0.80	5.2	15.75	15.25	69.5
Selective Ins Group Inc	OTC	22.13	1.1	43.4	0.92	4.2	22.13	21.75	213.6
Statesman Group Inc	OTC	4.88	5.4	0.0	0.05	1.0	4.88	4.50*	199.8
Tokio Marine & Fire Ins Co	OTC	555.00	3.9	62.5	1.66	0.3	562.50	530.50	7.6
Torchmark Corp	NYSE	26.38	-7.0	10.1	0.80	3.0	27.25	26.38	565.6
Travelers Corp	NYSE	45.63	2.0	10.9	2.16	4.7	46.00	44.50	1,854.2
Trenwick Group Inc	OTC	16.88	-0.7	129.8	0.00	0.0	17.00	16.88	80.9
United Fire & Cas Co	OTC	28.75	-5.7	13.5	0.80	2.8	30.00	28.75	23.2
United States Fid & Gty Co	NYSE	41.00	-1.5	47.1	2.32	5.7	41.00	40.25	7,943.7
Unum Corp	NYSE	26.50	0.0	7.8	0.40	1.5	27.00	26.50	766.9
Uslife Corp	NYSE	46.75	-2.6	12.1	1.20	2.6	47.88	46.75	228.5
Washington Natl Corp	NYSE	32.38	-0.8	14.7	1.08	3.3	32.88	32.38	140.9
Zenith Natl Ins Corp	OTC	21.50	1.2	25.9	0.80	3.7	22.00	21.50	203.4
INSURANCE COMPANIES	AVERAGE			16.1		2.2			

System design: Altman Information Systems

Have You Seen The Light?



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