Employee benefits: The marketplace . . . Page 3

DECEMBER 23, 1985

business insurance®

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update

Posgate hopes to resume underwriting at Lloyd's

LONDON—Ian R. Posgate, once considered Lloyd's of London's most successful underwriter, hopes to resume underwriting at Lloyd's when his current suspension expires Jan. 8.

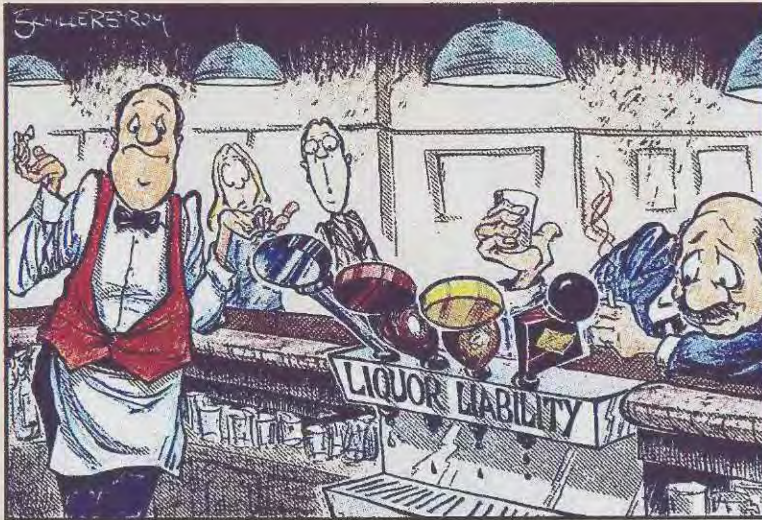
Mr. Posgate is seeking to work at Lloyd's as an underwriter for Syndicate 162, managed by R.L. Glover & Co. (Underwriting Agencies) Ltd., according to an announcement by the law firm of Stephenson Harwood,

Continued on next page

Dramshop drought

Liquor liability marketplace runs dry

By DAVE LENCKUS



Corks won't pop and champagne won't bubble on New Year's Eve at the Park Place Hotel in Traverse City, Mich.

Owner Daniel Hitchens closed the hotel's bar this summer after the hotel's liquor liability insurance limits were slashed by more than 90% and its premium nearly tripled.

The $1.5 million in liquor liability coverage Mr. Hitchens could have purchased would not have covered the hotel's exposure, he said.

And, he refused to go bare in a state in which courts have leveled million-dollar punitive damage awards against establishments that serve liquor.

Many bars and taverns around the country, which cannot halt liquor sales, are doing business without liquor liability insurance because the coverage simply is not available.

"Just about the entire liquor liability market has disappeared," sums up Earl Lanning, vp responsible for excess/surplus lines at The Crump Cos. Inc. in Memphis, Tenn.

Brokers and other market observers say the scarcity of liquor liability coverage is caused by two factors:

- The general tightening of property/casualty insurance capacity.
- An increase in the frequency and severity of liquor liability judgments against establishments serving alcoholic beverages for damages caused by intoxicated customers.

For instance, they note the liquor liability insurance market for all establishments—including

Continued on page 55

A.C.E. offering insurance buyers $65 million limit

By DOUGLAS McLEOD

NEW YORK—A.C.E. Insurance Co. Ltd. is now issuing policies after raising about $260 million in capital from more than 20 corporate sponsors and non-sponsor policyholders.

A.C.E.—conceived by broker Marsh & McLennan Cos. Inc. and incorporated in the Cayman Islands earlier this year—is still short of the $400 million in capital it needs to provide targeted general liability limits of $100 million excess of $100 million in underlying insurance.

However, the currently available limit of $65 million per risk is expected to increase monthly as additional capital is invested. And, A.C.E. expects to reach $400 million in capital by Feb. 1.

Though it no longer is accepting new corporate sponsors—each of which has invested up to $10 million—A.C.E. will raise additional capital. Non-sponsor policyholders are required to buy varying amounts of A.C.E. common stock based on their first year's premium.

A.C.E. has been deluged with submissions from potential non-sponsor policyholders who are scrambling for excess liability coverage.

John Cox, A.C.E.'s chairman, is holding underwriting meetings in Bermuda, where ACE is managed, and could not be reached for comment. He is seeing five potential policyholders per day, each meeting averaging two hours. About 70 such meetings have been held so far and 200 more are scheduled.

A.C.E. ultimately will have about 200 sponsor and non-sponsor policyholders, one source predicted.

"A.C.E. exists because there is nothing else," said one risk manager who is applying to A.C.E. for coverage and who asked not to be identified. "It's the only game in town."

Several aspects of A.C.E.'s operations were refined in recent months,

Continued on page 60

ISO to delay push for defense cost cap

By ROBERT A. FINLAYSON

LOS ANGELES—The Insurance Services Office will postpone filing its newest proposal for containing defense costs under commercial general liability policies until at least Feb. 15 while the National Assn. of Insurance Commissioners studies the proposal.

The NAIC at its annual meeting earlier this month passed a resolution urging all states not to approve the defense cost proposal until the NAIC study was completed.

ISO announced Dec. 12 that it was backing down on its plan to include all defense costs within CGL policy limits beginning July 1, 1986. Currently, most CGL policyholders have unlimited defense coverage, and ISO's plan to revoke that coverage was heavily criticized by buyers, regulators and brokers.

Under ISO's compromise proposal, an amount equal to 50% of a policy's aggregate limits would have to be spent on defense costs before those costs could be charged against the policy's aggregate limits.

The new plan, which will be filed as an amendment to ISO's new CGL policy, includes two endorsements that would either increase or decrease defense cost coverage.

One endorsement would allow up to 300% of a CGL's policy limits to be spent on defense costs before those costs begin to reduce the aggregate limit. In contrast, the second endorsement would include all defense costs within policy limits.

ISO had planned to file the new defense cost amendment with state insurance departments in January for use in July, but it decided to postpone the filings after the NAIC announced its study.

"The opinion of the commissioners was unanimous that we're not ready to proceed with approval of this concept," said Josephine M. Driscoll, Oregon's insurance commissioner and the newly elected president of the NAIC.

Continued on page 61

Tail coverage changes sought

By STEVE TARAVELLA

RENO, Nev.—If insurance companies are going to sell claims-made general liability policies, a specific amount of aggregate limits should be reinstated when policyholders buy tail coverage, insurance commissioners say.

But, the insurance commissioners can't agree if claims-made general liability insurance forms should be approved for widespread use by licensed insurers.

In meetings behind closed doors at the National Assn. of Insurance Commissioners' year-end meeting in Reno earlier this month, the commissioners endorsed model policy language that would require insurers to reinstate a specific aggregate limit when a policyholder buys tail coverage. But, the commissioners did not state how much of the original

Continued on page 63

INSIDE: House passes tax bill . . . Page 2

NEWSPAPER

update

Posgate asks to be underwriter

Continued from previous page

which represents Mr. Posgate. In a re-registration application that all underwriting agencies must file with Lloyd's, Glover recommends Mr. Posgate as a syndicate underwriter.

Mr. Posgate was first suspended from underwriting by Lloyd's in September 1982, after it was alleged he was involved in the misappropriation of $55 million from his syndicates, managed by Alexander Howden Underwriting Ltd.

The Council of Lloyd's this year found Mr. Posgate guilty of two charges: owning shares in a Swiss bank without informing the Howden board of this interest and secretly accepting a Pissaro painting from two former Howden officials who allegedly tried to influence his underwriting decisions (*BI*, July 22).

Lloyd's recommended that Mr. Posgate be expelled. But, on appeal, the sentence was reduced to two six-month suspensions, to be served concurrently. The suspensions expire Jan. 8.

Ski area has cover for accident

DILLON, Co.—The Keystone Resort has liability insurance to respond to claims that might arise from a Dec. 14 chairlift accident that injured 49 skiers, some of them seriously, according to the broker and a spokesman for one of the resort owners.

James Neville, vp and general counsel at Ralston Purina Co., which owns 50% of the resort and is its managing partner, said a $2 million primary layer of liability coverage was placed by Seattle brokerage Pettit-Morry Co. He said there also was excess coverage, but he did not know the details of the coverage.

Other partners in the resort are Morgan Guaranty Trust Co. and The Prudential Insurance Co. of America, Mr. Neville said.

Graham Anderson, president of Pettit-Morry, would say only that "the limits are adequate" for the resort's total liability coverage.

He said the primary liability coverage was placed through the Western Area Ski Insurance Program, which his office administers for 160 U.S. resorts. The program places coverage with U.S. insurers, Lloyd's of London and other London insurers, he said.

A report by the Colorado Passenger Tramway Safety Board has blamed the accident on a design flaw in the lift machinery. However, the builder of the system, Lift Engineering & Manufacturing Co., disputes that claim.

Gerhardt Stoll, executive vp at Lift Engineering in Carson City, Nev., said Lift Engineering has sufficient product liability coverage written by Mission Insurance Co. in Los Angeles to cover any claims.

He also said he was confident that Mission, which was declared insolvent earlier this year, would pay any claims. Pettit-Morry placed the coverage with Mission, he added.

Late last week a lawsuit seeking at least $3 million in damages against the resort and Lift Engineering was filed in federal court in Denver by one of the persons critically injured in the accident.

Three losses hike airline claims

LONDON—Aviation underwriters face at least $749 million in losses in 1985 following two recent air disasters, sources say.

On Dec. 2, an Air France Boeing 747 was damaged on landing in Rio de Janeiro. No one was injured, but the plane was destroyed.

The aircraft had hull insurance with limits of $100 million and liability insurance with limits of $625 million through the French company CAMAT, sources say. The coverage was renewed Dec. 1.

On Dec. 12, a chartered McDonnell Douglas DC-8 returning 250 U.S. military personnel from the Mideast crashed on takeoff near Gander International Airport in Nova Scotia, killing all aboard.

Sources say the aircraft, owned by Miami-based Arrow Air Inc., was insured through parent company Bachelor Enterprises for $5 million and that the company has $200 million in liability coverage. But, underwriters say liability claims may be small because all the passengers were military personnel.

Both the hull and liability coverage is reported by London sources to be led by The Orion Insurance Co. P.L.C. and the Insurance Co. of North America and brokered in London by Crawley Warren & Co. Ltd. The coverage was renewed Nov. 1, sources say.

A spokesman for INA said the insurer's participation in the hull and liability coverage was "very small," less than $1 million. Spokesmen for Crawley Warren and Arrow Air declined comment.

Lloyd's may expel, fine Wallrock

LONDON—John Wallrock, former chairman of Minet Holdings P.L.C., will be expelled from Lloyd's of London and fined 500,000 pounds ($715,000) if the Council of Lloyd's approves recommendations of a disciplinary committee, sources close to Lloyd's confirm.

For several years, Lloyd's has been investigating allegations that Mr. Wallrock benefited from the misappropriated funds at syndicates managed by PCW Underwriting Agencies Ltd. Mr. Wallrock resigned from Minet, PCW's parent company, in 1982, after he admitted to benefiting from syndicate funds (*BI*, Nov. 29, 1982).

index

A.R.M. exercises 39
Classifieds 62
Datebook 26
Insurance services guide 64
Legal briefs 38
Letters 8
Markets 54
Opinions 8
Perspectives 37
Spotlight report 3
Ticker 65

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Tax bill likely to keep its benefit provisions

By JERRY GEISEL

WASHINGTON—The Senate Finance Committee is unlikely to undo the provisions in the House-passed tax bill that wallop employee benefit plans, experts say.

Employers plan to lobby the Finance Committee to change provisions in the tax bill, H.R. 3838, that reduce the appeal of 401(k) plans, lower maximum pension benefits and contributions and impose non-discrimination rules that could disqualify hundreds of welfare benefit plans.

But, the lobbyists admit their efforts might not get very far.

"No one should be deluded into thinking they will get a better deal in the Senate than they got in the House," points out Stuart Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

"It really will be an uphill battle trying to convince the Finance Committee to make major benefit changes," added Fred Rumack, director of tax and legal services at Buck Consultants Inc. in New York.

The tax bill, passed by the House on a voice vote Dec. 17, will be taken up by the Senate next year. Benefit provisions include:

- Lowering the maximum salary deferral in a 401(k) plan to $7,000 from $30,000; reducing 401(k) deferrals by the amount of contributions to Individual Retirement Accounts; and imposing strict and complex non-discrimination rules on 401(k) plans.
- Cutting the maximum annual benefit offered by a defined benefit plan to $77,000 from $90,000 and the maximum annual contribution to a defined contribution plan to $25,000 from $30,000.
- Setting uniform non-discrimination rules for welfare benefit plans requiring that they be available to at least 90% of employees.
- Imposing a 10% excise tax on reversions from overfunded pension plans (*BI*, Dec. 16).

The benefit community's pessimism about the chances of persuading the Senate Finance Committee to change these provisions is based on several factors.

First, except for Chairman Robert Packwood, R-Ore., employee benefit issues are not among the major concerns of most members of the Senate Finance Committee.

And, even Sen. Packwood, who is interested in preserving employer-provided benefit plans, may not fight for major revisions because his benefit concerns already have been met.

Sen. Packwood would have fought against taxing employees on group health and life insurance. But earlier, perhaps anticipating vehement Packwood opposition, the House Ways and Means Committee rejected staff proposals to tax employer-paid premiums before sending the bill to the full House (*BI*, Dec. 2).

Continued on page 64

Winston joins the staff of *BI* as proofreader

Paul Winston has joined the Chicago staff of *Business Insurance* as a proofreader, Editor Kathryn J. McIntyre announces.

Mr. Winston, 22, was graduated from DePauw University in Greencastle, Ind., in 1985 with a bachelor of arts degree in English composition.

Mr. Winston

Prior to joining *Business Insurance*, Mr. Winston worked as an intern with Rolling Stone magazine in New York.

Mr. Winston succeeds Donna DiBlase, who was promoted to a staff reporter in the Chicago office of *BI*.

Mr. Winston can be reached in the Chicago office at 312-649-5442.

More insurers receive lower Best's ratings

By JUDY GREENWALD

NEW YORK—A.M. Best Co. is lowering the rating of several more commercial property/casualty insurers as part of its evaluation of insurer's third-quarter results.

In the latest round of rating changes, Oldwick, N.J.-based Best last week downgraded American Centennial Insurance Co. from an A (contingent) to a B-plus rating.

In addition, Best changed the ratings of both Atlanta International Insurance Co. and Integrity Insurance Co. to "omit" from "not assigned," while Pine Top Insurance Co., which had a "deferred" rating, was also given an omitted rating, the worst rating a company can receive.

Meanwhile, Universal Underwriters Insurance Co., a member of the Zurich-American Insurance Group, was placed on Best's "watch list," though Universal retains its A rating.

According to Best, the results of insurers on the watch list have deteriorated since the beginning of the year, but the decline has not been significant enough to warrant a change in ratings.

Best released its first quarterly rating changes last month, when several property/casualty insurers' ratings were downgraded and other insurers were placed on the watch list (*BI*, Nov. 18).

Peapack, N.J.-based American Centennial's rating was dropped last week to a B-plus from an A (contingent), apparently because reserve strengthening during 1985 reduced its policyholders surplus,

Continued on page 64

Despite improving results, reinsurers remain cautious

By JUDY GREENWALD

U.S. reinsurance executives say they are only cautiously optimistic about the reinsurance industry's fortunes next year, despite a strong recovery so far in 1985.

"I think it will be an improved year, but I don't think it will be a tremendous year," says Michael Fitt, chairman and chief executive officer of Employers Reinsurance Corp. in Kansas City, Mo., the second-largest U.S. reinsurer according to a survey by the Reinsurance Assn. of America.

Many reinsurers agree that further improvements in 1986, along with the industry's strong performance this year, still will not be good enough.

The 67 reinsurers surveyed by the RAA registered a 119.3% combined ratio for the first nine months of 1985, compared with a combined ratio of 127.0% in the first three quarters of 1984.

The 20 largest U.S. reinsurers responding to the RAA survey, based on net premiums written, reported an aggregate 119.5% combined ratio for the first nine months of 1985, compared with 121.9% in the corresponding period of 1984.

The reinsurers classified as "reinsurance companies" by the RAA reported significantly better underwriting results, posting a 118.5% combined ratio, compared with a 126.1% combined ratio for "other" organizations responding to the survey, like the New York Insurance Exchange and reinsurance departments of insurance companies.

Large rate increases are obvious in the reinsurers' results.

All 67 reinsurers responding to the survey reported $6.1 billion in net premiums written in the first nine months of 1985, up 37.6% from $4.4 billion in net premiums written in the corresponding period of 1984. The 20 largest reinsurers in the first nine months of 1985 wrote $4.9 billion in net written premiums, 34.6% more than the $3.6 billion in net premiums written by the top 20 reinsurers in the first nine months of last year.

"I think there is reason to expect continued improvement" in 1986, "but not overly fast," says Bard E. Bunaes, chairman and president of New York-based Constitution Reinsurance Corp.

"I don't think the combined ratio for the reinsurance industry will be down to 105% for 1986, so results re-

Continued on page 65

spotlight report

Benefits marketplace

Moderate health care cost increases forecast for 1986

The prognosis is good for corporations striving to hold down health care costs.

Not only is competition keen among health care providers as more preferred provider organizations spring up to compete with health maintenance organizations and traditional indemnity health care plans, and as hospitals dive into the insurance business, but the corporate buyer of health care is more savvy, too.

Cost containment efforts, begun almost a decade ago, are beginning to pay off in terms of lower utilization of health care—and, therefore, lower bills for health benefits.

In this spotlight report, Associate Editor Michael Bradford in New York and Staff Reporter Donna DiBlase in Chicago look specifically at how these changes are affecting health care insurance rates.

The news is good:

Moderate rate increases are predicted in 1986 for health care coverage offered through both indemnity plans and through health maintenance organizations, continuing the welcomed trend that began in 1985.

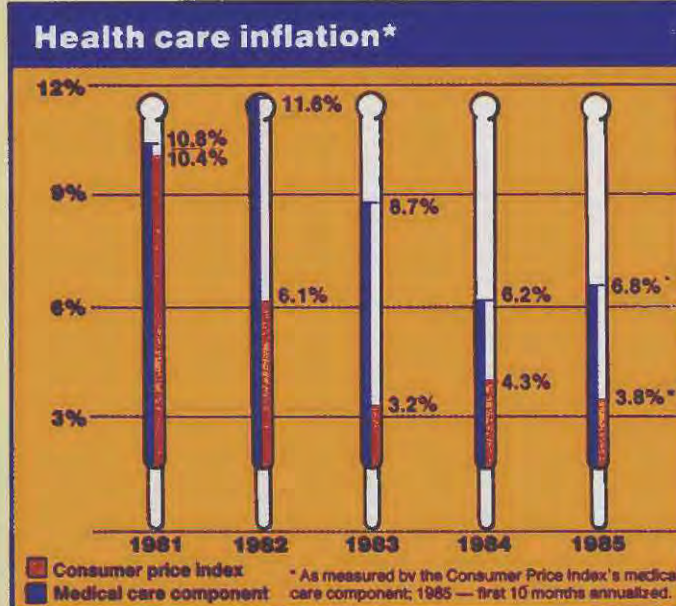
The leveling of inflation—both general inflation and inflation in medical care costs as tracked in the Consumer Price Index—and a continued decrease in inpatient hospitalization are credited with holding down premium increases in 1986.

In addition, the federal government's prospective payment system for hospitalized Medicare patients is still working. The diagnostic-related group payment plan has taught hospitals to be more efficient, a lesson that is carrying over to the private sector.

As a result, average rate increases in 1986 for indemnity plans will range from 6% to 15%, similar to rate increases in 1985. In contrast, rate increases in 1982, 1983 and 1984 often hit the 25% or 35% mark—or even higher (see story, page 12).

Similarly, HMOs say their rate increases will average 2% to 7%, mainly due to the competition among HMOs (see story, page 7).

"The competition leaves no choice—increases have to be nominal to keep up," says one HMO official.



Today, there are almost 400 health maintenance organizations nationwide compared with only some 70 when the HMO Act of 1973 was passed.

The competition also is forcing HMOs to be more responsive to employers' demands that HMOs move away from broad-based community rating, under which all employers in a particular geographic area are charged the same rate despite the demographics of their employees (see story, page 4).

Some employers are negotiating lower rates with HMOs, based on the age of their employees in the HMO while others are merely adjusting the amount they will contribute to an HMO premium based on what it would have cost to provide health care coverage if all employees were in an indemnity plan. The additional premiums due are paid by the employees selecting the HMOs.

Much of the success employers have had in convincing health maintenance organizations to hear their demands for employer-specific rating is due to the efforts of employer health care cost coalitions across the nation.

Besides attacking the problem of community rating, these coalitions are also working to devise uniform data formats that HMOs could use to provide employer-specific utilization data.

Employers say it is vital that they know exactly how often their employees are tapping the services of an HMO to assess their effectiveness and the fairness of their rates.

Competition in the HMO market is likely to continue to heat up as more insurers enter the market, eager for a piece of the growing action.

As one insurer puts it:

"We need to get into the health maintenance organization market in order to offer a full combination of plans (see story, page 11).

The healthy competition in the HMO market also is convincing legislators and HMOs themselves that legislation enacted in 1973 to promote the growth of HMOs is not needed anymore.

Bills are pending in Congress to consider changes in the HMO legislation (see story, page 10).

Revenues boom for 10 largest consultants

By JERRY GEISEL

Begin with an increasingly sophisticated group of employers that are demanding new approaches to keep benefit costs under control.

Add new problems caused by more complex benefit plan design.

Mix in a major expansion of new benefit services and products, and top that off with a plethora of new government regulations.

These ingredients are combining to produce sharp revenue increases at the nation's 10 largest employee benefit consultants, whose combined benefit consulting revenues in 1985 topped the $1 billion level for the first time.

The 10 companies' benefit consulting revenues grew 20.5% to $1.018 billion from $844.5 million, according to information supplied by the consultants and estimates made by *Business Insurance* (see chart). All of the consultants reported a double-digit increase.

(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 and health care and other claims administration services).

Alexander & Alexander Services Inc.'s Human Resource Management Group posted the largest benefit consulting revenue increase of the top 10 consultants. HRM's revenues rose 63.2% to $70 million in 1985 from $42.9 million in 1984, largely because of A&A's merger with Toronto-based Reed Stenhouse Cos. Ltd. earlier this year.

But, when Reed Stenhouse revenues are excluded, HRM's 1985 revenues climbed only 7.7% to $46.2 million in 1985 from $42.9 million.

Several other consultants produced much larger revenue increases without the aid of an acquisition. Benefit consulting revenues at The Wyatt Co. leaped 25.8% to $151 million from $120 million, while benefit revenues at Towers, Perrin, Forster & Crosby surged 25% to $180 million from $144 million.

All of the consultants expect this heady growth to continue.

Next year "will be an explosive year," said A.M. "Bud" D'Alessandro, HRM's chief executive officer, who predicts a 20% revenue increase for HRM in 1986.

"For the next five years, everyone should do well," adds Peter Friedes, chief executive of Hewitt Associ-

Continued on page 20

10 largest employee benefit consultants
(Ranked by benefit consulting revenue; 1985 estimates)

Name (Parent company)	Benefit consulting[1]	Total operations		
	Gross revenues	Gross revenues	Offices (U.S./total)	Employees
William M. Mercer-Meidinger Inc. (Marsh & McLennan Cos. Inc.)	$226 million	$235 million	42/83	3,511
Towers, Perrin, Forster & Crosby (Independent)	$180 million	$250 million	24/39	2,500
The Wyatt Co.[2] (Independent)	$151 million	$175 million	28/51	2,010
Johnson & Higgins (Consulting operations only)	$101 million[3]	$113 million[3]	41/71	900
Hewitt Associates (Independent)	$76.5 million	$90 million	21/24	1,308
Buck Consultants Inc. (Independent)	$72 million	$72 million	11/12	802
Human Resource Management Group (Alexander & Alexander Services Inc.)	$70 million	$105 million	40/68	1,180
Frank B. Hall Consulting Co. (Frank B. Hall & Co. Inc.)	$50 million	$56 million	40/50	800
A.S. Hansen Inc. (Independent)	$48.4 million	$55 million	18/19	657
Martin E. Segal Co. (Independent)	$43 million[3]	$45 million[3]	13/15	550

[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

Charts, page design: Amy Palmer

Employers seeking individual HMO rates

By DONNA DiBLASE

Employers want tailor-made treatment from their HMOs.

Large employers are beginning to demand employer-specific rates from health maintenance organizations, rather than the traditional across-the-board community-based rates.

The lower negotiated rates reflect the lower utilization of health maintenance organizations by the younger, healthier employees who generally join HMOs.

Other employers are letting current HMO rates stand, but are reducing their contributions to HMO premiums, passing more of the cost onto employees.

Employers also are pressuring HMOs to give them more data on their employees' specific use of HMOs.

In an HMO, members pay in advance a predetermined amount and then receive all needed medical care, including preventive care, for no additional cost.

In contrast, under a traditional indemnity health insurance plan, insurers reimburse covered employees for services received, subject to any deductible and copayment provisions.

As of July, there were 393 HMOs nationwide serving 18.9 million members, according to Interstudy, a health policy research firm in Excelsior, Minn.

In its efforts to have the premiums it pays HMOs reflect the lower age of its employees enrolled in health maintenance organizations, Illinois Bell Telephone Co. developed a plan to negotiate premiums, which resulted in a 6% decrease in its HMO rates this year.

'We became concerned when we were seeing no flow-through in reported savings HMOs attributed to lower hospital admissions and stays. We weren't saving the money the HMOs had said they were saving,' says Bell's Mr. Watson.

"We became concerned when we were seeing no flow-through in reported savings HMOs attributed to lower hospital admissions and stays," explained William Watson, who is director of benefits at Illinois Bell.

"We weren't saving the money the HMOs had said they were saving."

To prove its point, Illinois Bell—with the help of benefit consultant Johnson & Higgins—compiled statistics to show the demographics of its workforce and developed a bid-specification process for HMOs interested in its business.

The statistics showed that 73% of Illinois Bell's employees who were enrolled in the HMOs were under the age of 39, compared with only 56% of the employees in the fee-for-service plan.

However, the HMO rates continued to rise as much as traditional indemnity plan rates, which did not reflect the lower risk of illness among the younger employees that belong to the HMOs, according to Mr. Watson.

Illinois Bell sent a series of letters to each of the 15 HMOs it offers its employees, advising the HMOs that projected rates for 1985 would have to be based reasonably and competitively on age.

Most of the HMOs cooperated, Mr. Watson said, though Illinois Bell was forced to drop three plans that refused to base rates on the employees' ages.

However, four new plans were selected on the basis of their rate bids, he added.

Illinois Bell was able to negotiate these rates because it voluntarily offers HMOs to employees rather than being forced to under provisions of the HMO Act of 1973.

Under that federal law, employers with more than 25 employees who are in an HMO service area can be mandated to offer employees the choice of enrollment in an HMO.

If the employer is mandated to offer the HMO, the HMO must use community rating to set its premiums.

However, there are several ways that HMOs can alter rates, even if they are federally qualified, said Tom Billet, a consultant with Johnson & Higgins in New York.

For example, federally qualified HMOs traditionally have offered federally qualified services to employers, which must be community rated.

However, a federally qualified HMO can offer an employer a separate benefits package that isn't qualified, leaving room for negotiations on prices.

HMOs also are allowed to community rate by class, said Mr. Billet. That means that an HMO can break a specific population down into classes such as age, sex or marital status and set rates for each class rather than use a broad-based community rate.

Other employers have not negotiated lower rates with HMOs based on the age of the HMO members, but have adjusted their contributions to HMO premiums to reflect the lower risk associated with young HMO members.

J.C. Penney Co. Inc. in New York adjusted its contributions to HMO premiums "based on the demographics of the group of employees that had selected the HMO. . . adjusted for adverse selection in its self-insured indemnity plan," said David Repko, Penney's health care cost manager.

Penney found that the average age of employees enrolled in HMOs was 35, while the average age of employees in the indemnity plan was 41.

Penney hired an actuary, who determined what the total cost of the indemnity plan would be if all employees opted for coverage under that plan.

Based on this cost, Penney lowered its contribution to its HMOs to the actuarially determined per-employee cost of the indemnity plan, passing any remaining premium cost onto employees, said Mr. Repko.

"Employees can elect if they want our plan or the HMO," he added.

Mr. Repko said that several of the 160 HMOs offered by Penney complained to the U.S. Department

Continued on page 6

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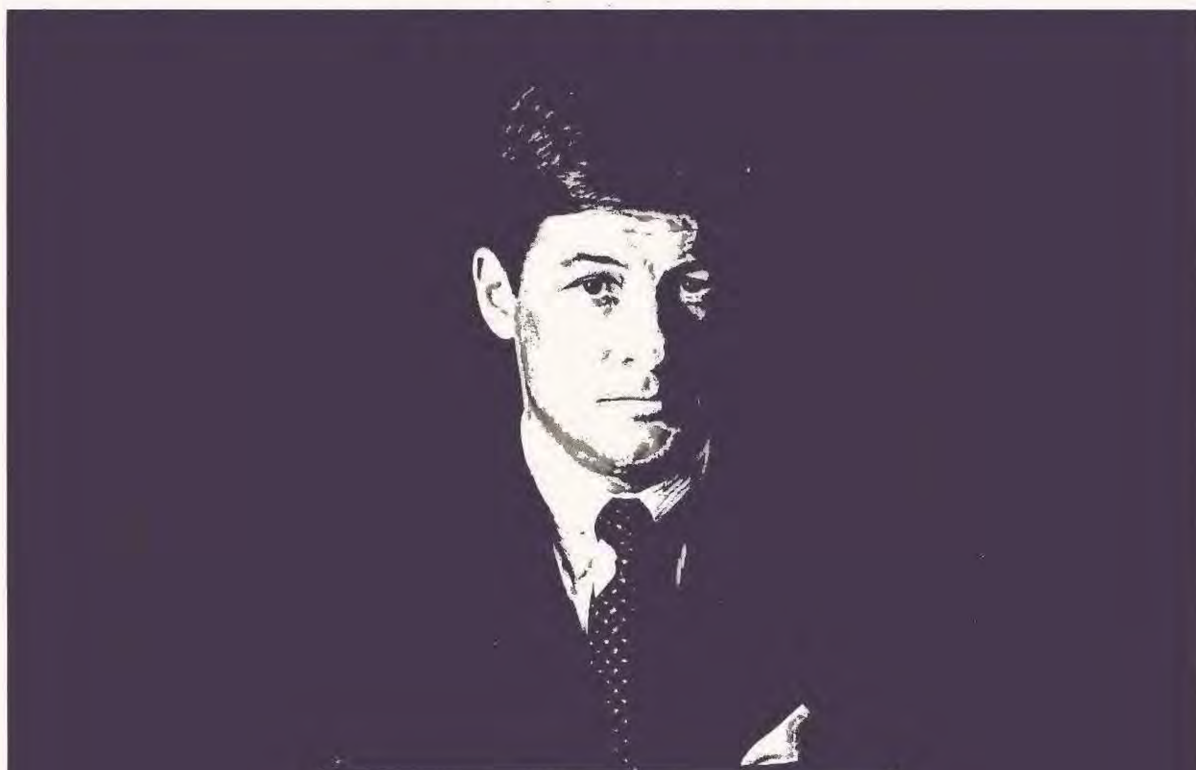

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Executive & Employee Benefit Plans, Inc.

HMO rates

Continued from page 4
of Health and Human Services' Office of HMOs that Penney's reduction of its contribution to HMO premiums was illegal.

The HMO Act of 1973 requires employers to contribute as much per employee toward the premium of an HMO as it does toward the premium paid for a fee-for-service plan, unless the HMO's premium is lower than the cost of the indemnity plan.

However, the OHMO accepted Penney's contribution adjustment as in compliance with the law, he said.

American Airlines Inc. also was experiencing adverse selection in its self-funded indemnity plan and wanted to adjust its premium contributions to its HMOs.

"Through financial analysis, we saw that ages did vary" between the fee-for-service and HMO plans, said Robert Seeman, director of pension benefits for the Dallas-based airline.

In its analysis, employees were divided into five 10-year age increments. Then, average claims costs under the indemnity plan for these particular age groups were computed, and that figure was used to determine American Airlines contribution to the HMOs.

Additional premium owed the HMOs was passed onto the employees.

"The number of companies that have had some influence on HMO rates is growing," said David McIntire, director of the employee benefits department for Minneapolis-based General Mills Inc.

"Most employers are not happy with the general across-the-board community rating system," he added.

A lot of the influence employers are having on HMOs is through their involvement in employer health care coalitions.

"We're going to see a lot more of employer coalition involvement before it gets better," said Marge Strysik, a staffer in the benefits de-

'The number of companies that have had some influence on HMO rates is growing,' says David McIntire of General Mills Inc. 'Most employers are not happy with the general across-the-board community rating system.'

partment of Chicago-based IC Industries Inc., which is a member of the Midwest Business Group on Health.

The coalition, which includes 160 employers in a nine-state area, is helping its members evaluate the growing number of HMOs in the area, said Project Director Iris Masotti.

In addition, it is studying the problems associated with community rating and the lack of utilization data available from HMOs.

Penney and Illinois Bell are members of the coalition.

"Employers are starting to wake up to the flexibility in the HMO legislation," said Rick Lee, vp-policy for the Washington Business Group on Health.

Many are realizing that if they voluntarily offer HMOs rather than have them mandated under the HMO Act, there is a lot of room for negotiation, Mr. Lee added.

In fact, only about 10% of HMOs still use the HMO Act to mandate that an employer offer the HMO to its employees. Most now see the federal mandate as an adversarial marketing technique.

The Washington coalition includes an HMO advisory group, which is "working mainly on the employer's equal contribution clause" of the HMO Act of 1973.

The Greater Milwaukee Business Group on Health is developing a Healthcare Purchasing Plan, for use after the first of the year, to help employers choose and negotiate with HMOs.

The group is "doing something similar to Illinois Bell," said Richard Wagner, division staff manager of personnel for Wisconsin Bell Telephone Co. and chairman of the Milwaukee employer coalition.

"We're developing specifications for services along with community rating and utilization data specifications.

"Wisconsin Bell feels that HMOs, to us, are just too costly," Mr. Wagner added. "They cost us $300 more than our self-insured plan—plus employee contributions.

"We want to work on getting HMOs to do the things they should for employers."

Other regional coalitions, like the Minnesota Coalition on Healthcare Costs, are concerned with the lack of employer-specific utilization data from HMOs.

Employers are concerned with this problem "not because they feel that they are paying more than they should, but because they just want more information," said Laird Miller, co-chairman of the Community Buyer Service Committee of the Minnesota coalition and corporate manager for provider information at Honeywell Inc. in Minneapolis.

The coalition developed a universal data format to compile similar utilization information from all HMOs.

"Dealing with one format allows a better comparison across-the-board," said Mr. Miller, adding that most HMOs seem receptive to this

Continued on next page

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Continued from previous page
format.

If HMOs are not cooperative, "the alternative is that employers will get rid of them," he said. But he added, "We don't want to ask for data that they can't possibly provide."

The data format devised by the coalition would allow an employer to see what services were used by its employees to determine the costs of those services to the corporation.

It's "a beginning of how employers and HMOs would like to report company-specific data," said Mr. McIntire of General Mills, which is a member of the Minnesota coalition."

"As long as HMOs continue to not provide utilization costs to employers, we won't know what we're saving," says Jim Proffitt, manager of health care planning for McDonnell Douglas Corp. in St. Louis.

McDonnel Douglas also owns an HMO, which is called Sanus Healthplan.

Because HMOs provide prepaid care, "if employees don't use it, you're paying for care no one is using," Mr. Proffitt said.

Although employers are seeking more specific data from HMOs and want HMO rates to reflect the demographics of their employee group rather than the entire community, overall employers say they are satisfied with HMOs.

'The HMO typically does a better job of managing health care delivery. It's extremely difficult to qualify, but there is no question about management,' says Richard Van Bell, director of health care operations at Deere & Co.

"The HMO typically does a better job of managing health care delivery," said Richard Van Bell, director of health care operations for Moline, Ill.-based Deere & Co.

Mr. Van Bell added that "it's extremely difficult to qualify, but there is no question about management."

"Surveys have shown that the quality of care is as good or better as in traditional plans," Mr. Van Bell adds.

Deere, which offers 15 HMOs to its employees nationwide, also has formed its own HMO—Heritage Health Plan.

The Heritage plan is available to Deere employees and to other employers as well. ■

HMOs say competition keeps 1986 rate increases moderate

By DONNA DiBLASE

Most health maintenance organizations are reporting low premium increases for 1986—and they say competition is the major reason.

Large HMOs are reporting rate increases in the area of 2% to 7%, about the same as in 1985.

For example, a spokesman for Physicians Health Plan in Minnetonka, Minn., which has about 266,000 members, said the HMO's rates will increase by no more than 5% in 1986. And, he said, he expects all HMOs in the Minneapolis area to show moderate increases.

He said the Twin Cities area "is very competitive. The competition leaves no choice—increases have to be nominal to keep up."

Leonard Schaeffer, president of Group Health Inc. in Minneapolis, said increases will be in the 5% to 10% range. The HMO has about 216,000 members.

He said, "Our increases are about the same from year to year because we are community rated," meaning that rates are based on the experience of the HMO's entire membership rather than on the experience of individual employers.

In Seattle, Group Health Cooperative is predicting an increase of about 4%. A spokesman for the 329,244-member HMO said that "competition does force HMOs to be more cost-conscious."

And, on the East Coast, Robert Biblo, president of Health Insurance Plan of Greater New York, predicts "modest rate increases" for 1986 for the 887,728-member HMO.

"HMO increases have been moderate," he said. "Competition helps to keep it that way. Competition is getting to the level where it ought to be. It keeps everyone on their toes, and it's better for consumers."

"Our increases are basically consistent with last year," said Steve Richter, assistant vp for product development and pricing at CIGNA Healthplans in Dallas.

He said CIGNA is predicting rate increases "in the single-digit range. We've worked hard to stabilize rate increases... but we're not immune to inflationary pressures."

CIGNA Healthplans has about 800,000 HMO members nationwide.

A spokesman said competition will keep rate increases moderate at Oakland, Calif.-based Kaiser Foundation Health Plan, the country's oldest HMO and, with 4.8 million members, one of the largest.

Fred W. Wasserman, chairman and chief executive officer of Maxicare Healthplans Inc. in Hawthorne, Calif., said that increases will be "minimal—a very small percentage." Maxicare has about 685,000 members nationwide.

Compcare Health Services Insurance Corp., a Blue Cross/Blue Shield plan based in Milwaukee, is expecting increases in the "zero to 6% range," said Executive Director Bradley Wilson. Compcare has 220,000 members.

However, Blue Cross/Blue Shield is reporting increases as high as 10%-14% at some of its 74 HMOs nationwide.

Sy Kaplan, executive director for the Chicago-based organization, said, "Increases vary from account to account. Some are experience rated, but most are federally qualified, so they are community rated. They stay about the same."

Mr. Kaplan said the 1986 increases are about the same as in 1985. But, he said, "They are much lower than 1984."

And, he said competition is "one of the major reasons why the rate of increase in medical costs has decreased."

The effects of competition also are showing in the increases in HMO enrollment.

Interstudy, a health policy research organization in Excelsior, Minn., reports a 24.9% increase in HMO enrollment from July 1984 to July 1985.

The group reports that as of June 1985, there were 3.8 million new members in 92 new HMO plans nationwide.

The group's "June 1985 HMO Summary" also reports that the largest HMO growth is among plans sponsored by independent physician associations.

Dr. Paul Ellwood Jr., founder of Interstudy and president of consulting firm Paul Ellwood and Associates, explained that "with the oversupply of physicians, they are more willing to become involved." ■

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opinions

It's time to cut apron strings

THE MARKETPLACE, rather than the federal government, should take over the job of regulating health maintenance organizations.

Twelve years of protective federal legislation is enough. HMOs are firmly established as a health care delivery system.

HMOs, for example, don't need a federal mandate to force employers to offer employees the option of joining an HMO. Employers are more than willing to offer a choice of health care plans—to save money.

Therefore, we urge Congress to move with uncharacteristic haste in studying and acting on repealing the HMO Act of 1973.

Of course, lacking protective legislation, HMOs will have to prove that they indeed can control health care costs.

Already, employers are demanding special rating for the group of their employees joining an HMO and utilization data (see story, page 4). They realize that the across-the-board community rating HMOs use is not always a bargain. If younger and healthier employees have joined HMOs, their cost of health care should be less than the cost of covering the older, less healthy employees in the indemnity plan. But, few employers asked HMOs to rate their employees' premiums based on the demographics of their groups.

Instead, employers ended up paying more to HMOs as those left in the indemnity plan drove up that plan's cost and employers followed what they thought federal law required: paying the same amount of money toward an HMO as an indemnity plan.

Now, as Illinois Bell has shown, employers can convince HMOs to rate employee groups based on the group's demographics.

And, J.C. Penney Co. Inc. and American Airlines Inc. have shown that determining equal contributions for indemnity plans and HMOs can be based on considering the demographics of all employees, both in the indemnity plan and the HMO. As a result, these employers lowered their contributions to HMOs, and employees are picking up the difference.

HMOs would be wise to negotiate rates with employers and provide the requested data. If they cooperate, they will have a competitive edge compared to other HMOs. If they refuse, they could lose an employers' business entirely or find that employers reduce their contributions to HMOs by using the actuarially determined equal contribution. And, the more employees have to pay to join the HMO, the less likely they will be to join.

letters

Tail coverage would always be recommended

To the editor: Some readers may have misinterpreted a comment attributed to me in your article: "Brokers say 'Main Street' not ready for claims-made" (*BI*, Dec. 2).

The article states: "But, he says, less than 10% of his liability insurance clients ever have a claim and, therefore, most will not have to buy tail coverage."

No one should infer that I wouldn't recommend tail coverage to these clients. We always do—and always will—always!

We recommend tail coverage to any client that is discontinuing claims-made coverage, or whose retroactive date is being advanced. In fact, if the tail is declined, we ask for, and obtain, a signed rejection from the client. This has already saved us from a potential errors and omissions claim.

The concept I had referred to was that the majority of liability policyholders do not have a frequency of claims. Therefore, in the normally competitive insurance system, they should be able to change from one carrier to another, maintaining their original retroactive date (of the first claims-made policy), therefore having no reason to purchase a tail.

But, opponents may say, "Would any company be willing to write a risk with a retroactive date prior to their inception date, thereby assuming exposures for unknown losses that have already occurred?"

Why not? For one thing, premiums generated will be higher on second-, third-, fourth-year or mature policies than on policies using first-year claims-made rates. And, isn't this one of the theories of insurance—to assume risk for unknown situations for value received (premiums)?

If this can't be accepted, how can we justify the assumption of risk that carriers take today on products for goods that were manufactured in prior years? The company providing the policy today, when the product causes the injury, must pay the loss. However, there's a good chance that the insurer never collected a dime for that product exposure, since it may not have been collecting premiums when that unit was manufactured and sold and, therefore, not included in the sales-times-rate calculation.

During the next two or three years, most policyholders will have a choice between the occurrence and claims-made forms. Any agent that recommends one form over the other may be exposing himself or herself to a serious E&O claim (just as an agent who recommends what limit of liability his client should carry.) There are advantages and disadvantages to each form, and these must be explained to each client. Then the policyholder can make its own management decision as to which form is the one for them.

We had an actual case in our office that may help clarify this position: A manufacturer client, insured with our firm since 1960, has continually increased its liability limits over the years, based on the measure of the potential exposures, trend of claimant awards and ability or desire to pay the increase in insurance premiums.

The limit in 1969 was $1 million, felt to be adequate at the time.

That limit in 1984 was $10 million, also felt to be adequate at the time.

A products liability claim surfaced in 1984 for injuries suffered by a child in 1969. The summons demanded payment for injuries in an amount much closer to $10 million than $1 million—and the claimant had a good case. If this loss had been brought through the system in 1969-1970, the $1 million may have been adequate. But not in 1984. And, since the 1969 occurrence policy is the one which responded (with its $1 million limit), the policyholder was woefully short of coverage.

For all practical purposes we didn't have a choice between an occurrence and a claims-made form in 1969. But, if we had, and had I recommended the occurrence form, our E&O carrier might well be paying the excess portion of the claim over $1 million in 1984.

While policyholders will have a choice of forms for the next two or three years, what then?

Others are predicting that there won't be a choice after that. Claims-made will be the only form available. I believe them and look forward to the day. Then, perhaps, the controversy will subside, and we can get on with the business of doing business.

Alan R. Nelson, CPCU
Winona Agency
Winona, Minn.

Cost of insurer licenses is a disincentive

To the editor: With all the furor in the marketplace regarding lack of capacity and unwillingness of surviving insurers to accept certain risks, it is interesting to note the substantial disincentives erected by the various state regulatory bodies to establishing new insurance companies.

In Steve Taravella's article entitled "American Financial feels shock waves from MIC insolvency" (*BI*, Nov. 18), Richard J. Roth, assistant insurance commissioner in Los Angeles, is quoted:

"If liquidated, MIC could be stripped of its assets and sold as a shell, for its licenses. In that form MIC would be worth about $5 million, or $100,000 per each of the 50 state licenses it has."

It seems ludicrous that the cost of setting up business, without gaining any tangible asset, should be so high in an industry crying for companies willing to assume insurance risk. The blame for this must rest squarely on the regulators' shoulders. This high start-up cost rules out the formation of smaller nationwide concerns.

And, it is unreasonable to assume that insurers holding only a few state licenses can operate in the commercial insurance environment. Unless capitalized for large sums initially, any organization would find the fixed start-up expense to be uneconomical.

The recent incorporation of American Casualty Excess Insurance Co. offshore with a capital base well into the hundreds of millions of dollars serves to demonstrate that even large capital companies will choose to avoid this expense.

State regulators and the National Assn. of Insurance Commissioners should come up with a more reasonable system for licensing insurers in all states at once.

A cooperative effort through the NAIC could result in a single, more economical licensing procedure and would fend off attempts at a federal level to achieve the same result.

If the state regulators cannot work together in a spirit of cooperation, then they are asking to have their powers usurped by the federal authorities in the interests of both the insurance consumer and the insurance provider.

William A. Wanklyn
Southampton, Bermuda

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Moderate increases in health care rates continuing: Insurers

By MICHAEL BRADFORD

Moderate rate increases for group health insurance will continue next year, and corporations that have instituted cost-containment programs may even see rates drop in 1986.

The leveling of inflation and a continued decrease in inpatient hospitalization due to cost-containment efforts will help keep premium increases moderate for most group health plans in 1986.

> 'I would think that price increases will continue to be moderate,' Mr. Burnosky says.

In addition, the federal government's introduction in October 1983 of a prospective payment system for hospitalized Medicare patients based on diagnostic-related groups continues to cut hospital utilization.

Hospitals have been forced by the DRG system to hold down their cost of treating Medicare patients. But instead of merely shifting unreimbursed costs for treating Medicare patients to private patients, hospitals instead have learned to become more efficient—and less costly—health care providers for all patients, according to insurers.

And, lower medical costs and, therefore, lower health care insurance costs are expected to continue.

For 1986, average rate increases are expected to range from 6% to 15%, similar to the increases in 1985 and a far cry from the rate increases of 25%, 35% or more in 1982, 1983 and 1984.

For smaller employers, which generally have less ambitious cost-containment programs, rate increases may be slightly higher, insurers say.

"I think medical costs and premium rates will go up at historically moderate rates," said John Wickens, vp of group underwriting at Prudential Insurance Co. of America in Newark, N.J.

"I don't see going back to the 20% to 30% rate increases for some time," he said.

Mr. Wickens bases his prediction on long-term projections of moderate inflation and "the great slowdown in the building of hospitals. The heat is on hospitals to cut costs."

Average rate increases at Prudential this year have been "a speck over 10%," said Mr. Wickens. Some employers could see rate increases as high as 12.5% next year, he adds.

However, increases will be substantially lower for employers that introduce cost-containment programs.

"As long as inflation is at a low level, there will be less pressure to increase rates," said Gerald Griswold, group vp-actuarial at Pacific Mutual Life Insurance Co. in Newport Beach, Calif.

"In some instances, where cost-containment plans are in effect, we have in fact reduced rates," says Mr. Griswold.

"Other situations have seen very moderate increases of less than 10% this year. We expect that to continue in 1986," he says.

"I would think that price increases will continue to be moderate," said John E. Burnosky, vp and actuary in the employee benefits division at Aetna Life Insurance Co. in Hartford, Conn.

"It is very difficult to look too far out because it is very much a function of the economy. But, I think it will moderate well into 1986 and could be moderate for a longer period," he said.

Aetna expects rate increases in 1986 to average about 6%, the same as in 1985.

But, Mr. Burnosky does not ex-

Continued on page 14

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Group health rates

Continued from page 12

pect rate increases in future years to get much lower than they are now.

"Perhaps inflation is about as low as it will get, and probably that's the case with medical inflation," he said.

The medical care component of the Consumer Price Index has risen at an average annual rate of 6.8% for the first 10 months of 1985, according to the Bureau of Labor Statistics. Although higher than the 6.2% increase for all of 1984, this year's increase is still notably lower than the 8.7% jump in 1983, the 11.6% rise in 1982 and the 10.8% rise in 1981.

Overall, the Consumer Price Index has risen at an average annual rate of 3.8% for the first 10 months of this year, compared with 4.3% for the entire year in 1984. The index climbed 3.2% in 1983,

'Inpatient utilization has fallen dramatically in the past year,' says Mr. Keenan.

6.1% in 1982 and 10.4% in 1981.

The medical care component of the CPI, however, is only one indicator of how much health care prices have risen. Consequently, when other factors—including a group's experience—are considered, insurers' rate increases can exceed the rate of inflation of medical care costs (see story, page 18).

While the lower rate of inflation is helping hold down the cost of medical care, a conscious movement over the last couple years to cut inpatient hospital utilization is also paying off.

Because hospitalization is the costliest component of medical care, keeping people out of the hospital can significantly cut health care costs.

According to the American Hospital Assn., hospital admissions for patients under 65 dropped 5.1% to 5.9 million for the year ending June 30 from 6.2 million a year earlier.

The drop in hospital admissions began in 1983, when just under 6.5 million admissions were recorded for the year ending June 30. In addition, the average length of a hospital stay for the same age group decreased 2.7% to 5.4 days at the end of June compared with 5.6 days at the end of the second quarter of 1984.

The length of hospital stays began tapering in 1983. The average length of stay at June 30 that year was just under six days.

"Inpatient utilization has fallen dramatically in the past year," said Frank Keenan, pricing actuary for group insurance at Metropolitan Life Insurance Co. in New York. "Outpatient utilization is clearly on the way up.

"Hospitals are seeing the handwriting on the wall," he said. "They are getting more and more into outpatient facilities," which is much less expensive than admitting people to the hospital.

Employers that are helping reduce utilization are reaping rewards at renewal time.

"In some cases, there have been premium reductions," said James Hutchison, chief actuary at Blue Cross/Blue Shield Assn. in Chicago.

"And, there have been a number of refunds to specific groups or classes of business because of low utilization."

Utilization among Blues' policyholders dropped 8.5% the first six months of this year compared to 1984. In 1984, utilization rates were down 6.5% from 1983, said Mr. Hutchison.

"It just keeps reducing, and dramatically."

The fact that hospital utilization is down is a credit to employers and insurers that have instituted tough cost-containment programs, insurers say.

At Allstate Life Insurance Co., "several plans actually had decreases in prices because of cost-containment features like large claims management, pre-admission review and second surgical opinions," said Sherman Wolff, vp and actuary with Allstate in Northbrook, Ill.

Overall, rates for group health insurance in 1986 should rise only 6% to 8% for Allstate group health policyholders, he said. This is about the same as the 1985 increase and substantially lower than the 20% rate hikes Allstate imposed in 1984.

Lincoln National Corp. in Fort Wayne, Ind., whose group insur-

Continued on page 16

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Group health rates

Continued from page 14

ance rate increases will fall to an average of 11% to 12% in 1986 from 15% to 20% this year, also offers employers additional credits for cost-containment efforts.

At Metropolitan, effective cost-containment programs have held rate increases to an average of 10% this year, lower than the 15% the insurer had forecast.

In 1986, increases may be even lower, Mr. Keenan added.

Pre-admission certification has been the most popular cost-containment measure requested by employers, noted Ed Schults, assistant vp in group insurance marketing at Metropolitan.

"That has grown tremendously in the past year," he said. "As employers become more sophisticated about cost-containment features, they use them better.

"We are going through a real shift in traditional programs by implementing these features," Mr. Schults said.

'It has been an unsually rosy picture in health care except for' large claims, says Mr. Wolff.

The interest in cost-containment has caused "heavy customer demand" for programs administered by John Hancock Mutual Life Insurance Co. in Boston, says Lawrence E. Townley, second vp in group sales.

Hancock, which provides administrative services for large employers that self-insure, has seen increasing interest in services like pre-admission review and medical case management.

William Ferris, senior vp of group employee benefit operations at Pacific Mutual, said the competition among insurers eager to provide administrative services is so heated that his company no longer offers administrative services for companies with more than 2,000 lives.

"We don't want to participate in a market that is irrational," said Mr. Ferris.

"The larger insurers are competing for market share. It's a big boys' game right now," Mr. Ferris explained.

While lower inflation, lower hospital utilization and increased cost-containment efforts are holding down medical care costs, insurers unanimously agree that the government's introduction of a prospective payment system for Medicare patients has been a most significant force in holding down health care costs.

The anticipated cost-shifting by hospitals from Medicare patients to the private payers did not materialize after the diagnostic-related group system was implemented. Instead, insurers point out, hospitals have become more efficient providers because of the DRG payment system.

"We thought there would be an increase in cost-shifting when the DRG program went in," said Prudential's Mr. Wickens.

"But hospitals have tightened their belts so much in anticipation of dealing with the DRGs, that overall costs have improved substantially. Some hospitals have actually made out on the DRGs, so cost-shifting has gone down," he said.

Mr. Hutchison of Blue Cross/Blue Shield said, "The theory is that DRGs have changed medical practice and hospitals aren't making distinctions between Medicare and private patients."

The good news about falling health care costs, however, is tempered by the significant increase in large claims, insurers say.

"Large claims are the biggest negative," says Mr. Wolff of Allstate.

"There has been a sharp increase in jumbo claims for premature babies, AIDS and organ transplants. That is the biggest cloud on the horizon for 1986."

Mr. Wolff said that the large claims have become so common that Allstate is currently working with several insurers to arrange reinsurance for its large-claim book of business.

"It has been an unusually rosy picture in health care except for this," he said.

Insurers say improvements in medical technology are contributing to the increase in claims in the $50,000 to $100,000 range. For example, organ transplants are now performed more often because of new technology that has taken such procedures out of the experi-

Continued on page 18

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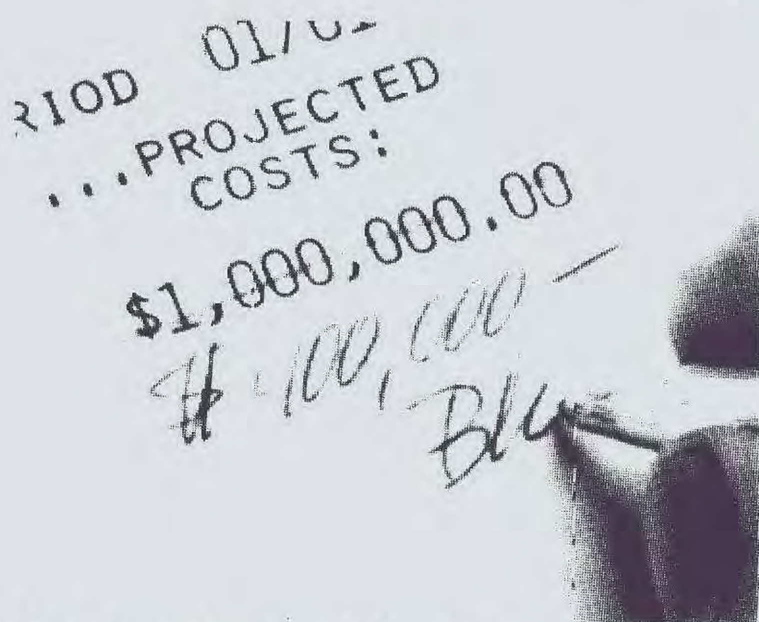

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Top consultants

Continued from page 3
ates in Lincolnshire, Ill.

Consultants agree that a primary reason for the boom in their business is new client demands for answers to emerging benefit issues.

"Five years ago, we couldn't get employers interested in addressing post-retirement health care cost and funding issues," observed Larry Fisher, chairman and chief executive officer of A.S. Hansen Inc. in Deerfield, Ill.

"Today, employers are coming to us for help," Mr. Fisher said, noting that many companies—concerned about court decisions that limit their ability to alter retiree benefits—are becoming aware of post-retirement health care liabilities.

Consultants especially are exploring new health care benefit ideas in response to client demands for solutions to rising costs.

For example, William M. Mercer-Meidinger Inc. has amassed and analyzed hospital charges around the country for different diagnoses. This data analysis has enabled Mercer-Meidinger client Hughes Aircraft Co. of El Segundo, Calif., to select the most efficient hospitals, from which it is taking bids to provide certain health care services to Hughes employees at a fixed rate (*BI*, July 22).

"We have become more attuned to problem solving," said Diljit S. Juneja, president of New York-based Mercer-Meidinger.

Mr. Juneja

And, consultants say that revenues from health care consulting will continue to increase as clients look for new ways of tackling health care costs.

Health care consulting, which now produces just 5% of Hansen's benefit revenues, could produce 15% or 20% of its revenues in the next five years, Mr. Fisher said.

"We can do many more things for our clients," said Mr. Fisher, citing, among other things, the selection and formation of preferred provider organizations.

Actuarial services, still the bread-and-butter business of most of the benefit consultants, also are taking on a new, more sophisticated look.

While the traditional role of a consultant was to design a plan or perform an actuarial certification, consultants now are being asked to analyze how pension plans will perform under very different economic scenarios, said Robert Krinsky, president of Martin E. Segal Co.

If imaginative problem solving—rather than providing routine administrative services—is a new role for consultants, they also are called upon to provide a not-so-new service: helping employers amend their plans to comply with new tax and benefit laws and regulations.

For example, consultants in 1985 helped employers overhaul pension plans to comply with the new vesting and benefit eligibility rules laid down by the 1984 Retirement Equity Act, a law designed to give women a better chance to earn a pension benefit.

Consultants also have had to untangle the benefit complexities of the Deficit Reduction Act of 1984, which set new funding rules for Voluntary Employee Beneficiary Assns. and barred flexible benefit plans from offering most types of taxable benefits.

Mr. Stanley

"There is more work every time a tax bill passes," said J. Perham Stanley, president of The Wyatt Co. in Detroit. "Provisions have to be ex-

Continued on page 22

Benefit consulting revenue growth during 1985

Firm	Growth
Mercer-Meidinger	14.1%
TPF&C	25.0%
The Wyatt Co.	25.8%
Johnson & Higgins	20.0%
Hewitt Associates	13.3%
Buck Consultants	12.5%
HRM	63.2%
Frank B. Hall	17.1%
A.S. Hansen	13.9%
Martin E. Segal	13.2%

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Top consultants

Continued from page 20

plained and the necessary changes implemented."

While much of their work was linked to compliance to new regulations, consultants still say that 1985 is being remembered as a year of creativity.

The most discussed event in the plan design field was the development of a new "hybrid" pension plan by Kwasha Lipton, a closely held benefit consultant in Fort Lee, N.J.

The so-called "cash balance" pension plan, which was adopted by BankAmerica Corp. in San Francisco, combines aspects of both defined benefit and defined contribution plans (*BI* Aug. 26).

As BankAmerica was unveiling its program, other consultants began to publish analyses of this new approach to pension plan design.

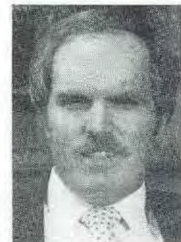
"It is a time of increased creativity in the employee benefit field," said James Kielley, president of TPF&C in New York.

Mr. Kielley

This creativity, consultants say, is fueled by the most intense competition for clients in the industry's history.

Developing a new type of benefit plan design is one way a consultant can establish an identity that makes it stand out from its competitors, a factor that can give a consultant an edge when trying to woo clients.

"There is a trend toward emphasizing something when you have an edge," said William E. Giegerich, chief executive officer and president at Buck Consultants Inc.



Mr. Giegerich

But, Mr. Giegerich acknowledges, consultants are very quick learners and nothing stays exclusive for very long.

To retain their competitive edges, benefit consultants say they have to be strong and creative in all major benefit consulting areas: retirement and savings plans, welfare plans, benefit communications and international benefit consulting.

"You don't like to be counted out because you don't have something in your knapsack," said Segal's Mr. Krinsky.

How the leading benefit consultants fared in 1985 and their projections for 1986 follow:

William M. Mercer-Meidinger Inc.

"This will be remembered as a great year in our history. This is the year Mercer-Meidinger truly became a 'world company,'" said Mr. Juneja, president of the largest benefit consultant.

Indeed, the term "world company" seems an apt description of a benefit consultant with 83 worldwide locations: 42 in the United States, 12 in Canada and 29 others in nearly two dozen foreign countries.

"The name Mercer is becoming a name recognized around the world," Mr. Juneja said.

The Mercer-Meidinger beacon shines even farther due to acquisitions and new offices opened this year.

Mercer-Meidinger acquired E.S. Knight & Co., Australia's oldest independent actuarial company. The firm now operates in Sydney and Melbourne under the name William M. Mercer-Campbell Cook & Knight.

British-based William M. Mercer-MPA Ltd., a wholly owned subsidiary that supplies benefit and compensation consulting throughout the United Kingdom, Europe and South Africa, opened offices in three more cities.

Not neglecting its U.S. base, Mercer-Meidinger opened new offices in Denver and Grand Rapids, Mich., though it closed an office in Buffalo, N.Y.

Mercer-Meidinger's benefit consulting revenues grew 14.1% in 1985 to $226 million from $198 million in 1984.

The company's revenues are fairly evenly divided between the retirement and welfare sectors, with retirement and savings plans accounting for 58% of benefit revenues and welfare plan business comprising 35% of revenues. Employee benefit communications contributed 5% of Mercer-Meidinger's benefit consulting revenues, while international benefit

Continued on page 24

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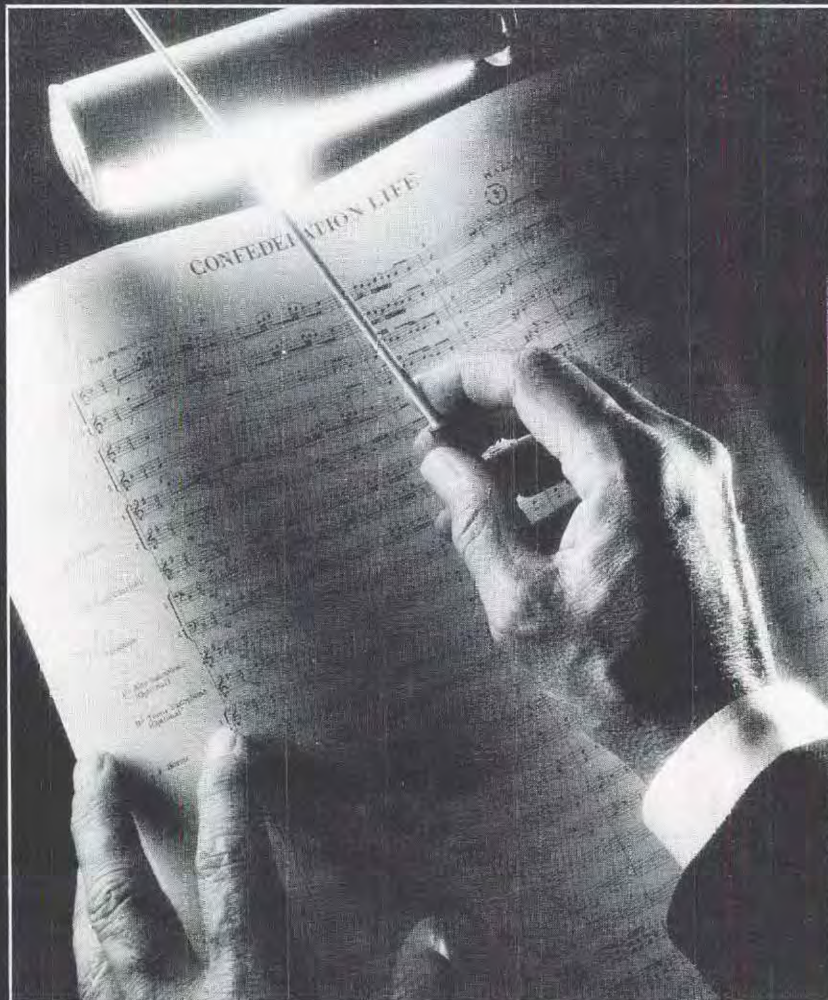

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Top consultants

Continued from page 22

consulting revenues totaled 2%.

Health care consulting has grown faster than any other line, though both defined benefit and defined contribution plan consulting and pension asset planning also has grown rapidly, said Vice Chairman Douglas D. Stegner.

Mr. Juneja stresses as benefit issues have become more complex, the relationship between consultant and client has changed. "There is a change from doing a project and then leaving. Now there is more of a continuing relationship."

"We're looking for clients who value the consultant as part of the management team," said Chairman John I. Ireland.

Towers, Perrin, Forster & Crosby

Benefit revenues at Towers, Perrin, Forster & Crosby grew an impressive 25% in 1985 to $180 million from $144 million last year.

Mr. Kielley, president of the second-largest benefit consultant, described 1985 as a strong year that was paced by above-average revenue increases in pension actuarial and administrative services.

Like rival Mercer-Meidinger, TPFC has a wide geographic spread, with 24 offices in the United States and a total of 39 worldwide.

"Big companies expect you to provide all the major services. It isn't enough, for example, to be the world's best pension consultant. You have to be worldwide and offer a full range of services," Mr. Kielley said.

TPF&C opened its first international office in 1965 in Brussels, Belgium, and now has 11 outside the United States and Canada.

"We view international business as a must to be a leader in serving American multinational companies," Mr. Kielley said.

International benefit consulting in 1985 accounted for 11% of TPF&C's total revenues, a much higher percentage than for most other consultants.

TPF&C's traditional strength has been pension and compensation services.

Some 45% of the company's total U.S. revenues come from retirement and savings plan consulting, while a total of 28% of total revenues are derived from general management and compensation consulting.

Seven percent of revenues come from welfare plan consulting, while 9% of revenues are generated by employee benefit communications consulting in the United States and abroad.

Mr. Kielley says TPF&C recently expanded its health care consulting resources. The company, for example, produced an audio-visual presentation entitled "I'm in Charge," which more than 300 companies purchased to teach employees how to become more careful consumers of health care services (*BI*, Sept. 16).

TPF&C's development of its health care practice has come as other aspects of the benefit consulting business, like pension work, have matured.

"You have to make more of an effort to attract new business," Mr. Kielley said.

TPF&C has carved a niche with clients by being plugged into the Washington benefits scene. It often is among the first to report the latest legislative developments affecting employer-provided benefits programs and has played a major role in the development of the Washington-based Assn. of Private Pension & Welfare Plans.

"We have to stay on top of legislation and get information out quickly to clients," Mr. Kielley said.

During the year, TPF&C opened new offices in Charlotte, N.C., and Cincinnati.

The Wyatt Co.

Benefit consulting revenues at The Wyatt Co., the nation's third-largest benefit consultant, jumped 25.8% to $151 million for the year ending June 30 from $120 million during the previous year.

While Wyatt's defined benefit plan consulting revenues were flat, revenues boomed for defined contribution plan consulting services, like setting up and maintaining 401(k) salary reduction plans, said Mr. Stanley, Wyatt's president.

And, health care consulting revenues are also growing, he says.

Wyatt still derives 68% of total revenues from retirement and savings plan consulting, compared with 8% for welfare plans, 7% for employee benefit communications and 3% from international consulting.

But that mix of business is changing. "The core of our business is shifting away from defined benefit plans to a variety of new areas: health care, communications and group benefit consulting," Mr. Stanley says.

The growth in the health care field is client-driven. "Years ago, employers were not prepared to spend consulting fees on health care," Mr. Stanley noted.

But as health care costs exploded, often exceeding retirement benefit costs, employers now are asking consultants for help in designing more efficient health plans, Mr. Stanley said.

Wyatt was among the first consultants to make a major commitment to flexible benefits, creating a flexible compensation team of top consultants.

Mr. Stanley noted that with the growth in two-income families, there is a need for flexible benefit plans so that a worker's benefits do not duplicate his or her spouse's.

"We could see flexible benefits was a growing field. It is one of the reasons we have achieved significant growth," he said.

Wyatt does not maintain a "home" office, which is unique among the major benefit consultants. A central "top-heavy" structure only adds to the fee structure and downgrades the role of professionals, Mr. Stanley believes.

This decentralized approach attracts consultants who are independent and can manage projects on their own, he says.

Like many other benefit consultants, Wyatt, an employee-owned firm, has received acquisition offers from other firms, but it has rejected those offers.

"Professionals in our field place an emphasis on independence. They are not interested in being a cog in an enormous wheel," Mr. Stanley said.

During the year, Wyatt itself made one acquistion: Stone, Young & Co., an actuarial company in Upper Montclair, N.J.

On Jan. 1, Wyatt will open a new office in Tokyo. "Japan very clearly is a major industrial country, and we recognize its importance," Mr. Stanley said.

Johnson & Higgins

Johnson & Higgins, the fourth-largest benefit consultant, had a banner year, with benefit consulting revenues of $101 million, up 20% from $84.9 million last year, *BI* estimates.

Mr. Harlow

"It was a very active year," said James G. Harlow, senior vp and chairman of J&H's national benefits practice

Continued on page 27

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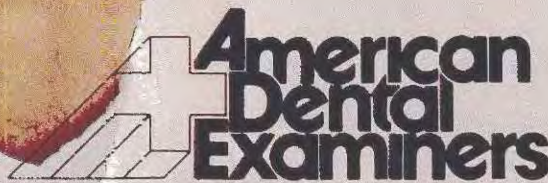

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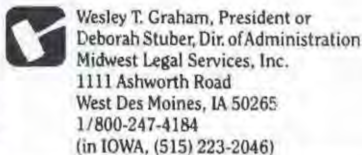

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JAN. 10-11. Fifth Annual Occupational Health Nursing Principles and Certification Review course in Newark, N.J., sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc.; $225. Also **Jan. 24-25** in Cincinnati; **Feb. 7-8** in Dallas; **Feb. 21-22** in Schaumburg, Ill.; **Feb. 23-March 1** in Torrance, Calif.; and **March 14-15** in Arlington, Va. Annette B. Haag, Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 3890, San Rafael, Calif. 94912; 415-492-7753.

JAN. 12-14. Paradox of the '80s: Regulating Health Care in a Deregulated Environment conference in Washington, sponsored by the Group Health Foundation; $335 for members; $375 for non-members. Conference Office, Group Health Foundation, 624 Ninth St., N.W., Suite 700, Washington, D.C. 20001.

JAN. 13-14. Insurance, Excess and Reinsurance Coverage Disputes seminar in New York, sponsored by the Practising Law Institute; $395. Also **Jan. 27-28** in San Francisco. Ann Tracy, Public Information Officer, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JAN. 13-17. Modern Safety Management meeting in Atlanta, sponsored by the International Loss Control Institute; $695. International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 800-554-6001; 404-466-2208 in Georgia.

JAN. 14. Government Liability Insurance Crisis seminar in Tampa, Fla., sponsored by the Public Risk & Insurance Management Assn.; $100 for members; $150 for non-members. Also **Jan. 17** in San Francisco, **Jan. 21** in Dallas, **Jan. 24** in New York, **Jan. 28** in Detroit, **Jan. 29** in Denver, **Jan. 31** in St. Louis. Marilyn Millstone, PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 15-16. Financial Analysis for Risk Management Decisions program in Dallas, sponsored by The College of Insurance; $700 plus $50 per organization. Also **Feb. 5-6** in Phoenix, Ariz., and **March 12-13** in Tampa, Fla. Laura McKeon, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

JAN. 20-21. Developing and Managing an Employee Medical Monitoring Program course in Los Angeles, sponsored by the University of Southern California; $350. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, University Park, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

JAN. 21. Investor-owned Health Care Facilities in New York State seminar in New York, sponsored by The New York Business Group on Health Inc.; $15 for members; $25 for non-members. The New York Business Group on Health Inc., 622 Third Avenue, 34th Floor, New York, N.Y. 10017; 212-808-0550.

JAN. 21-22. Annual Flexible Compensation conference in Arlington, Va., sponsored by Charles D. Spencer & Associates Inc.; $400 to subscribers of the EBPR Research Reports; $475 to non-subscribers. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-524-6400.

JAN. 22-23. Computers in Risk Management seminar in Dallas, sponsored by the Public Risk & Insurance Management Assn.; $450 for members; $550 for non-members. Marilyn Millstone, PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 23. Current Developments in the Use of Letters of Credit in the Insurance Industry conference in New York, sponsored by Executive Enterprises Inc.; $595; $495 for additional registrants from same organization. Executive Enterprises Inc., 33 W. 60th St., New York, N.Y. 10023-7988.

JAN. 29. An Insurance Odyssey (The Twentieth Century) meeting in Minneapolis, sponsored by the Insurance Federation of Minnesota; free. Insurance Federation of Minnesota, 1310 Pioneer Building, P.O. Box 1467, St. Paul, Minn. 55101; 612-292-1099.

JAN. 29-31. Regulation of Chemicals in the Global Environment: Protecting the Public Against Hazards from Chemicals program in Brussels, Belgium, sponsored by The Bureau of National Affairs; $420. International Chemicals Symposium Registrar, BNA Conferences, The Bureau of National Affairs Inc., 2550 M St., N.W., Suite 699, Washington, D.C. 20037; 800-424-9890, 202-452-4420 in Washington.

FEB. 12-13. London Market and its Future conference in London, sponsored by Risk Research Group Ltd.; 293.25 pounds ($410.55); 517.50 pounds ($724.50) for two registrants from same organization. Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

FEB. 17-19. Fifth Annual Pension Seminar in Kissimmee, Fla., sponsored by Corbel & Co.; $395. Brenda Chatham, Registrar, Corbel & Co., P.O. Box 17548, Jacksonville, Fla. 32245-7548; 904-731-4455.

FEB. 19. OSHA Hazard Communication conference in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; $45 for ISCC members; $70 for non-members. Also **Feb. 25** in Chicago. Carol Jensen, ISCC, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

MARCH 5-7. Life Safety Symposium in College Park, Md., sponsored by the Society of Fire Protection Engineers; $515 for members; $545 for non-members. Lisa Juliano, Administrative Assistant, Society of Fire Protection Engineers, 60 Batterymarch St., Boston, Mass. 02110; 617-482-0686.

MARCH 9-12. International Benefits Conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; $530 for members; $605 for non-members. IFEBP, Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

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Top consultants

Continued from page 24

committee, noting the development of a national benefits office in New York and the decision to open a new technical operations center in Princeton, N.J.

Indeed, the last few years have been active for J&H as it moved to become what Mr. Harlow calls "a total benefit consultant."

J&H has obtained new strength in pension plan consulting with the acquisition of firms like Philadelphia-based Winklevoss & Associates, a specialist in computerized actuarial forecasting; Edward H. Friend, a Washington powerhouse in the public pension consulting field; and Kass, Germain & Co., a Cleveland-based actuarial consultant.

And, J&H is busily adding to those strengths.

For example, J&H says it is a leader in applying the versatility of microcomputers to employee benefit consulting. J&H now is developing software packages that clients can use to ease in-house defined contribution record keeping, flexible spending account administration, welfare plan administration, job evaluation and salary compensation.

The client has the option of purchasing the software (with J&H providing maintenance and program upgrades), or the software can be used in J&H's service bureaus.

The new software gives "the client the opportunity to do more administrative work in-house when it is ready," said Thomas Patzau, a J&H senior vp and deputy chairman of the national benefits practice committee.

J&H points out that its strength as a manager of captive insurance companies can help international companies solve some of their employee benefit problems. Mr. Harlow says a captive can be a good vehicle to fund non-ERISA type benefits and benefit plans for third-country nationals.

Funding benefits through a captive "is an emerging area," Mr. Harlow said.

Of J&H's benefit-related business, 36% is derived from retirement and savings plan consulting, 37% is generated by welfare plan consulting, 4% is provided by employee benefit communications and 13% is generated by international benefit consulting.

J&H conducts its benefit consulting business through 41 offices in the United States and 30 offices abroad.

Hewitt Associates

Propelled by a 13.3% spurt in benefit consulting revenues, Hewitt Associates moved up one notch to become the fifth-largest benefit consultant, with annual revenues of $76.5 million, up from $67.5 million in 1984.

Lincolnshire, Ill.-based Hewitt added more than 200 employees, increasing its workforce to 1,308. And, Hewitt added 200 more employers to its client list, raising the total to 1,789.

"We were very active in hiring," said Mr. Friedes, Hewitt's chief executive, noting that all major areas of business—communications, plan design, legal work and administration—reported growth.

Hewitt, which Mr. Friedes describes as being pre-eminent in flexible benefit and communications programs, also aggressively moved into the international benefits arena.

Aside from opening an office in London, it acquired a majority interest in Eurosearch Conseil, a Paris-based benefit and compensation consultant.

Hewitt also bought an interest in Intergamma, a Mexican compensation consultant, and began a joint venture with Heijnis & Koleman B.V., one of the Netherlands' largest pension actuarial consultants. The joint venture, Hewitt & Koleman International B.V., is operating in Amsterdam and Rotterdam.

Hewitt's international expansion will continue, predicts Mr. Friedes.

"We made a strategy decision to become an international firm. We're exploring opportunities in Europe, South America and the Far East," Mr. Friedes said.

In the United States, Hewitt opened an office in Seattle and expanded an existing regional office in Atlanta into a full-fledged service center.

While Hewitt is taking on a more international flavor, the 45-year-old consulting firm also is determined to maintain its leadership in the flexible compensation field.

Mr. Friedes

Hewitt also wants to become better known for its actuarial and executive compensation work, where it is also taking innovative approaches, he says.

Mr. Friedes explained that a closer relationship among its various offices sets Hewitt apart from other benefit consultants.

"This is a cohesive organization with a lot of sharing of work and information," he said. That cooperative spirit is a boon to employers because all the organization's resources can be tapped to solve a client's problem, he adds.

Hewitt probably publishes more surveys on benefit trends and costs than any other consultant, a marketing decision that will continue.

"People always want information. . .and we view ourselves as knowledge leaders," Mr. Friedes says.

Frequently mentioned in consulting circles as a takeover candidate, Mr. Friedes says Hewitt will remain privately held.

"Potential buyers don't get past a two-minute call," he says.

Buck Consultants Inc.

William Giegerich, president and chief executive officer of Buck Consultants, the nation's sixth-largest benefit consultant, calls the firm's approach to consulting "aggressive."

"We intend to be much more aggressive in looking at growth opportunities, such as opening new offices, acquisitions and getting into new areas of client services," Mr. Giegerich told employees last month.

"There is a gung-ho attitude here. We want to be the first."

Mr. Giegerich believes this aggressiveness is paying off.

While Buck's revenues in 1985 moved ahead to $72 million from $64 million, a 12.5% increase, the employee-owned company's profits may have increased even more because of success in keeping expenses under control, he says.

"We are doing more work with the same number of people. We have held expenses to under the rate of inflation so we have become more profitable. Controlling costs is the key to profitability," Mr. Giegerich says.

Long known for its pension actuarial work, Buck's greatest growth this year has occurred outside its traditional strength.

Group welfare plan consulting

Continued on next page

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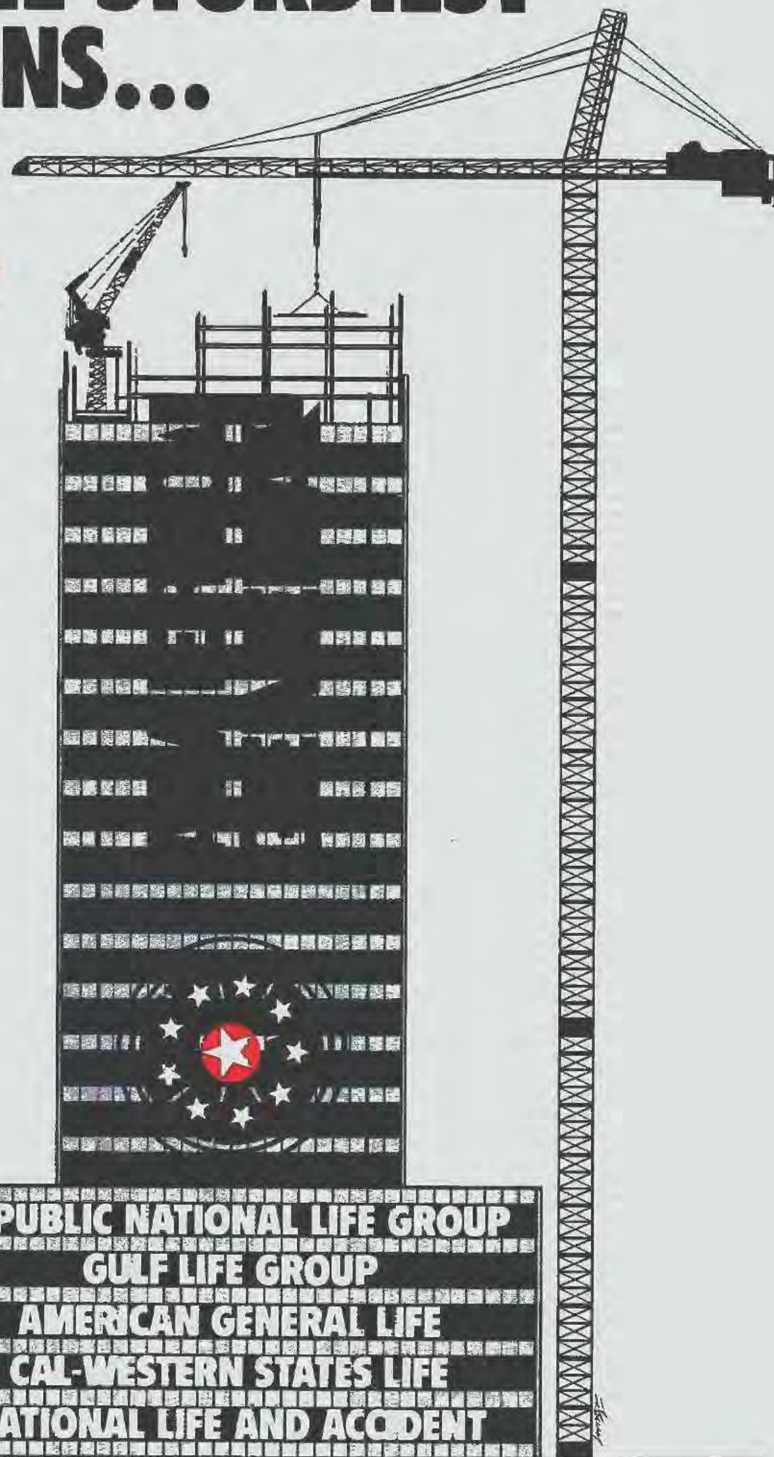

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Top consultants

Continued from previous page

revenues increased by 60%, defined benefit and defined contribution record-keeping revenues grew by 40% and tax and legal services revenues advanced by 30%.

While 15 years ago Buck primarily was an actuarial firm, over the years it has added all major benefit areas—including communications, group health care, 401(k) plan administration, pre-retirement planning and flexible benefits—to its roster of services.

"In this day and age, you have to cover the full range of services. You can't just be a good actuary or good in group insurance. Clients demand more," Mr. Giegerich said.

During 1985 Buck picked up a number of elite clients including Chesebrough-Pond's Inc., Mobil Corp. and Nabisco Brands Inc. as actuarial and general benefit consulting clients, Volvo of America as a group insurance consulting client and Syntex Corp. as a defined contribution record-keeping cleint.

During the year, Buck opened offices in Houston and Honolulu, and further expansion is likely. "We are a major player in North America, but want to develop more international expertise" Mr. Giegerich said.

Human Resource Management Group

1985 was a landmark year for Human Resource Management Group, a subsidiary of Alexander & Alexander Services Inc.

First, the merger of Toronto-based Reed Stenhouse Cos. Ltd. with A&A produced a gusher of new benefit revenues for HRM, the seventh-largest benefit consultant.

Including Reed Stenhouse's benefit revenues, HRM's benefit consulting revenues increased to $70 million from $42.9 million, a 63.2% increase.

Aside from the influx of new revenues, the Reed Stenhouse merger enormously expanded HRM's geographic reach.

"It gave us an important presence in Canada, the United Kingdom and in much of the rest of the world," said Mr. D'Alessandro, HRM's chief executive officer.

Mr. D'Alessandro

HRM also decided in 1985 to split the company into two new units starting next year. One unit, to be called Alexander & Alexander Consulting Group Inc., will be a "pure" consultant and will not broker any insurance. The other new unit, Alexander & Alexander Benefit Services Inc., will be involved in the brokerage of group insurance policies.

This split is a recognition that the two businesses—consulting and brokerage—are very different. "The change represents a dynamic evolution of our business. Buyers will only deal with those units that strictly meet their needs," Mr. D'Alessandro said.

Mr. D'Alessandro also underscores HRM's involvement in new benefit areas. For example, HRM assembled a special post-retirement health care consulting team that spoke at more than two dozen seminars around the country on that area of increasing concern to employers.

"We knew this would be a big hot spot," Mr. D'Alessandro said.

The New York-based company also developed a special calculator to help employers that attended these seminars estimate their post-retirement health care liabilities.

HRM also added a new long-term disability unit to help employers deal with LTD claims, an area that Mr. D'Alessandro describes as sadly neglected.

On the pension side, he notes that clients have become much more sophisticated buyers of consulting services. Instead of asking the consultant to provide only administrative services, employers are tapping HRM staff members to provide complex financial modeling to enable companies to predict pension asset performance.

The recent spurt of corporate mergers also is producing more business for HRM. "Employers approach us and ask us how a merger will affect their benefit programs," Mr. D'Alessandro said.

Some 28% of HRM's total revenues are derived from retirement and savings plans. Welfare plans contribute 22%, employee communications provide 13% and international benefit consulting generates 2%.

Frank B. Hall Consulting Co.

Benefit consultant revenues at Frank B. Hall Consulting Co., the eighth-largest benefit consultant, increased 17.1% to $50 million in 1985 from $42.7 million to 1984.

Michael J. Reynolds, who earlier this year was named president of the company after the retirement of Robert Adams, describes the year as "excellent."

Performing increasingly sophisticated work for clients, plus more business as a result of legislative developments in Washington, led to the revenue increase, Mr. Reynolds said.

"Employers are looking for more creative approaches to managing their benefit programs," said Richard Citron, executive vp at the consultant, which was formed as a separate company by parent Frank B. Hall & Co. six years ago.

Employers, for example, are asking Hall to help them evaluate their

Continued on next page

Eugene G. McCarthy, M.D., M.P.H.
Director,
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Second Opinion

Top consultants

Continued from previous page

post-retirement health care liabilities, which Mr. Reynolds notes were not much of a concern a few years ago.

"Now, companies recognize post-retirement health care liabilities and we are helping them to calculate the cost of the benefits," Mr. Reynolds said.

In addition, Hall has been busy evaluating alternative health care delivery programs, like health maintenance organizations and preferred provider organizations.

"PPOs and HMOs are what the benefit managers say they need to keep health care costs under control," Mr. Citron says.

On the pension side, Hall improved software record-keeping packages for 401(k) and other defined contribution plans.

Hall reports among the highest proportion of revenues—51%—derived from welfare plan consulting of any of the 10 largest consultants, with 30% coming from retirement and savings plan consulting, 8% from employee communications and 5% from international consulting.

Mr. Reynolds noted the so-called "broker-consultants," like Hall, traditionally have focused more on welfare plan consulting than the "pure" consultants, whose roots are in pension actuarial work.

"We've been in the health care field much longer than many other consultants," he added.

Hall has been extremely aggressive in keeping clients up-to-date on Washington legislative developments through special reports.

The consultant was among the first to warn, for example, that uniform non-discrimination rules contained in the Reagan administration's tax-overhaul proposal could disqualify thousands of employer-provided benefit plans.

Mr. Reynolds says Hall can track the latest Washington benefits developments through a strong technical support staff.

A.S. Hansen Inc.

A year ago, A.S. Hansen Inc. moved from its headquarters at a 50-year-old estate in Lake Bluff, Ill., to a modern office center in the Chicago suburb of Deerfield because it was running out of space.

While Hansen's new offices have twice as much space as its old location, Hansen again is looking to expand its offices in the Chicago area and in many of its other locations around the country, a sign of a thriving practice.

Benefit consulting revenues at Hansen, the ninth-largest consultant, grew 13.9% to $48.4 million in 1985 from $42.5 million last year.

Larry Fisher, Hansen's chairman and chief executive officer, describes 1985 as a surprising year with retirement plan consulting—an area that produced little revenue growth at other firms—growing much faster than expected.

Employers are turning to Hansen for pension modeling and projection work. "Companies want to know what might happen to the value of their pension assets if the stock market rises at certain rates," Mr. Fisher said.

Predicting pension plan performance is a vital tool for companies to help them calculate how much they should contribute each year to their plans, Mr. Fisher said.

Hansen also offers a software package to help employers pick money managers whose investment strategy and philosophy matches their own.

Long-known for its pension expertise, Hansen's goal is to be a "total benefit consultant," according to Mr. Fisher.

It has, for example, made a big plunge in the health care consulting field, advising health care coalitions around the country and participating in the formation of some 35 preferred provider organizations.

"More energy is being concentrated on health care" consulting as employers begin to exercise purchasing power on providers, he says.

Mr. Fisher believes there is also future growth in the flexible benefit plan area.

"Employees are demanding more choices, and this creates a good opportunity for the communications and acquisitions support programs that flex plans often need," he said.

Mr. Fisher has definite goals on the route he wants Hansen to follow. He is, for example, a believer in acquisitions to enable the company to increase its geographic spread.

Hansen has 2,250 clients, up about 5% from 1984, and an impressive total for a company of its size.

"Every organization is a potential client," Mr. Fisher says.

Martin E. Segal Co.

Few consultants in recent years have changed their client mix as dramatically as Martin E. Segal Co.

Years ago, almost all of the New York-based consultant's revenues were derived from multiemployer pension and welfare plan consulting. But now, multiemployer and individual corporate business is much more evenly matched, as multiemployer plans comprise 54% of the company's clients, with corporations accounting for the other 46%.

In 1985, as in recent years, Segal's corporate business produced the most growth, helping to increase Segal's revenues 13.2% to an estimated $43 million from $38 million.

Segal's consulting business is split almost evenly between pension and welfare plan consulting. Retirement and savings plan consulting totals 45% of benefit revenues, while welfare plan consulting accounts for 40% of revenues. In addition, employee benefit communications produce 6% of revenues, and international consulting generates another 4%.

Both the pension and welfare plan consulting business is changing dramatically, said Mr. Krinsky, Segal's president.

While the role of the consultant once was largely limited to plan design and providing actuarial certification, Segal is being asked more and more to analyze how pension plans may perform under different economic climates.

The wave of terminations of overfunded pension plans also is causing employers to seek new answers from their consultants. Companies that terminate defined benefit plans and then start defined contribution plans are asking if the new plans will provide adequate benefits if inflation rises.

Segal also has moved aggressively on the health care cost-containment front, helping to organize about a dozen preferred provider organizations for clients in cities like Denver, St. Louis and the Washington-Baltimore metropolitan area.

Record keeping for defined contribution plans, a field that Segal entered about three years ago, is also growing, he says.

Segal is a consultant to about 25% of the nation's 2,500 multiemployer plans, a much larger share of this business than the other consultants have.

The multiemployer business is what gives Segal its unique identity. "We have the ability to communicate with management and unions. . .and we think we do it rather well," Mr. Krinsky said.

Mr. Krinsky, a 31-year Segal veteran, says the company is aiming to maintain its recent rate of growth of between 10% and 15% a year. ■

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Directory of employee benefit consultants

a

Aldrich & Cox Inc.

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

Year founded: 1951.

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

Welfare plan consulting: 28.5% of business. Includes plan design consulting, insurer/broker consulting, evaluation of other service providers, plan supervision including loss control and review, 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 compensation consulting, insurance and risk management consulting.

Staff: 14 total staff members; six staff members assigned to benefit consulting only; four professionals, including four CPCUs, one attorney, three ARMs, one ALCM.

Clients: 60 total clients (30 of which are employee benefit consulting clients); 40% with more than 500 employees, 60% with fewer than 500 employees; 95% corporations, 5% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, $55-$85 depending on services provided.

Gross revenues: Not reported.

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

b

A.A. Beaven & Co. Ltd.

55 E. Jackson Blvd., Chicago, Ill. 60604; 312-987-9600

Year founded: 1973.

Parent company: Beaven/InterAmerican Cos.

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

Retirement and savings plan consulting: 75% 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, consulting on selection of investment managers.

Welfare plan consulting: 15% 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, audiovisual program preparation.

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

Locations: Minneapolis.

Staff: 23 total staff members; 22 professional staff members (excluding employees of parent company, who also provide consulting services).

Clients: 400 total clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 70% corporations, 30% individuals; no minimum size client.

Compensation: By the hour, consultant, $100-$150; clerical and technical, $40-$100.

Gross revenues: Not reported.

Principal officers: Ray Ankner, president; Larry Shippee, vp/chief actuary; Steve Silverman and Nadine Poulos, vps; Steven Hirsch, vp/attorney; Trudy Zelencik, vp/administrator.

Benefit Communicators Inc.

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

Year founded: 1975.

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

Retirement and savings plan consulting: 7% of business. Includes plan/trust legal document drafting, communications materials.

Welfare plan consulting: 14% of business. Includes evaluation of other service providers, communications materials.

Employee benefit communication consulting: 49% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, video and print media production.

Other services: 30% of business. Includes general management consulting.

Locations: Atlanta; New York; Portland, Ore.; Toledo, Ohio.

Staff: 34 total staff members; 10 professional staff members, including one MBA, one CPA.

Clients: 400 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 70% corporations, 30% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project.

Gross revenues: 1985: $2.4 million total, $1.68 million* from benefit consulting. 1984: $1.6 million total.

Principal officers: Douglas Lonergan, president; William Spencer, vp/creative director; Rebecca Rogers, comptroller.

*BI estimate.

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.

Welfare plan consulting: 40% of business. Includes plan design consulting, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers, PPO evaluation, wellness and health promotion.

Other services: 60% of business. Includes brokerage, wellness programs, health care delivery alternatives.

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

Clients: 60 clients; 34% with more than 500 employees, 66% with fewer than 500 employees; 100% corporations; minimum size client, 50 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $125; junior consultant, $90; clerical, $40.

Gross revenues: 1985: $400,000 total, $160,000 from benefit consulting; 1984: $315,000 total.

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

Booke & Co.

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

Year founded: 1941.

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

Welfare plan consulting: Plan des-

Continued on facing page

Who's Pulling The Strings?

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U.S. Corporate Health Management

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Anne Marie Hammond, Vice President
1661 Lincoln Boulevard, Suite 201
Santa Monica, CA 90404
(213) 452-5434

Continued from facing page
ing consulting, consulting on selection of investment managers, insurer/broker selection consulting, evaluation of other service providers.

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

International benefit consulting.

Other services: Includes compensation consulting, brokerage, general management consulting, health care and other types of claims administration.

Locations: Birmingham, Ala.; Columbus, Ohio.

Staff: 300 total staff members; 215 staff members assigned to benefit consulting only; 68 professionals, including eight FSAs, four ASAs, 17 MBAs, 11 CEBSs, five CLUs, seven CPCUs, one PhD, nine CPAs, 10 attorneys.

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

Compensation: By the project; by the hour, senior consultant, $100-$165; junior consultant, $50-$95; clerical, $25-$55.

Gross revenues: 1985: $16 million total, more than $8 million from benefit consulting; 1984: $14 million total, more than $7 million from benefit consulting.

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

Buck Consultants Inc.

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

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.

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., and assignments involving overseas travel.

Locations: Fort Wayne, Ind.; Harmon Meadow, N.J.; Houston; Atlanta; Chicago; Dallas; Pittsburgh; San Francisco; Washington, D.C.; Honolulu; Toronto.

Staff: 802 total staff members; 461 staff members assigned to benefit consulting; 554 professional staff members, including 41 FSAs, 44 ASAs, 16 MBAs, five CEBSs, three PhDs, three CPAs, 19 attorneys, 86 EAs.

Clients: 950 total clients; 80% with more than 500 employees; 20% with fewer than 500 employees; 80% corporations, 20% non-profit and governmental organizations.

Compensation: By the project; by the hour, senior consultant, $104-$252; junior consultant, $64-$112.

Gross revenues: 1985: $72 million total. 1984: $64 million total.

Principal officers: William E. Giegerich, president/chief executive officer; John Seltzer, chairman.

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.

Employee benefit communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

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

Staff: Nine total staff members; five staff members assigned to benefit consulting; 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, $100; junior consultant, $40-$60; clerical, $25-$35.

Gross revenues: 1985: $392,000 total, $372,400 from benefit consulting. 1984: $353,000 total, $335,350 from benefit consulting.

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

Continued on next page

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Directory explained

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

There is no charge to be listed, but to be included consultants must generate at least $500,000 or 30% of their gross revenues from benefit consulting. *BI* defines benefit consulting as providing advice on benefit issues on a fee-for-service basis, excluding health care and other types of claims administration, compensation consulting and other non-benefit-related consulting.

Each listing contains 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 here.

The "services provided" heading lists the percentage of gross revenues a company derives from benefit consulting and from other activities. In the following paragraphs, 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, total number of staff members, staff members assigned to benefit consulting, number of professional staff members and their professional designations and current clients by size and type.

Details on how a company bills for its consulting services are provided under the compensation heading. Total gross revenues for 1984 and 1985 are provided, as well as the amount of gross revesulting only.

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

Here 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, Loss Control Management; **ARM** is Associate in Risk Management; **ASA** is Associate, Society of Actuaries; **CEBS** is Certified Employee Benefit Specialist; **CFC** is Certified Financial Consultant; **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; **FSA** is Fellow, Society of Actuaries; **ISCEBS** is Fellow, International Society of Certified Employee Benefit Specialists; **LIA** is Licensed Insurance Advisor; **LPN** is Licensed Practical Nurse; **MAAA** is Member, American Academy of Actuaries; **MBA** is Master of Business Administration; **MCA** is Member, Conference of Actuaries in Public Practice; **PhD** is Doctor of Philosophy; **QHA** is Qualified Health Actuary; **RHU** is Registered Health Underwriter; **RN** is Registered Nurse.

Byerly & Co. Inc.

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

Year founded: 1959.

Services provided: 81% of gross revenues from benefit consulting, 19% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 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, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting, actuarial services through joint venture with Byerly-Roeder & Co.

Welfare plan consulting: 73% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers, cost-containment programs.

Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: 1% of business. Includes consulting from the U.S.

Other services: 19% of business. Includes compensation consulting, brokerage, administration services.

Locations: Cheyenne, Wyo.; Baton Rouge, La.; Kansas City, Mo.

Staff: 56 total staff members; 18 professional staff members, including five FSAs, two MBAs, four CEBSs, four CLUs, three RNs.

Clients: 600 total clients; 10% with more than 500 employees, 90% 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-$200; junior consultant, $40-$100; clerical, $20-$40.

Gross revenues: 1985: $3.2 million total, $2.59 million from benefit consulting. 1984: $2.6 million total, $2.12 million from benefit consulting.

Principal officers: Robert Byerly, chairman; Robert N. Morehead, president; Alfred Gimbel, Mark Hogan, Gerald Peters, Vince Peyton and William Heine, vps; Warren Tasset, president-Wyoming office.

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

Retirement and savings plan consulting: 5% 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, labor negotiations consulting.

Welfare plan consulting: 85% of business. Includes plan design consulting, consulting on selection of invest-

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ment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers, labor negotiations consulting.
Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, labor negotiations consulting.
International benefit consulting: 1% of business. Includes consulting from the U.S.
Other services: 5% of business. Includes compensation consulting.
Staff: 10 total staff members; four staff members assigned to benefit consulting only; seven professionals, including one ASA, one MBA, one CLU, one CPCU, one CPA, one attorney.
Clients: 100 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 100% corporations; minimum size client, 200 employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $85-$125; junior consultant, $50-$85; clerical, $20-$35.
Gross revenues: Not reported.
Principal officers: Joseph Lemmer, president; Norman A. Tapper and James M. Giet, vps; Linda Cain, assistant vp.

Cal/Group

527 E. Rowland Ave., Second Floor, Covina, Calif. 91723; 818-967-2878

Year founded: 1968.
Services provided: 50% of gross revenues from benefit consulting, 50% 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, dental and vision programs, associations, multiemployer (small group) and large employer plan design.
Other services: 50% of business. Includes health care and other types of claims administration, reinsurance.
Locations: South San Francisco and Concord, Calif.
Staff: 26 total staff members; six professional staff members, including one ASA.
Clients: 700 total clients; 10% with more than 500 employees, 90% with fewer than 500 employees; 50% corporations, 50% multiemployer plans; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters.
Gross revenues: 1985: $1.2 million total, $600,000* from benefit consulting. 1984: $1 million total, $500,000* from benefit consulting.
Principal officers: Renny Thomas, executive vp/managing underwriter; Betty B. McFarlane, administrative vp; Richard Krost, treasurer.
*BI estimate.

Claims Administration Services Inc./Self Insured Plans

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

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: 3% of business. Includes plan design consulting.
Welfare plan consulting: 21% of business. Includes plan design consulting, brokering the insurance to insurers, evaluation of other service providers.
Employee benefit communication consulting: 6% of business. Includes general consulting on communication programs, booklet preparation.
Other services: 70% of business. Includes health care and other types of claims administration.
Staff: 35 total staff members; eight staff members assigned to benefit consulting only; four professional staff members, including one attorney.
Clients: 240 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 100% corporations; minimum size client, 25 employees.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $125; junior consultant, $75; clerical, $45.
Gross revenues: 1985: $2 million total, $500,000 from benefit consulting; 1984: $1 million total, $350,000 from benefit consulting.
Principal officers: Stephen F. Rasnick, president.

Compensation & Capital Inc.

20 N. Wacker Drive, Suite 3400, Chicago, Ill. 60606; 312-332-4420

Year founded: 1975.
Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 71% 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.
Welfare plan consulting: 10% 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: 11% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: 3% of business. Includes consulting via overseas correspondents, consulting from the U.S.
Other services: 5% of business. Includes compensation consulting.
Locations: Lake Bluff, Ill.; Philadelphia; Washington, D.C.
Staff: 60 total staff members; 50 staff members assigned to benefit consulting; 40 professional staff members, including two FSAs, two ASAs, 12 MBAs, two PhDs, four CPAs, two attorneys, one FICA, six EAs, six MAAAs, three FCAs.
Clients: 200 total clients; 75% with more than 500 employees, 25% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; minimum size client, 100 employees.
Compensation: By the project; on retainer; by the hour, senior consultant, $150-$200; junior consultant, $90-$130; clerical, $30-$50.
Gross revenues: Not reported.
Principal officers: Davis H. Roenisch, Roger Cerasoli, Paul F. Polchert and Norman R. Minor, managing directors; Kenneth A. Matson, vp.

Compensation Programs Inc.

2911 Second Ave., Seattle, Wash. 98121; 206-441-9988

Year founded: 1957.
Parent company: Corroon & Black Corp.
Services provided: 100% of gross revenues from 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.

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Is your medical case management program just an illusion?

The real magic to effective medical case management is controlling costs *throughout* the course of a serious illness. To make sure that your program is more than just smoke, ask yourself these basic questions:

1. Does your case management program spot high-exposure claims before they occur?

Intracorp's Medical Case Management System, through pre-certification, identifies serious, high-cost claims *before* hospital admission occurs. We manage the case—and contain costs—from day one.

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Real case management programs don't stop with hospital admission. Intracorp coordinates all inpatient care to assure proper utilization of medical services. We also pre-plan hospital discharge and provide all necessary home care, medical equipment and outpatient treatment. We'll even audit the hospital bill.
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Welfare plan consulting: 15% of business. Includes plan design consulting, brokering the insurance to insurers.

Locations: Anchorage, Alaska.

Staff: 21 total staff members, four professional staff members.

Clients: 600 total clients; 100% with fewer than 500 employees; 100% corporations; no minimum size client.

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

Gross revenues: Not reported.

Principal officers: Leroy J. Leavitt, president; Howard Wollner, vp.

Coopers & Lybrand-Actuarial, Benefits & Compensation Consulting Group

400 Renaissance Center, Detroit, Mich. 48243; 313-446-7299

Year founded: 1929.

Parent company: Coopers & Lybrand.

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

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

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

International benefit consulting: Includes consulting from the U.S.

Other services: Includes casualty, actuarial, risk management and compensation consulting.

Locations: New York; Atlanta; Boston; Chicago; Columbus, Ohio; Dallas; Houston; Los Angeles; Louisville, Ky.; Philadelphia; Pittsburgh; San Francisco; Stamford, Conn.; Syracuse, N.Y.; Newark, N.J.; St. Louis; Minneapolis; Tampa, Fla.; Charlotte, N.C.

Staff: 533 total staff members, including 385 professional staff members.

Clients: More than 7,500 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; no minimum size client.

Compensation: By the project; by the hour.

Gross revenues: Not reported.

Principal officers: Jerome Y. Halperin (Detroit), Reed A. Keller (Atlanta), Alan J. Woodruff (Boston), David E. Dresner (Chicago), David P. Sunderhaft (Columbus, Ohio), Robert E. Pugh (Dallas), Charles R. Southall (Los Angeles) and Barry Blazer (New York).

Corporate Resources Inc.

18 E. 48th St., New York, N.Y. 10017; 212-752-1008

Year founded: 1972.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 15% 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: 45% of business. Includes plan design consulting, insurer/broker selection consulting, evaluation of other service providers.

Employee communication consulting: 15% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 25% of business. Includes compensation consulting, strategic human resource development.

Staff: 15 total staff members; four staff members assigned to benefit consulting; eight professional staff members, including one FSA, one PhD.

Clients: Number of clients not reported; 85% with more than 500 employees, 15% with fewer than 500 employees; 100% corporations; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $150-$250; junior consultant, $90-$150.

Gross revenues: 1985: $2.67 million* total, $2 million from benefit consulting. 1984: Not reported.

Principal officers: David L. Stone.

*BI estimate.

Corroon & Black Benefits Inc.

301 Plus Park Blvd., Nashville, Tenn. 37217; 615-367-9707

Year founded: 1957.

Parent company: Corroon & Black Corp.

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

Welfare plan consulting: 57% of business. Includes plan design consulting, consulting on selection of investment managers, brokering the insurance to insurers, evaluation of other service providers.

Employee benefit communication consulting: 3% of business.

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

Staff: 14 total staff members; six professional staff members, including two MBAs, two CEBSs, three CLUs.

Clients: 70 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 100 employees.

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

Gross revenues: 1985: $1.5 million total, $900,000 from benefit consulting. 1984: $1 million total, $600,000 from benefit consulting.

Principal officers: Donald R. King, chairman; Richard Carpenter, president; William Roark, John Jackson and Robert J. Jennings, vps.

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Daskais & Walls Inc.

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

Year founded: 1966.

Parent company: Noble Lowndes International Holdings Ltd.

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

Retirement and savings plan consulting: 71% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 8% of business. Includes plan design consulting, actuarial consulting.

Employee benefit communication consulting: 7% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other benefit consulting services: 4% of business.

Other non-benefit consulting services: 10% of business.

Locations: New York; East Orange, N.J.; San Francisco.

Staff: 12 total staff members; six professional staff members, including five FSAs.

Clients: 80 total clients; 27% with more than 500 employees, 73% with fewer than 500 employees; 60% corporations, 18% multiemployer plans,

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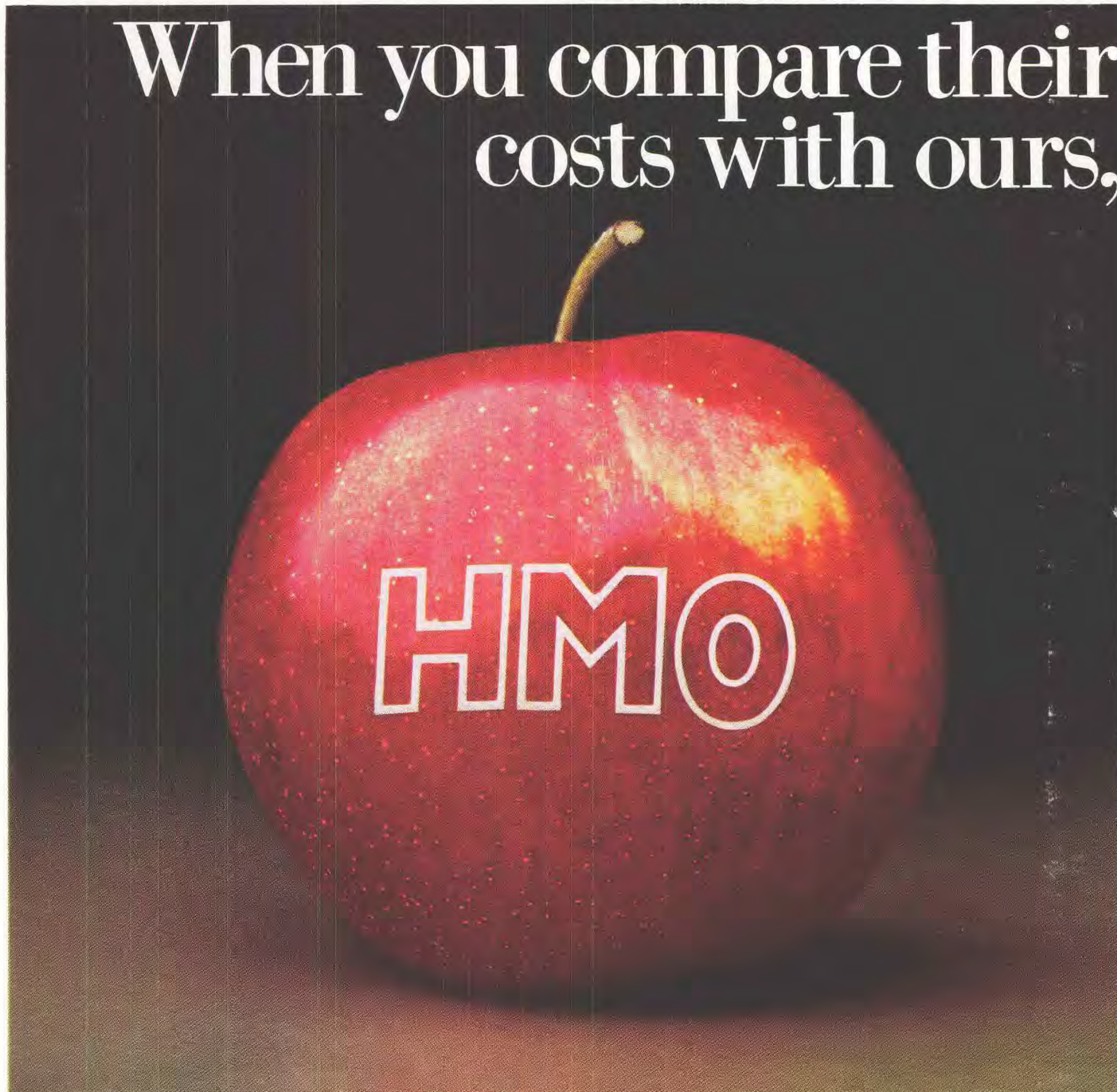

An HMO can cut health care costs by as much as 30%. But so can HealthCare Compare.

Right there, the comparison ends.

HealthCare Compare is a utilization review company that works with doctors and patients to help them reduce hospital admissions and the length of hospital stays. Without reducing the quality of care.

An HMO does things differently. An HMO ties the patient's hands as to where care can be received. But with HealthCare Compare, each patient has completely free choice of facilities.

An HMO patient may not get a choice of doctors. With HealthCare Compare, patients choose their own physicians just as always. Nothing gets in the way of the traditional relationship.

An HMO means setting up special payment arrangements. HealthCare Compare is simply added on to existing arrangements.

HealthCare Compare is a wholly

Continued from facing page
22% individuals; no minimum size client.

Compensation: By the hour, senior consultant, $125-$175; junior consultant, $108-$115; clerical, $15-$19.

Gross revenues: 1985: $900,000 total, $810,000 from benefit consulting. 1984: $900,000 total, $810,000 from benefit consulting.

Principal officers: Charles Walls, Dianne Weitzenkamp, Charles Chittenden and Edward Emering.

Doerr, 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: 3% of business. Includes plan design consulting,, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan administration consulting, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 91% 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: 3% of business. Includes general consulting on communications programs, booklet preparation.

International benefit consulting: 3% of business. Includes consulting from the U.S.

Locations: Milwaukee.

Staff: Five total staff members; four professional staff members, including one MBA, one CEBS, one CLU.

Clients: 85 total clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $135; junior consultant, $25-$75.

Gross revenues: 1985: $500,000, all of which was generated from benefit consulting. 1984: $500,000, all of which was generated from benefit consulting.

Principal officers: John E. Doerr, president; Richard J. Burns, executive vp; Tracey Schroeder, consultant.

e

The Emcom Group Inc.

P.O. Box 545, Newtown, Pa. 18940; 215-493-8599

Year founded: 1979.

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

Retirement and savings plan consulting: 2.85% of business.

Welfare plan consulting: 1.9% of business.

Employee benefit communication consulting: 90.25% of business. Includes general consulting on communications programs, booklet preparation, audiovisual program preparation, programs to introduce changes in health plans to employees, health cost stabilization programs.

Other services: 5% of business. Includes labor communications.

Staff: Eight total staff members; six professionals.

Clients: 165 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 95% corporations, 5% individuals; minimum size client, 100 employees.

Compensation: By the project.

Gross revenues: 1985: more than $550,000 total, more than $522,500 from benefit consulting; 1984: more than $500,000 total.

Principal officers: John Kerney Jr., president.

Evans, Conger & Brown Inc.

4 Sentry Parkway, Blue Bell, Pa. 19422; 215-834-1410/242-9080

Year founded: 1866.

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: 40% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

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

Other services: 50% of business. Includes brokerage, credit life and disability insurance management.

Staff: Six total employees; two employees assigned to benefit consulting; four professional staff members, including one CLU.

Clients: 100 clients; 33% with more than 500 employees, 67% 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; by the hour, consultant, $125.

Gross revenues: Not reported.

Principal officers: Carl A. Posse, chairman; John B. Walton, executive vp; F. Bruce Walter, senior vp; John B. Jackson, vp.

f

Financial Guardian Inc.*

3100 Broadway, Kansas City, Mo. 64111; 816-561-8630

Year founded: 1970.

Parent company: Financial Guardian Group Inc.

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.

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

International benefit consulting: Includes consulting from the U.S.

Other services: Includes brokerage.

Locations: New York; Denver; Oak Brook, Ill.; Troy, Mich.; St. Louis; San Jose, Calif.; Wichita, Kan.; Phoenix, Ariz.; Des Moines, Iowa; Houston.

Principal officers: Donald R. Weber, chairman/president; Stan Mikalayunas, senior vp.

*Complete information not available due to recent acquisitions and divestitures.

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 consult

Continued on page 40

way of cutting health care there's no comparison.

physician-directed company. Our reviewers are physicians and nurses, not business managers or administrators.

Our programs include: preadmission certification, continued-stay review, fee review, second surgical opinion, large claim case management, mental-health services review and short-term disability review.

HealthCare Compare is employee-friendly. Employees welcome it. So do employers. So do insurance companies (more than a dozen of the nation's largest are already participating).

For more details, and a chance to compare HealthCare Compare for yourself, call or write Mr. Lyn Fox, Director of Marketing, HealthCare Compare, 730 Springer Drive, Lombard, Illinois 60148. (312) 932-7070.

HealthCare COMPARE

There's no comparison.

Buyers should guide health care remodeling

Continued from previous page
full-coverage hospitalization benefit. But, more and more employers are interested in front-end deductibles, either a flat dollar amount, a percent of salary or coinsurance.

To summarize, this is where most major employers are heading:

In the area of funding, they are heading to self-insured plans, perhaps with specific and/or aggregate stop-loss coverage.

In the area of design, they are heading toward requiring users—employees and their dependents—to have a vested interest in a thoughtful and efficient use of the system.

Historically, insurance companies wanted health benefits business because most of it was insured and, as a result, produced cash-management opportunities. But, with the conversion of the major employers to self-funding, this business has become less attractive.

However, it still produces profit. And, it is the source of other business, especially life insurance business, that will remain insured until the Internal Revenue Service revises its attitude.

The major national insurance companies are being innovative and creating cost-effective and technologically sophisticated reimbursement systems.

For example, they have developed:

- Uniform data requirements, which allow them to build vast data banks.
- State-of-the-art claim-processing capabilities, which allow them to control turnaround to suit the buyers' requirements. This is a very important cash-flow consideration, given the conversion to self-funding and various provider contracts.
- Reporting capabilities, which allow the buyer to understand how the dollars are spent. They provide utilization profiles by diagnoses, by user and by provider; and administrative reports showing savings from coordination-of-benefits administration and eligibility monitoring.
- Effective provider relationships, which guarantee savings through discounts and controls.
- Cost-containment capabilities, which allow them to provide the buyer with integrated systems for second-opinion surgery, hospital utilization review and case management of catastrophic situations.
- Wellness strategies for attempted intervention with the user through behavior modification principles.
- Systems capabilities to cope with the growing interest in and inevitable trend toward individual employee selection through flexible benefit programs.

In addition, there are alternatives to insurance company administration.

When major employers began realizing that predicting medical costs was fairly reliable and that most medical benefit programs were really cash-management programs, non-insurance arrangements began to emerge.

This gave rise to the non-insurance company claims administrator, known as the third-party administrator or TPA. The advent of the microcomputer facilitated this process.

Everything said about product development of the insurance company in medical benefits administration also is true for the TPA in data gathering, claims administration and report generation, but to a much lesser degree in provider relations, integrated cost-containment systems, wellness programs and flexible benefits.

Stand-alone claims systems the employer can purchase for self-administration also have emerged. Some employers like the concept of control that derives from self-administration. They can control:

- Data, both input and output.
- Payment, with respect to eligibility, application of reasonable and customary charges, coordination of benefits and timing.
- Case management aspects.

Then there is the obvious alternative for medical care: a different delivery system.

Currently, more than 50% of the employed population of California belongs to an HMO, and many experts expect this percentage to apply nationwide in the 1990s.

And, there is a new source of health care benefits—one that has not been so obvious until now—the multihospital corporation like Humana Inc., National Medical Enterprises and American Medical International Inc. Aetna Life & Casualty Co. has just announced a joint venture with Voluntary Hospitals of America.

These multihospital corporations are offering contracts directly to employers. The employer gets a guaranteed below-market cost, and the employee gets a "preferred system," with reduced or no out-of-pocket expenses.

This network is just starting to emerge, but it will become a very important market influence.

Historically, there have been three premises upon which the insurance company group medical product was based: Health care systems were geared to treat illness, the emphasis was on inpatient care and the insurer systems were designed to reimburse providers.

But, as a result of evolutionary and even revolutionary market changes, these missions must change.

Treating illness in hospital settings must be minimized and managed carefully. Systems of outpatient treatment must continue to be created and widely distributed.

The two most important systems to help buyers manage inpatient treatment are second surgical opinion programs and hospital utilization review, including pre-admission authorization, concurrent review and retrospective review amd audit.

The buyer is shifting and will continue to shift emphasis from treatment to prevention. Methods of intervention for lifestyle modification and wellness orientation must be developed thoughtfully and fostered carefully.

To begin health care cost management, employers should develop and implement—with a consistent philosophy and a state-of-the-art program—three components:

- Second surgical opinion and hospital utilization review.
- Wellness programs designed on sound medical, psychological and sociological principles, and creatively structured for communication purposes.
- Most important, aggressively redefined provider relationships based on market realities.

The mission of the medical plan no longer can be defined by the provider. It must be redefined by the marketplace. The master is not the provider, it is the buyer.

Historically, benefit plans helped the provider get paid and helped the patient pay as little as possible. Now there is an increasing shift to buyer control.

The marketplace change demands a change in the mission of the employer's medical plan. The primary mission of a medical plan no longer can be maximum reimbursement to the provider and minimum cost to the user.

The mission now must be to help the buyer *manage* the entire health care cost environment. The mission now must change from a *reimbursement* system to a *management* system.

Traditional responses to the changing marketplace such as increasing contribution requirements and changes in plan design—shifting cost to the participants and the users, respectively—are inadequate and sometimes even inappropriate.

Employers now must respond very thoughtfully to these marketplace changes and develop a comprehensive strategy for managing health care costs.

The medical plan must be only one component—a carefully designed component—of a total system, thoughtfully constructed to manage costs and health care efficiently for all participants.

This change will enable employers:

- To intervene effectively and assert management of providers through utilization management, such as second opinion programs and hospital utilization review, and cost management, such as discounts deriving from PPO and NPA arrangements.
- To influence users and to manage behavior through carefully designed wellness programs.

This will create a health care system through which buyers can manage every aspect of health care: benefit design, benefit funding, benefit providers and benefit users.

Employers unwilling to invest the time, staff and money in meeting this challenge of changes will continue to experience the agony of seemingly uncontrolled increases in health care expenditures and a workforce whose general health continues to deteriorate.

Employers willing to invest their resources in meeting the challenge will realize gains in terms of more predictable costs and more productive employees. ■

Herbert V. Kaighan is a principal in the Los Angeles office of benefit consultant William M. Mercer-Meidinger Inc.

Multiple check forgeries still only one loss, court says

legal briefs

Did 40 acts of forgery or material alteration of an employer's checks by an employee constitute one loss or 40 losses under an employee dishonesty clause in an insurance policy?

The U.S. Court of Appeals for the 10th Circuit ruled that the employer suffered one loss and was subject to the policy limitations.

Business Interiors Inc. sustained more than $53,000 in total losses through the embezzlements of an employee conducted from Nov. 7, 1979, to June 2, 1980.

To accomplish the embezzlements, the employee wrote 40 checks, 31 of which were forgeries and nine of which were material alterations of the original instruments.

Business Interiors was covered under an insurance policy that included employee dishonesty coverage. The policy, which was issued by Aetna Casualty & Surety Co., contained a written limitation of $10,000.

However, there was evidence that a representative of Aetna represented and believed that coverage was $30,000 for employee dishonesty.

Aetna denied liability beyond $10,000, and the trial court ruled in favor of Aetna.

The appellate court agreed that each of the employee's 40 acts of forgery or material alteration did not constitute a separate loss because the employee's probable intent with regard to the last 39 checks was essentially the intent to continue the dishonesty, not to commit an entirely new and different act of dishonesty.

But, the court also concluded that the dishonesty coverage should be reformed to $30,000 since Business Interiors had no duty to read its policy and could rely on the agent's representations of $30,000 worth of coverage. *Business Interiors Inc. vs. Aetna Casualty & Surety Co.*, U.S. Court of Appeals for the 10th Circuit, Dec. 28, 1984 (*BI*/01/D.-$5). ■

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for $5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

Consider outpatient mental benefits

By John C. Garner

SHOULD EMPLOYERS provide more substantial benefits for outpatient mental health treatment? Would doing so reduce overall health care costs?

Recent research suggests that the answer to both questions is "yes."

Today, most medical plans severely limit benefits for outpatient mental health care, paying only $20 or so per visit. Some plans exclude it altogether. However, structuring plans to discourage, or actually prohibit, mental health treatment may be a serious mistake.

It is true that the mind-body relationship is still being explored and that the nature of the correlation between mental stress and physical illness is unknown.

That such a correlation exists, however, has become widely accepted. Medical plan administrators recognize that such ailments as low back pain or gastric illness, which can be induced by stress, add to medical plan costs.

If outpatient mental health care could help to eliminate or at least reduce stress, it would appear that it could also reduce the medical costs associated with it—to say nothing of the low productivity, high absenteeism and workforce turnover attributable to employee stress.

Now there is empirical evidence of this. Research reported in the American Psychologist and the American Journal of Psychiatry indicates that improving outpatient mental health benefits tends to increase utilization of mental health services and decrease inpatient costs, perhaps by as much as 20%.

Some observers believe that mental health treatment may improve patients' ability to stay healthy enough to avoid hospital admission for physical illness.

But, it is clear mental health benefits must be used appropriately to meet the goal of cost containment. First, employees must be encouraged to seek counseling *before* stress has reached damaging proportions.

One approach would be to pay 100% of the cost of the first few visits to the therapist, on the premise that if a person seeks help early enough, this may be the only treatment needed.

And, benefits should be structured to provide checks on overutilization.

Some mental health preferred provider organizations in California offer negotiated fees and built-in peer review for outpatient mental health services. A typical PPO has a panel of care providers who agree to accept a set fee schedule and participate in peer review. The benefits under the PPO replace any mental health benefits under an indemnity plan and may supplement a health maintenance organization.

Some PPOs are structured on a prepaid basis: The employer pays a set fee per employee to cover all mental health services and administrative expenses.

Others are self-funded: The employer pays a set monthly fee to cover administrative expenses, plus a variable amount to cover the cost of the mental health services actually rendered.

Most PPOs offer literature the employer can use to publicize the mental health benefit. The heart of the message is that modern life can be stressful and it is no disgrace to need to talk to someone. The literature also emphasizes that treatment is confidential.

To encourage those who need treatment to seek it early, employees typically pay nothing for their first five visits with a panel provider.

After these initial visits, the provider submits to a peer review committee a report detailing the diagnosis, prognosis and treatment plan. The committee approves or disapproves the treatment plan, making suggestions.

The review procedure helps to ensure that unnecessary treatment is avoided and it protects the patient, who seldom is capable of judging the appropriateness of a proposed treatment plan.

After the peer review committee approves a treatment plan, the patient begins making a small copayment for each visit. As the number of visits increases, so does the amount of the copayment, until it finally reaches a level commensurate with the copayment required in a typical indemnity plan.

Periodically, the committee reviews the case and approves or disapproves continued treatment. If hospitalization is necessary, the committee can pre-certify and monitor the hospitalization.

If an employee decides to go outside the PPO for treatment, he or she is reimbursed for all or part of what would have been paid to a panel provider. But, this increases the employee's out-of-pocket expenses, because the panel providers offer discounted fees.

If an employee chooses an outside provider, the peer review committee still attempts to monitor the course of treatment, but obtaining information and compliance is more difficult.

Claims can be denied, however, if information is not made available or if treatment is continued after the committee deems it unnecessary.

Mental health PPOs are new in California and have not yet been tried in other states. Until they are, other ways to evaluate and monitor mental health treatment should be sought.

Local medical societies may be willing to do retrospective peer review; the American Psychiatric Assn. does this for insurance companies.

Some employers may want to offer an employee assistance program in addition to providing benefits for mental health care.

EAPs are meant to provide for early intervention in employees' problems, which helps to minimize the cost of treatment and improve the chances of treating an unidentified condition. They also help refer employees to the most appropriate mental health care resources.

Most EAPs are structured to meet specific needs. Drug and alcohol abuse are the most common targets, but many other disorders can be targeted.

An employee can be identified as an EAP candidate through:

- A supervisor trained to spot problems at an early stage.
- Self-referral (employees learn to identify warning signs of problems and are made aware of the EAP through communications programs).

There are many ways to structure the referral portion of an EAP. A large employer may wish to hire an EAP coordinator who understands the nature of the targeted conditions, knows what resources are available in the community and personally assists employees.

Another way to handle referrals is to contract with a local provider. This reduces concerns about confidentiality and is less expensive than hiring a coordinator.

Additionally, some organizations offer EAP referral services by telephone from national or regional centers. These programs are even less costly, may offer more expertise in specialized fields and further protect confidentiality.

Some employers, however, still will want their employees to talk to someone face-to-face.

Research on the relationship between preventive mental care and overall health is still more suggestive than definitive.

Actual experience is limited, too. Although some companies in California have offered mental health PPOs long enough to have built up experience, they are small, so their costs are subject to fluctuation and their experience is inconclusive.

However, in the current health care benefits environment, where costs continue to rise at an alarming rate and options for controlling those costs are limited, a strategy that is indirect but holds promise of enduring results may have some appeal.

Those willing to take a novel approach to health care cost containment may find they can reduce costs and simultaneously help employees deal effectively with problems by using mental health care as "preventive medicine." ▪

John C. Garner is a principal in the Los Angeles office of Towers, Perrin, Forster & Crosby, advising employers on life, health and disability benefits.

Motivational theory can help improve safety

By The Insurance Institute of America

A.R.M. exercises

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked on, and possible answers to, the three examinations for the A.R.M. designation.

This month's question and answer illustrate how one of the basic theories of human motivation—Maslow's hierarchy of human needs, which holds that only an unsatisfied need can be a motivator—can encourage employees to perform their duties safely.

Q: An essential element of fleet safety is the effective motivation of vehicle operators to drive safely. Maslow's hierarchy of human needs provides a framework for selecting appropriate means of motivating these operators.

For each of the five levels of human needs in Maslow's hierarchy, describe how a supervisor could motivate vehicle operators to drive safely.

Also, poor management of vehicle operators is one sign of inadequate fleet safety management. Identify five other indicators.

A: Maslow identified five basic categories of human needs, labeled—in ascending order—physiological, safety, social, self-esteem and self-actualization needs. These must be considered in ascending order because, according to Maslow, every person must satisfy lower-level needs before higher-level needs.

To motivate adherence to safe driving rules, any of the following motivational techniques could be used, depending on the level of needs of the vehicle operator whose conduct is of concern:

- Physiological needs could be addressed by offering pay incentives for a safe work record.
- Safety needs could be addressed by reminding the employee graphically of the potential for injury due to unsafe action.
- Social needs could be addressed by developing a team spirit that will apply peer pressure to enforce safe behavior as a group norm.
- Self-esteem needs could be addressed by awarding prizes in safety contests.
- Self-actualization needs could be addressed by making safety part of the job and stressing pride in a "job well done."

In answer to the second question, some tangible signs of poor fleet safety management include:

- Absence of a written company policy on safety.
- Senior management apathy toward or ignorance about fleet safety.
- Little attention to, or inadequate standards for, driver selection or training.
- Lax supervision of vehicle drivers.
- Poor vehicle maintenance.
- Low driver morale evidenced by, for example, high driver turnover or numerous union grievances.
- Poor or worsening fleet safety record.
- Poor vehicle accident or maintenance recordkeeping.
- Unrealistic or unsafe scheduling or routing of vehicle trips. ▪

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Continued from page 35
ing, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

Other services: 70% of business. Includes health care and other types of claims administration.

Locations: High Point, N.C.

Staff: 42 total staff members; 38 staff members assigned to benefit consulting; 11 professional staff members, including two MBAs, two CLUs.

Clients: 200 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 100% corporations; minimum size client, 25 employees.

Compensation: By the project; commissions for insurance placed with underwriters; by the hour, senior consultant, $100; junior consultant, $60; clerical, $30.

Gross revenues: 1985: $1.5 million total, $450,000* from benefit consulting. 1984: $1.2 million total, $360,000* from benefit consulting.

Principal officers: F. Richard Atkinson, president; W. James Michelsen, vp/secretary/treasurer.

*BI estimate.

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Arthur J. Gallagher-Benefit Planning Services

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

Year founded: 1927.

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, brokering the insurance to insurers, 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 brokerage, general management consulting, health care and other types of claims administration.

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

Staff: Total staff not reported. Professional designations held by staff include one MBA, two CLUs.

Clients: 400 total clients; 15% with more than 500 employees, 85% with fewer than 500 employees; 50% corporations, 50% multiemployer plans; minimum size client, 10 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $150; junior consultant, $100; clerical, $45.

Gross revenues: 1985: $4.9 million total, $1.47 million from benefit consulting. 1984: $3.9 million total, $1.17 million from benefit consulting.

Principal officers: Robert E. Gallagher, president/chief executive officer; John P. Gallagher, executive vp; John P. Gallagher Jr., Donald J. Krutek and Walter F. McClure, vps.

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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: 51% of business.

Welfare plan consulting: 30% of business.

Employee benefit communication consulting: 8% of business.

International benefit consulting: 5% of business.

Other services: 11% of business. Includes compensation consulting, brokerage.

Locations: 136 locations throughout the United States, 88 foreign locations.

Staff: 800 total staff members; 375 staff members assigned to benefit consulting; 535 professional staff members, 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: 7,350 total clients; 60% with more than 500 employees, 40% with fewer than 500 employees; 89% corporations, 1% multiemployer plans, 10% individuals.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $130-$225; junior consultant, $70-$95; clerical, $30-$50.

Gross revenues: 1985: $56 million total, $50 million from benefit consulting. 1984: $48 million total, $42.7 million from benefit consulting.

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

A.S. Hansen Inc.

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

Year founded: 1930.

Services provided: 88% of gross revenues from benefit consulting, 12% 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/broker selection consulting.

Employee benefit communication consulting: General consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: Includes consulting via overseas branch offices, consulting from the U.S.

Other services: 12% of business.

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

Staff: 657 total staff members.

Clients: Total clients not reported.

Compensation: By the hour.

Gross revenues: 1985: $55 million total, $49 million from benefit consulting. 1984: $50 million total, $42.5 million from benefit consulting.

Principal officers: Larry M. Fisher, chairman/chief executive officer; Howard F. Lund, president/chief operating officer; James E. McGarry, executive vp-finance/administration; Steven W. Fargason, senior vp/consulting director-east; Philip G. Henderson, senior vp/consulting director-mid-west/west.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19102; 215-875-2500

Year founded: 1911.

Parent company: Saatchi & Saatchi PLC.

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

Retirement and savings plan consulting: 65% 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.

Welfare plan consulting: 20% 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

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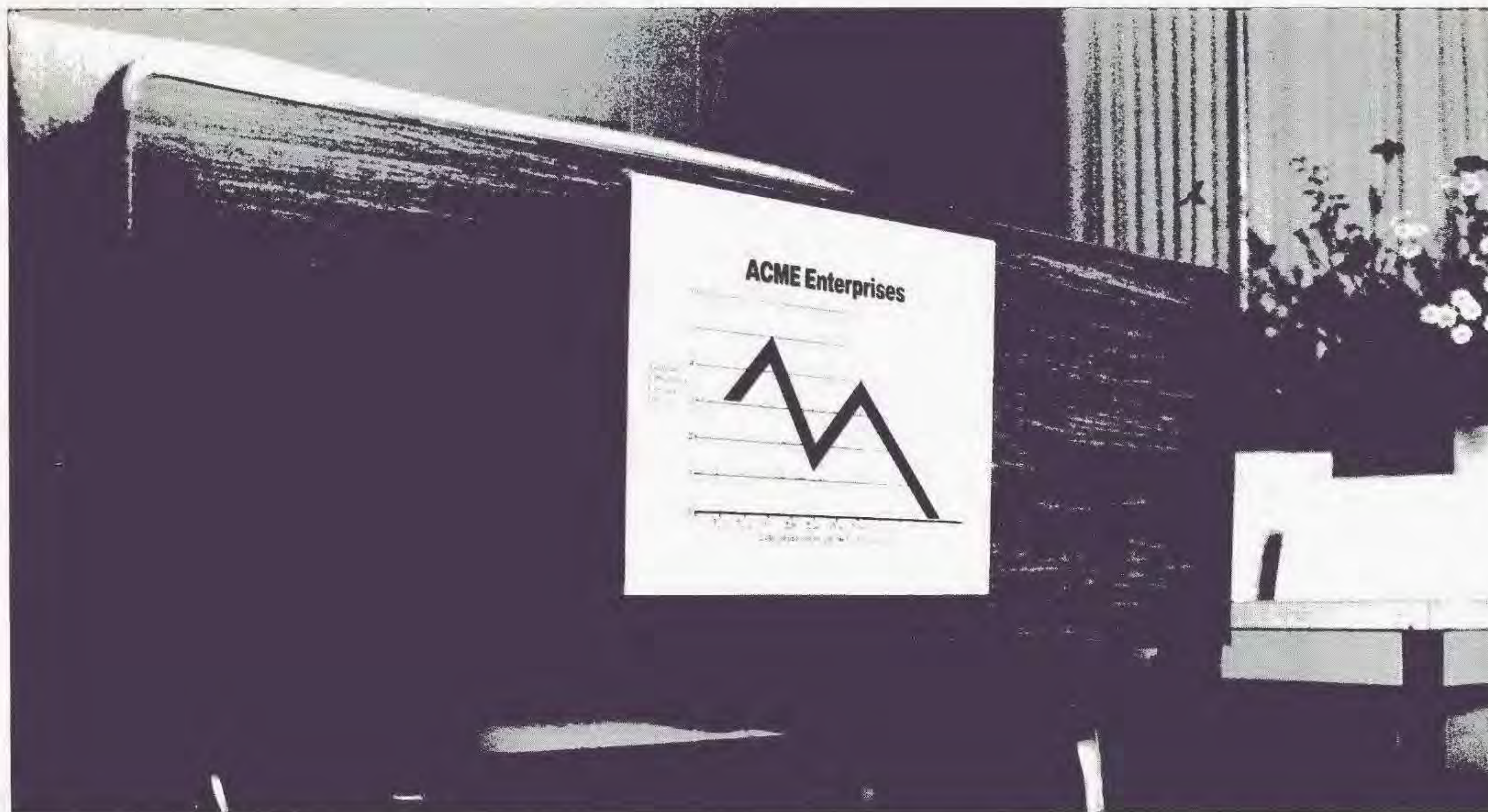

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The business operation, that is.

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Our experienced consultants can help you manage these medical costs and conserve claim dollars by identifying and eliminating unrelated, undocumented, and inaccurate charges. Our medical bill auditing and utilization review services will have a significant impact on your bottom line.

The cycle of disability is costly. Breaking the cycle with our professional disability management services can help return the disabled to gainful employment.

CONSERVCO's medical care coordination, vocational rehabilitation, and job placement services can assist you in effective file resolution and control of your claim costs.

Payment of unnecessary claim dollars can be fatal. Keep your company off the critical list.

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CONSTITUTION SERVICE COMPANY

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

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

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

Staff: 125 staff members, all of whom are assigned to benefit consulting; 75 professional staff members, including 35 FSAs, five ASAs, 10 MBAs, five CEBSs, five attorneys.

Clients: 1,000 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 85% corporations, 10% multiemployer plans, 5% individuals; no minimum size client.

Compensation: By the project; by the hour, senior consultant, $150-$200; junior consultant, $75-$125; clerical, $40-$80.

Gross revenues: 1985: $15 million total. 1984: $12 million total.

Principal officers: Kenneth Shapiro, president; Leonard Zimmerman and Jack Thompson, executive vps; Edwin Hustead and Kurt Fichthorn, senior vps.

Health Claims Administration Inc.

20 E. Cass St., Joliet, Ill. 60431; 800-892-9399 in Illinois, 800-435-0155 outside Illinois.

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: 10% 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, asset accumulation/investment consulting.

Welfare plan consulting: 15% of business. Includes plan design consulting, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

Employee communication consulting: 5% of business. Includes benefit statement preparation, booklet preparation.

Other services: 70% of business. Includes brokerage, health care and other types of claims administration.

Staff: Total staff members not reported; professional designations held by staff include one MBA, two CLUs, one attorney, one RHU.

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

Compensation: By the project.

Gross revenues: 1985: $1.95 million total, $590,000 from benefit consulting. 1984: $1.75 million total, $530,000 from benefit consulting.

Principal officers: George Relyea, president; Pat Reger, administration; Marc Taylor, underwriting; Jack Rushing, marketing; Claudette Nemich, claims; John Horrigan, finance.

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: 74% 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: 14% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers, actuarial evaluation of self-insured plans.

Employee 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, brokerage, general management consulting.

Locations: Pittsburgh; Fort Lauderdale, Fla.

Staff: 64 total staff members, all of whom are assigned to benefit consulting; 20 professional staff members, including four FSAs, one ASA, one MBA, two CEBSs, one CLU, one CPA, six 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, $150; junior consultant, $90; clerical, $30.

Gross revenues: 1985: $4.1 million total, $3.9 million from benefit consulting only. 1984: $3.9 total, $3.6 million from benefit consulting.

Principal officers: Charles E. Herget Jr., chairman/chief executive officer; Thomas J. Egan Jr., president; C. Richard Donovan and Ross L. Coffey, senior vps; Morton A. Kesler, vp-finance/administrative services.

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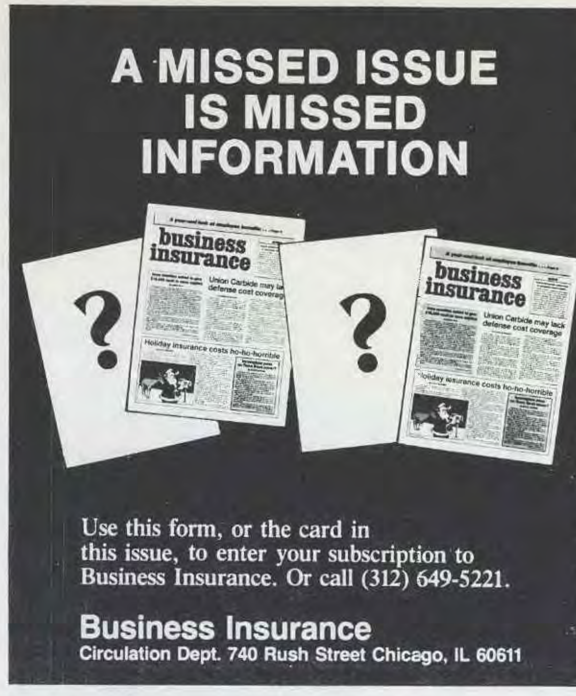

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Hewitt Associates

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: 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/broker selection consulting, evaluation of other service providers.
Employee benefit communication consulting: Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program presentation, employee listening programs.
International benefit consulting: Includes consulting via overseas branch offices, via overseas correspondents and from the U.S.
Other services: 15% of business. Includes compensation consulting, health care and other types of claims administration.
Locations: Atlanta; Boston; Chicago; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Phoenix, Ariz.; Rowayton, Conn.; St. Louis; San Francisco; Santa Ana, Calif.; Seattle; Tampa, Fla.; The Woodlands, Texas; Toronto; London; Paris.
Staff: 1,308 total staff members; 915 professional staff members, including 81 FSAs, 44 ASAs, 100 MBAs, 10 PhDs, 10 CPAs, 30 attorneys.
Clients: 1,789 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, $256.
Gross revenues: 1985: $90 million total, $76.5 million* from benefit consulting. 1984: $75 million total, $67.5 million from benefit consulting.
Principal officers: Peter E. Friedes, chief executive.

*BI estimate.

Holzman Post Ludwig & Schwartz Chtd.

125 S. Wilke Road, Suite 300, Arlington Heights, Ill. 60005; 312-392-2999

Year founded: 1977.
Services provided: 85% of business from benefit consulting, 15% of business from activities other than benefit consulting.
Retirement and savings plan consulting: 77% 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, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 4% of business. Includes plan design consulting, consulting on selection of investment managers.
Employee communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Other services: 15% of business.
Staff: 30 total staff members; 22 professional staff members, including two MBAs, one CEBS, six CPAs, four attorneys, one EA.
Clients: 650 total clients; 100% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.
Compensation: By the hour, senior consultant, $150; junior consultant, $45-$100; clerical, $35.
Gross revenues: Not reported.
Principal officers: William C. Ludwig, Ira A. Post, Mark Schwartz and George Castillo.

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: 22% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.
Employee benefit communication consulting: 13% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program presentation.
International benefit consulting: 2% of business. Includes consulting via overseas branch offices, via overseas correspondents and from the U.S.
Other services: 35% of business. Includes compensation consulting, brokering, general management consulting, health care and other types of claims administration.
Locations: Atlanta; Baltimore; Boston; Chicago; Cleveland; Dallas; Detroit; Fair Lawn, N.J.; Houston; Kansas City, Mo.; Los Angeles; Minneapolis; New York; Philadelphia; Pittsburgh; Richmond, Va.; St. Louis; San Francisco; Tampa, Fla.
Staff: 800 total staff members; 550 staff members assigned to benefit consulting; 450 professional staff members, including 24 FSAs, 27 ASAs, 12 MBAs, 12CEBSs, 38 CLUs, one PhD, two CPAs, four attorneys, two RHUs, three ISCEBSs, two ChFCs.
Clients: More than 6,000 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $150-$200; junior consultant, $75-$125; clerical, $20-$30.
Gross revenues: 1985: $105 million total, $70 million from benefit consulting. 1984: $66 million total, $42.9 million from benefit consulting.
Principal officers: A.M. D'Alessandro, chief executive officer; E.J. Rudzinski, managing director-East; E.W. Teal, managing director-West.

Hunter & Associates

8595 Aquarius Drive, San Diego, Calif. 92126; 619-578-7461

Year founded: 1984.
Services provided: 100% of gross revenues from benefit consulting.
Retirement and savings plan consulting: 5% of business. Includes plan design consulting, plan/trust legal document drafting.
Welfare plan consulting: 60% of business. Includes plan design consulting, plan (legal) document drafting.
Employee communication consulting: 35% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, summary plan description drafting.
Staff: Five total staff members, all of whom are assigned to employee benefits; two professional staff members, including one MBA.
Clients: 60 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 80% corporations, 20% multiemployer plans; minimum size client, 25 employees.
Compensation: By the project; by the hour, $60-$90.
Gross revenues: Not reported.
Principal officers: David H. Gluck, president; Susan L. Waybourn, vp.

In Plain English

P.O. Box 3300, Gaithersburg, Md. 20878; 301-340-2821

Year founded: 1977.
Parent company: R.H. Wohl & Associates.
Services provided: 67% of gross revenues from benefit consulting, 33% of gross revenues from activities other

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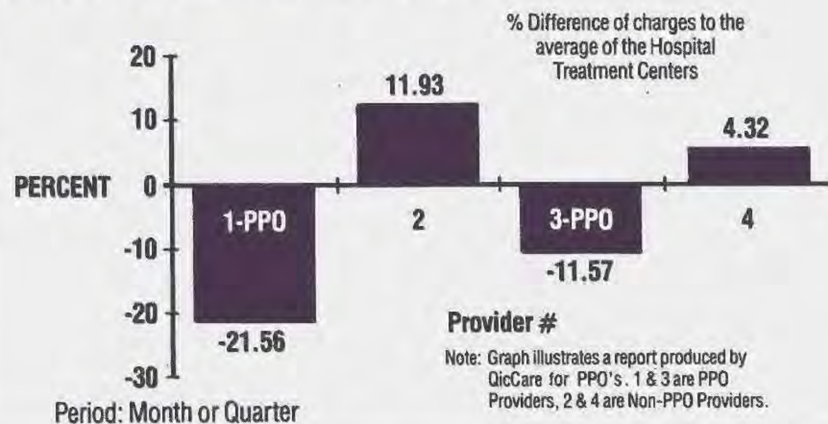

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than benefit consulting.

Employee benefit communication consulting: 67% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, personnel manuals, newsletters, cost-containment materials.

Other services: 33% of business. Includes insurance company advertising, development of computer manuals.

Staff: Eight total staff members; six staff members assigned to benefit consulting; six professional staff members.

Clients: 35 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 100% corporations; minimum size client, 150 employees.

Compensation: By the project; flat fee.

Gross revenues: Not reported.

Principal officers: Ronald H. Wohl, president; Ann Ellis and Edward Gold, senior benefits writers/editors.

Interactive Medical Systems Inc.

3700 Computer Drive, P.O. Box 19106, Raleigh, N.C. 27609; 919-781-2800

Year founded: 1981.

Services provided: 33% of gross revenues from benefit consulting, 67% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 8% of business. Includes plan design consulting, record keeping and administration systems consulting, plan/trust legal document drafting, plan administration consulting.

Welfare plan consulting: 21% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

Other services: 67% of business. Includes compensation consulting, brokerage, general management consulting, health care and other claims administration.

Staff: 23 total staff members; one staff member assigned to benefit consulting; two professional staff members, including one CLU and one attorney

Clients: 31 total clients; 16% with more than 500 employees, 84% with fewer than 500 employees; 89% corporations, 11% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project.

Gross revenues: 1985: $644,000 total, $213,000 from benefit consulting. 1984: $560,000 total, $185,000 from benefit consulting.

Principal officers: Woody Burnette, president; Rick Eilers, vp.

j

James Benefits

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

Year founded: 1958.

Parent company: Sedgwick Group P.L.C.

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

Retirement and savings plan consulting: 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.

Welfare plan consulting: 50% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

Employee benefit communication consulting: 3% of business. Includes general consulting on benefit communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, video preparation.

International benefit consulting: 6% of business. Includes consulting via overseas branch offices and from the U.S.

Other services: 35% of business. Includes compensation consulting, brokerage, health care and other types of claims administration.

Locations: 45 offices throughout the U.S.

Staff: 720 total staff members; 350 staff members assigned to benefit consulting; 250 professional staff members, including 12 FSAs, five ASAs, 25 MBAs, 10 CEBSs, 15 CLUs, eight CPCUs, four PhDs, 10 CPAs, four attorneys.

Clients: Approximately 4,500 total clients; 18% with more than 500 employees, 82% with fewer than 500 employees; 92% corporations, 7% multiemployer plans, 1% individuals; minimum size client, 10 employees.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $150-$200; junior consultant, $100-$150; clerical, $35-$75.

Gross revenues: 1985: $64 million total, $30 million from benefit consulting. 1984: $52 million total, $25 million from benefit consulting.

Principal officers: W. Terry Nofsinger, president; David H. Olson, executive vp-marketing; Carroll D. Cox, Keith F. Kinghorn and Charles A. Shoenster, executive vps/regional benefits directors.

Jaymar Associates

P.O. Box 999, Artesia, Calif. 90701-0999; 213-924-2922

Year founded: 1959.

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: 45% of business. Includes plan design consulting, brokering the insurance to insurers, evaluation of other service providers.

Other services: 50% of business. Includes compensation consulting, brokerage.

Staff: One employee who holds a CLU designation.

Clients: Total clients not reported; 100% with fewer than 500 employees; 75% corporations, 13% multiemployer

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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: 265 total staff members; 255 staff members assigned to benefit consulting; 235 professional staff members, including 21 FSAs, 23 ASAs, two MBAs, three CPAs, five attorneys, 37 MAAAs, four FCIAs, 12 FCAs, 10 MCAs, one ACA.

Clients: 425 total clients; 95% with more than 500 employees, 5% with fewer than 500 employees; 95% corporations, 5% multiemployer plans; no minimum size client.

Compensation: By the project, by the hour.

Gross revenues: Not reported.

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

m

J. Edward McClements & Associates

23441 S. Pointe Drive, Suite 150, Laguna Hills, Calif. 92653; 714-859-2200

Year founded: 1977.

Services provided: 75% of gross revenues from benefit consulting, 25% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 30% of business.

Welfare plan consulting: 43% of business.

Employee communication consulting: 2% of business.

Other services: 25% of business. Includes brokerage, health care and other claims administration.

Staff: Eight total staff members; four staff members assigned to benefit consulting; four professional staff members, including two CLUs, two ChFCs.

Clients: 80 total clients; 2% with more than 500 employees, 98% with fewer than 500 employees; 85% corporations, 5% multiemployer plans, 10% individuals; no minimum size client.

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

Gross revenues: 1985: $300,000 total, $200,000 from benefit consulting. 1984: $300,000 total, $200,000 from benefit consulting.

Principal officers: J. Edward McClements Jr., vp.

MedEval

2 E. 22nd St., Suite 304, 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 client companies that self-insure or self-administer income continuation plans.

Staff: 10 total staff members; two staff members assigned to benefit consulting; two professionals, including seven RNs, one LPN.

Clients: 45 total clients; 100% with more than 500 employees; 100% corporations; minimum size client, 1,000 employees.

Compensation: By the project.

Gross revenues: Not reported.

Principal officers: Ronald F. Smentek, president/founder; 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 providing medical benefit cost-control information.

Locations: San Francisco.

Staff: 38 total staff members, including three MBAs, one CPA.

Clients: Number of clients not reported; 100% with more than 500 employees; 100% corporations; minimum size client, 15,000 employees.

Compensation: By the project.

Gross revenues: 1985: $2.23 million total. 1984: $1.03 million total.

Principal officers: Ernest G. Ludy, president; Thomas L. Thomas, executive vp; Paul A. Lansky, vp-sales/marketing; Dennis J. Becker, vp-customer services; William Duddleson, vp-software development.

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: 56% of business. Includes plan design consulting, actuarial work for defined benefit plans, record keeping work 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: 34% of business. Includes plan design consulting, consulting on selection of investment managers, insurer selection consulting, brokering the insurance to insurers, evaluation of other service providers, health care cost management consulting.

Employee benefit communication consulting: 4% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation, interactive benefit communication systems.

International benefit consulting: 2% of business. Includes consulting via overseas branch offices, via overseas correspondents and from the U.S.

Other services: 4% of business. Includes compensation consulting, general management consulting, health care and other types of claims administration.

Locations: 42 offices throughout the U.S., 12 offices in Canada, 29 offices overseas.

Staff: 3,511 total staff members; 3,411 staff members assigned to benefit consulting; 1,570 professional staff members, including 253 FSAs, 148 ASAs, 18 CEBSs.

Clients: 10,000 total clients; 40% with more than 500 employees, 60% with fewer than 500 employees; 97% corporations (including hospitals, educational institutions, public entities); 3% multiemployer plans, 1% individuals; no minimum size client.

Compensation: By the project; on retainer; by the hour, senior consultant, $200-$300; junior consultant, $100-$200.

Gross revenues: 1985: approximately $235 million total, approximately $226 million from benefit consulting. 1984: $204 million total, $198 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 Benefit Corp.

22255 Greenfield, Southfield, Mich. 48075; 313-569-9700

Year founded: 1972.

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

Welfare plan consulting: 57% of business. Includes plan design consulting, insurer/broker selection consulting, brokering the insurance to insurers.

Employee benefit communication consulting: 3% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.

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

Locations: Grand Rapids, Mich.; Chicago.

Staff: 90 total staff members; eight professional staff members, including one FSA, one CLU.

Clients: 250 total clients; 25% with more than 500 employees, 75% with fewer than 500 employees; 100% corporations and government entities; minimum size client, 50 employees.

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

Gross revenues: 1985: $3.75 million total, $2.25 million from benefit consulting. 1984: $3 million total, $1.8 million from benefit consulting.

Principal officers: Frank P. Spadafore, president; Ron Klein, Michael Zuzanek and Larry Ostling, vps.

Miller Mason & Dickenson Inc.

One First Ave., Conshohocken, Pa. 19428; 215-834-2100

Year founded: 1960.

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Services provided: 95% of gross revenues from benefit consulting, 5% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 56% 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: 28% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, 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: 1% of business. Includes consulting via overseas correspondents and from the U.S.
Other services: 5% of business. Includes compensation consulting, brokering.
Locations: Chicago; Dallas; and Houston.
Staff: 175 total staff members; 170 staff members assigned to benefit consulting; 60 professional staff members, including three FSAs, five ASAs, 10 MBAs, three CEBSs.
Clients: 500 total clients; 35% with more than 500 employees, 65% 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, $170-$200; junior consultant, $60-$100; clerical, $25-$40.
Gross revenues: 1985: $10 million total, $9.5 million from benefit consulting. 1984: $7.5 million total, $7.3 million from benefit consulting.
Principal officers: M.P. Dickenson, chairman; R.A. Scott, president; E.M. Thompson, executive vp.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3600, Seattle, Wash. 98101; 206-624-7940

Year founded: 1957.
Services provided: 45% of gross revenues from benefit consulting, 55% 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: 10% of business. Includes plan design consulting.
Other services: 55% of business. Includes consulting with casualty, health and life insurance companies.
Locations: Albany, N.Y.; Atlanta; Chicago; Dallas; Denver; Hartford, Conn.; Houston; Indianapolis; Milwaukee; Minneapolis; New York; Omaha, Neb.; Pasadena, Calif.; Philadephia; Phoenix; Portland, Ore.; St. Louis; San Francisco; Washington, D.C.
Staff: 500 total staff members; 168 assigned benefit consulting only; 275 professional staff members, including 112 FSAs, 41 ASAs, nine FCASs, two ACASs, 131 MAAAs, 59 EAs.
Clients: Total number of clients not reported; no minimum size client.
Compensation: By the project, on retainer, by the hour.
Gross revenues: 1985: $40 million total, $18 million from benefit consulting. 1984: $35 million total, $16 million from benefit consulting only.
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, Suite 107, Sherman Oaks, Calif. 91423; 818-907-6800

Year founded: 1964.
Services provided: 66% of gross revenues from benefit consulting, 34% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 56% 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, consulting on selection of investment managers.
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.
Employee benefit communication consulting: 2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation.
Other services: 34% of business.
Staff: 13 total staff members; eight professionals, including three FSAs.
Clients: Approximately 250 total clients; 1% with more than 500 employees, 99% with fewer than 500 employees; 100% corporations and government entities; no minimum size client.
Compensation: By the hour, senior consultant, $120-$165; junior consultant, $60-$80; clerical, $30-$50.
Gross revenues: Not reported.
Principal officers: Lawrence Mitchell, president; Jeffrey F. Hartmann, vp.

J.F. Molloy & Associates

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: 1.5% of business. Includes record keeping for defined benefit and defined contribution plans, plan/trust legal document drafting.
Welfare plan consulting: 25.5% of business. Includes plan design consulting, insurer/broker selection consulting, placing insurance, funding arrangements.
Employee benefit communication consulting: 3% of business. Includes benefit statement preparation, booklet preparation.
Other services: 70% of business. Includes health care and other types of claims administration.
Locations: Orlando, Fla.
Staff: 42 total staff members; seven staff members assigned to benefit consulting only; 11 professionals.
Clients: 25 total clients; 80% with more than 500 employees, 20% with fewer than 500 employees; 30% corporations, 70% multiemployer plans.
Compensation: By the project, on retainer, by the hour.
Gross revenues: Not reported.
Principal officers: David W. Blanford, president/chief executive officer; Craig Penwell, executive vp; Nancy Gill, Karen Moffitt and Monica Earlywine, vps.

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National Insurance Advisory Services

161 Forbes Road, Braintree, Mass. 02184; 617-848-4500

Year founded: 1979.
Services provided: 55% of gross revenues from benefit consulting, 45% 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, asset accumulation/investment consulting.
Welfare plan consulting: 36% 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 communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
Other services: 45% of business. Includes compensation consulting, property/casualty insurance consulting.
Staff: 20 total staff members; six staff members assigned to benefit consulting; 13 professional staff members, including one MBA, one CLU, one CPCU, one CPA, one attorney, two ARMs, six LIAs.
Clients: 190 total clients; 65% with more than 500 employees, 35% with fewer than 500 employees; 100% corporations; minimum size client, 10 employees.
Compensation: By the project; on retainer; by the hour, senior consultant,

Continued on next page

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In choosing a healthcare provider, today's companies are increasingly cognizant of the need to provide quality care in the appropriate setting. **Preferred Care Network, Inc. (PCN)**, a major new preferred provider organization, has been chosen by major employers and some of the best known hospitals in the Chicago area because it has a commitment to quality care while offering preferred rates and cost effective measures to reduce overall healthcare costs.

PCN means lower rates, limited inpatient utilization, shorter lengths of hospital stays and reduced claims processing costs. In keeping with the needs of employers, **PCN** has developed a sophisticated data system to provide meaningful reports necessary to making decisions on employee health benefit programs.

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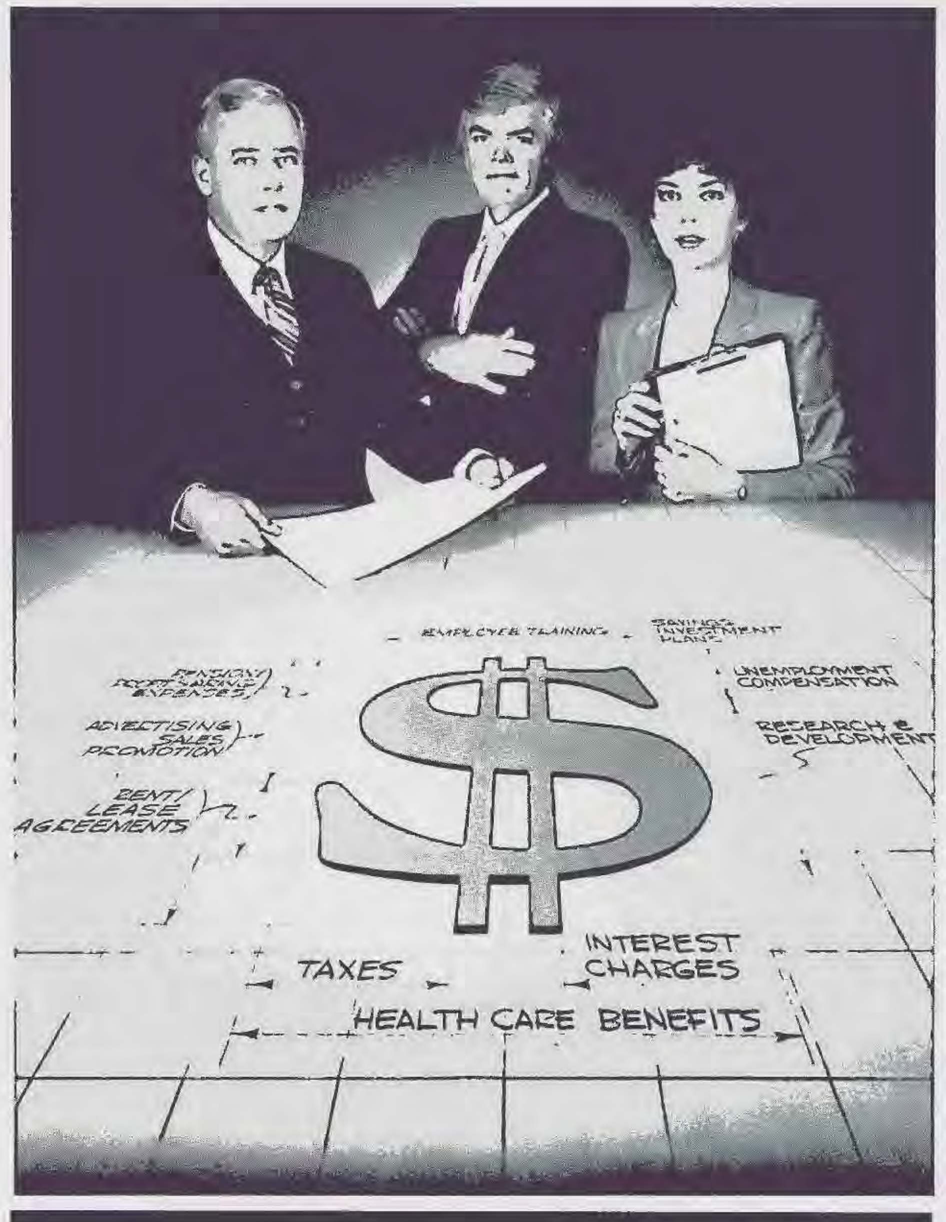
PCN is a preferred alternative to traditional healthcare benefits for employers in the Chicagoland area. Through **PCN**, employers can provide health services at preferred rates via a network of over 20 healthcare institutions. The following hospitals are a few of the medical providers that **PCN** has chosen because they have demonstrated their ability to deliver excellent care while maintaining costs.



Resurrection Hospital

A 454-bed full service acute care medical complex, serving Chicago's northwest side, the nearby O'Hare complex and adjacent suburbs. Known as a major cancer care center, Resurrection also offers same day and laser surgery, endoscopy diagnostic services, and special care nursery and neonatalogy units. Supportive services include a pain control/behavioral medicine center, home health care, and an acute care alcohol treatment unit.

South Chicago Community Hospital

This 90-year-old teaching hospital serves a half-million residents in the southeast metropolitan Chicago area. A 436-bed facility, South Chicago prides itself on never reducing staff or services. Among its services are a new ambulatory surgery program, state-of-the-art nuclear medicine and radiology departments, a chemical dependency unit, a department of physical medicine and an advanced respiratory therapy program.

Holy Cross Hospital

A full-service, 417-bed hospital serving Chicago's southwest side, Holy Cross offers a complete range of services from one day surgery to home health care, a quick care center, physician referral, a speaker's bureau, and a fully-accredited rehabilitation hospital facility. Clinics for psychological counseling, hand injuries, and ear, nose, and throat treatment are part of Holy Cross Hospital's rehabilitation service.

SwedishAmerican Hospital

Located in Rockford, a 413-bed acute care medical center serving the greater Rockford area, northern Illinois and southern Wisconsin. Specialties include cancer care, pediatric and adult cardiology, a pediatric intensive care unit, ambulatory and outpatient surgery and laser eye surgery. Swedish American offers special services in dentistry, neurology, and physical, pulmonary and occupational medicine.

...get the network working for you

Preferred Care Network, Inc.
867 North LaSalle Street
Chicago, Illinois 60610
312-943-9229

Continued from preceding page

Principal officers: Richard A. Milucky, owner.

Reed Stenhouse Associates Ltd.

P.O. Box 279, Toronto-Dominion Centre, Toronto, Ontario M5K 1J5; 416-868-5500

Year founded: 1959.
Parent company: Reed Stenhouse Cos. Ltd./Alexander & Alexander Services Inc.
Services provided: 74% of gross revenues from benefit consulting, 26% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 31% 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: 31% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.
Employee benefit communication consulting: 2% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.
International benefit consulting: 8% of business. Includes consulting via overseas branch offices and from Canada.
Other benefit consulting services: 2% of business. Includes personal financial planning, individual life insurance advice, ordinary life.
Other services: 26% of business. Includes compensation consulting, brokerage, health care and other types of claims administration.
Locations: More than 180 offices worldwide.
Staff: 563 total staff members; 213 professional staff members, including 22 FSAs, six ASAs, eight MBAs, 10 CEBSs, eight CLUs, one attorney.
Clients: Total number of clients not reported; 86% corporations, 4% multiemployer plans, 10% individuals; no minimum size client.
Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour, senior consultant, $100-$200; junior consultant, $80-$100; clerical, $50.
Gross revenues: 1985: $33 million total, $24.42 million from benefit consulting. 1984: $30 million total, $22.2 million from benefit consulting.
Principal officers: P.J. Desmarais, chairman (Canada); John D. Loudon, chairman (United Kingdom); B.J. Willats, deputy chairman (United Kingdom); R.J. Crabb, executive director (Australia).

Risk Administrators Inc.

1211 Mall Drive, Richmond, Va. 23235; 804-379-0086

Year founded: 1980.
Services provided: 40% of gross revenues from benefit consulting, 60% of gross revenues from activities other than benefit consulting.
Retirement and savings plan consulting: 14% of business. Includes plan design consulting, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, consulting on selection of investment managers.
Welfare plan consulting: 12% of business. Includes plan design consulting, 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: 4% of business. Includes consulting from the U.S.
Other services: 60% of business. Includes compensation consulting, general management consulting, health care and other claims administration.
Staff: Five total staff members; two staff members assigned to benefit consulting only; two professionals.
Clients: Number of clients not reported; 20% with more than 500 employees, 80% with fewer than 500 employees; 50% corporations, 40% multiemployer plans, 10% individuals; minimum size client varies.
Compensation: By the project, on retainer, by the hour.
Gross revenues: Not reported.
Principal officers: George H. Cosby III, president.

Rubell Helm Inc.

1431 Warner Ave., Suite F, Tustin, Calif. 92680; 714-259-0662

Year founded: 1983.
Services provided: 30% of gross revenues from benefit consulting, 20% of gross revenues from activities other than benefit consulting.
Welfare plan consulting: 68% of business. Includes plan design consulting, insurer/broker selection consulting, brokering the insurance to insurance, evaluation of other service providers.
Employee benefit communication consulting: 8% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, cost containment.
International benefit consulting: 4% of business. Includes consulting via overseas correspondents, consulting from the U.S.
Other services: 20% of business. Includes property/casualty, workers compensation.
Locations: Century City, Calif.
Staff: 17 total staff members; 14 staff members assigned to benefit consulting; 7 professional staff members, including two MBAs, one CEBS, two CPCUs.
Clients: 60 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 90% corporations, 8% multiemployer plans, 2% individuals; minimum size client, 50 employees.
Compensation: By the project; fees for insurance placed with underwriters; on retainer.
Gross revenues: 1985: $2 million total, $1.6 million from benefit consulting. 1984: $1.2 million total, $1 million from benefit consulting.
Principal officers: James B. Helm, president; Michael A. Rubell, chairman; Scott A. Clawson and Steven Wilson, senior consultants; Leonard Ziminsky, director-property/casualty consulting.

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, 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, insurer/broker selection consulting, evaluation of other service providers, health care cost management, PPOs, health care coordinator selection, claims 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 from Canada and from the U.S.
Other services: 5% of business. Includes compensation consulting.
Locations: Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; New Orleans; Phoenix, Ariz.; San Francisco; Washington, D.C.; Toronto; Edmonton, Alberta.
Staff: 550 total staff members; 410 staff members assigned to benefit consulting; 410 professional staff members, including 12 FSAs, 19 ASAs, 21 MBAs, two PhDs, two CPAs, nine attorneys.
Clients: 3,600 total clients; 85% with more than 500 employees, 15% with fewer than 500 employees; 46% corporations (including government entities and non-profit organizations), 54% multiemployer plans.
Compensation: By the project; on retainer; by the hour, senior consultant, $100-$250, including clerical services; junior consultant, $50-$100, including clerical services.
Gross revenues: Not reported, see page 3 for estimate.
Principal officers: Martin E. Segal, chairman; Robert D. Paul, vice chairman; Robert D. Krinsky, president; John F. Gentleman, executive vp.

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Continued from facing page

E.W. Siver & Associates Inc.
9400 4th St. N., P.O. Box 21343, St. Petersburg, Fla. 33742; 813-577-2780

Year founded: 1970.
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 compensation consulting, property/casualty consulting.
Staff: 14 total staff members; four staff members assigned to benefit consulting only; three professionals, including four CLUs, four CPCUs, one attorney, one ChFC, one ARM, one CIC.
Clients: Number of clients not reported; 30% with more than 500 employees, 70% with fewer than 500 employees; 60% corporations, 5% individuals, 35% government agencies; no minimum size client.
Compensation: By the project; on retainer; by the hour, senior consultant, $100; junior consultant, $60; clerical, $25.
Gross revenues: 1985: more than $900,000 total, more than $350,000 from employee benefit consulting. 1984: more than $1.1 million total, more than $250,000 from employee benefit consulting.
Principal officers: Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall Jr., vp; Charlotte H. Steele, corporate secretary.

Donald F. Smith & Associates
One 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, consulting on selection of investment managers, asset accumulation/investment consulting.
Welfare plan consulting: 30% of business. Includes plan design consulting, consulting on selection of investment managers, brokering the insurance to insurers, evaluation of other service providers.
Other services: 50% of business. Includes brokerage, health care and other types of claims administration.
Locations: Pennington, N.J.; Richmond, Norfolk and Newport News, Va.; Wallingford, Conn.; Concord, N.H.; Augusta, Maine.
Staff: 127 total staff members; 90 professional staff members.
Clients: More than 5,000 clients; 10% corporations, 70% multiemployer plans, 20% individuals.
Compensation: By the project, commissions for insurance placed with underwriters, on retainer, by the hour.
Gross revenues: Not reported.
Principal officers: Donald F. Smith, president; Terence J. McDonough, executive vp; Robert Bainbridge, Earl Stalker, Robert Neuman, Thomas Redmond, Richard Poveromo, Jeanne Trayah and Roz Morris, vps.

Southern Employee Communications
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 staff member.
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 junior consultant, $75; clerical, $30.
Gross revenues: Not reported.
Principal officers: R. Craig Fulford, president; Kate C. Hawthorne, secretary. treasurer.

Stop Loss International Corp.
921 E. 86th St., Suite 200, Indianapolis, Ind. 46240; 317-251-9788

Year founded: 1983.

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

Welfare plan consulting: 60% of business. Includes plan design consulting, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers, risk underwriting.

International benefit consulting: 20% of business. Includes consulting via overseas correspondents, consulting from the U.S., reinsurance placement.

Other services: 20% of business. Includes brokerage.

Locations: Dallas; Kansas City, Kan.

Staff: 20 total staff members; 18 staff members assigned to benefit consulting; 14 professional staff members.

Clients: 300 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 90% corporations, 10% multiemployer plans; minimum size client, 50 employees.

Compensation: Commissions for insurance placed with underwriters.

Gross revenues: 1985: $3 million total, $2.5 million from benefit consulting. 1984: $1.75 million total, $1.5 million from benefit consulting.

Principal officers: Laurence B. Day and J. Allan Hall.

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TIC International Corp.

3901 N. Meridian St., Suite 500,
P.O. Box 88348, Indianapolis, Ind.
46208; 317-924-5314

Year founded: 1951.

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, 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, brokering the insurance to insurers, evaluation of other service providers.

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

Other services: 50% of business. Includes health care and other types of claims administration.

Locations: Birmingham and East Lansing, Mich.; Louisville, Ky.; Brookfield, Wis.; New York.

Staff: 118 total staff members; eight professional staff members, including three FSAs, one PhD, two CPAs, one attorney.

Clients: 260 total clients; 50% with more than 500 employees, 50% with fewer than 500 employees; 90% multiemployer plans, 10% others; no minimum size client.

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

Gross revenues: 1985: $5.3 million total, $2.65 million from benefit consulting. 1984: $6 million total, $3 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/secretary/treasurer.

Tillinghast, Nelson & Warren Inc. Benefits Division

Tower Place, 3340 Peachtree Road
N.E., Suite 2000, Atlanta, Ga.
30026; 404-261-5420

Year founded: 1947.

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

Retirement and savings plan consulting: 65% 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.

Welfare plan consulting: 20% 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: 5% of business. Includes consulting via overseas branch offices and from the U.S.

Locations: Boston; Chicago; Dallas; Darien, Simsbury and Hartford, Conn.; Denver; Jacksonville, Fla.; Kansas City, Mo.; Los Angeles; Nashville, Tenn.; New Orleans, La.; New York; San Antonio, Texas; San Francisco; St. Louis; Sydney, Australia; Hamilton, Bermuda; Toronto; London; Paris; Stockholm, Sweden.

Staff: 185 total staff members; 70 professionals, inluding 35 FSAs, 15 ASAs, two attorneys.

Clients: 1,500 total clients; 30% with more than 500 employees, 70% with fewer than 500 employees; 90% corporations, non-profit organizations and government agencies, 10% multiemployer plans.

Compensation: By the project; on retainer; by the hour, senior consultant, $125-$225; junior consultant, $75-$125; clerical, $20-$50.

Gross revenues: 1985: $15 million total, all from benefit consulting. 1984: $12 million total, all from benefit consulting.

Principal officers: James C.H. Anderson, president; Thomas P. Cerneka, Henry K. Knowlton, W. James MacGinnitie, Randall P. Mire and Robert W. Sturgis, vps/directors.

Touche Ross Actuarial & Benefits Consulting Group

900 Pillsbury Center, Minneapolis,
Minn. 55402; 612-333-2301;
800-328-4692

Year founded: 1947.

Parent company: Touche Ross & Co.

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

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

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

Health care benefit consulting: Includes plan design, consulting on selection of investment managers, comparison of available health care benefit options, consulting with insurers/brokers, pricing of benefits and evaluation of rate structures, cost-containment con-

Continued on facing page

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—Was everything charged actually delivered to the patient?

—Are all charges applicable to the admitting diagnosis? Or included under the patient's insurance coverage?

Continued from facing page
sulting.

Other services: 10% of business. Includes compensation consulting, general management consulting.

Locations: Boston; Chicago; Dallas; Detroit; Grand Rapids, Mich.; Hartford, Conn.; Los Angeles; Omaha, Neb.; New York; St. Paul, Minn.

Staff: 135 total staff members; 95 professional staff members, including 20 FSAs, 12 ASAs.

Clients: 800 total clients; 100% corporations, non-profit organizations and government agencies; no minimum size client.

Compensation: By the project; by the hour.

Gross revenues: Not reported.

Principal officers: Jim Magalska, national director; Leon Smith, Ainar Ayala, Dale Lamps, Susan Achenbach, Mark Sobel, Bob Zieminski, Bob Swett, Jerry Riddle and Richard Berens, directors of operations.

Towers, Perrin, Forster & Crosby

245 Park Ave., New York, N.Y. 10167-0128; 212-309-3400

Year founded: 1934.

Services provided: 72% of gross revenues from benefit consulting, 28% of gross revenues from activities other than benefit consulting.

Retirement and savings plan consulting: 45% of business.

Welfare plan consulting: 7% of business.

Employee benefit communication consulting: 9% of business.

International benefit consulting: 11% of business.

Other services: 28% of business. Includes compensation consulting, general management consulting.

Locations: 39 locations worldwide.

Staff: 2,500 total staff members, including 208 FSAs, 92 ASAs.

Clients: 6,500 total clients; 100% corporations, non-profit organizations and government agencies; no minimum size client.

Compensation: By the hour.

Gross revenues: 1985: $250 million total, $180 million from benefit consulting. 1984: $200 million total, $144 million from benefit consulting.

Principal officers: Quentin I. Smith Jr., chief executive officer/chairman; James E. Kielley, president; Robert C. Phillips, vp-employee benefits; Lawrence N. Margel, chief actuary.

W

David H. Walker Co.

220 Montgomery St., Suite 900, San Francisco, Calif. 94104; 415-398-2655

Year founded: 1948.

Services provided: 95% of gross revenues from benefit consulting, 5% 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, consulting on selection of investment managers, asset accumulation/investment consulting.

Welfare plan consulting: 55% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

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

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

Locations: San Diego.

Staff: 35 total staff members; 10 staff members assigned to benefit consulting only; six professionals.

Clients: 50 total clients; 20% with more than 500 employees, 80% with fewer than 500 employees; 25% corporations, 75% multiemployer plans; minimum size client, 25 employees.

Compensation: By the project; on retainer; by the hour, senior consultant, $150; junior consultant, $100; clerical, $25.

Gross revenues: Not reported.

Principal officers: David Walker, Art Mathews and Wes Morrill.

Williams, Thacher & Rand

708 Third Ave., New York, N.Y. 10017; 212-949-1348

Year founded: 1975.

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

Retirement and savings plan consulting: 65% 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: 25% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, evalaution of other service providers, cafeteria plan consulting.

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

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

Locations: Baltimore; Washington, D.C.; Richmond, Va.

Staff: 55 total staff members, all of whom are assigned to benefit consulting; 40 professional staff members, including two FSAs, seven ASAs, one MBA, one attorney.

Clients: 500 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; junior consultant, $90-$140; clerical, $30-$40.

Gross revenues: 1985: $3.6 million total, $3.42 million* from benefit consulting. 1984: $3 million total, $2.85 million* from benefit consulting.

Principal officers: Charles G. Thacher, head-New York office; Robert L. Williams, head-Baltimore office; Thomas O.S. Rand, head- Washington, office; Terry G. Stokes, head-Richmond, Va., office.

*BI estimate.

Wittner Hanahan & Peck Inc.

100 Second Ave. S., St. Petersburg, Fla. 33701; 813-898-4141

Year founded: 1980.

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. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting, brokering the insurance to insurers, evaluation of other service providers.

Employee benefit communication consulting: 2% of business. Includes general consulting on communications

Continued on next page

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Mr. Daniel H. Davis
Director of Marketing, Intracorp
985 Old Eagle School Road
Wayne, PA 19087

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Continued from preceding page

programs, benefit statement preparation, booklet preparation.

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

Staff: 31 total staff members; three staff members assigned to benefit consulting only; 29 professionals.

Clients: 114 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.

Gross revenues: 1985: $2.4 million total, $960,000 from employee benefit consulting. 1984: $1.98 million total, $792,000 from employee benefit consulting.

Principal officers: Ted P. Wittner, chairman; James L. Hanahan, president; John L. Peck, vp; Cherie W. Lundquist, vp-operations; Gary D. York, controller.

The Wyatt Co.

1050 17th St. N.W., 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 actuarial work for defined benefit plans, record keeping for defined benefit and defined contribution plans, record keeping and administration systems consulting, plan/trust legal document drafting, consulting on selection of investment managers, 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 communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

International benefit consulting: 3% of business. Includes consulting via overseas branch offices, via overseas correspondents, from the U.S.

Other services: 14% of business. Includes compensation consulting, health care and other types of claims administration, risk management consulting.

Locations: Atlanta; Wellesley Hills, Mass.; Boston; Chicago; Cleveland; Columbus, Ohio; Dallas; Denver; Detroit; Fort Lee, N.J.; Grand Rapids, Mich.; Honolulu; Houston; Sherman Oaks, Calif.; Memphis, Tenn.; Miami; Bloomington, Minn.; New York; Altamonte Springs, Fla.; Philadelphia; Phoenix, Ariz.; Portland, Ore.; San Diego; San Francisco; Seattle; Stamford, Conn.; Upper Montclair, N.J.; six offices in Canada; one office in Mexico; 16 offices overseas.

Staff: 2,010 total staff members; 1,700 assigned to benefit consulting only; 970 professionals, including 161 FSAs, 130 ASAs, 27 attorneys.

Clients: More than 10,000 total 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.

Gross revenues: 1985: $175 million total, $151 million from benefit consulting; 1984: $140 million total, $120 million from benefit consulting.

Principal officers: J. Perham Stanley, president; V. Clark Beaird, vp/treasurer; Edwin F. Boynton, Michael H. Davis and Paul H. Jackson, vps.

y

Yaffe & Co. Inc.

800 N. Charles St., Baltimore, Md. 21201; 301-332-1166

Year founded: 1976.

Services provided: 90% of gross revenues from benefit consulting, 10% 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, asset accumulation/investment consulting.

Welfare plan consulting: 22.5% of business. Includes plan design consulting, consulting on selection of investment managers, insurer/broker selection consulting.

Employee benefit communication consulting: 22.5% of business. Includes general consulting on communications programs, benefit statement preparation, booklet preparation, audiovisual program preparation.

Other services: 10% of business. Includes compensation consulting, general management consulting.

Locations: Washington, D.C.

Staff: 27 total staff members, all of whom are assigned to benefit consulting only; 19 professionals, including one FSA, two ASAs, one CLU, one CFC.

Clients: 52 total clients; 97% corporations, 3% multiemployer plans; minimum size client, 100 employees.

Compensation: By the project; on retainer; by the hour, senior consultant, $75-$100; junior consultant, $50; clerical, $25.

Gross revenues: Not reported.

Principal officers: Rian M. Yaffe, chief executive officer; Kenneth J. Duffy, William J. Nicholas and Kristine Dahlberg, principals. ■

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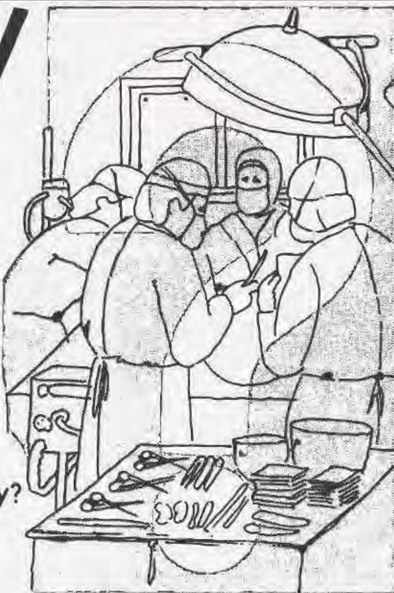

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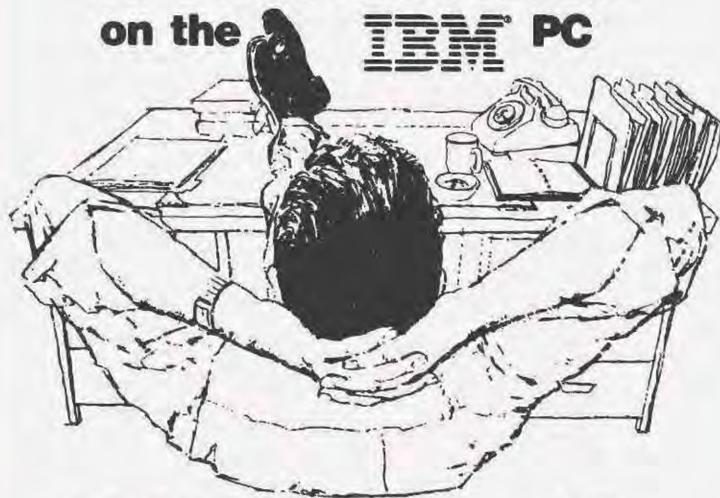

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- ☑ FSA eligible expenses are entered into the system for automated reimbursement.
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Allianz Syndicate on NYIE to boost surplus to $10 million

markets

The Allianz Syndicate Inc., a member of the New York Insurance Exchange, will raise its surplus to $10 million by year-end.

The syndicate's surplus at year-end 1984 was $6.1 million, according to figures supplied by the New York Insurance Exchange.

Claus Cardinal, president of the syndicate and Allianz Management Inc., the syndicate's manager, would not comment on the decision to increase the syndicate's surplus.

Allianz Syndicate is a subsidiary of Allianz Insurance Co. of Los Angeles.

Cleveland PPO

A health insurance plan administrator and six hospitals are forming the Buckeye Health Network, a Cleveland-area preferred provider organization to be marketed by independent insurance agents.

The network is being formed by Variable Protection Administrators Inc. in Cleveland and six Cuyahoga County hospitals. Independent agents in Cleveland will market the plan to their clients with two or more employees. California Life Insurance Co. in Los Angeles will underwrite the plan.

David Manley, president of VPA, said, "Until now. . .Cleveland PPOs have been available only outside the independent insurance market, directly from health-care providers or from large direct writers. Independent agents ran the risk of losing valuable clients because they couldn't offer a competitive plan."

Buckeye Health Network will pay 100% of most services provided by member hospitals and approximately 1,500 physicians. The 90-person VPA staff will handle all marketing, administrative and claims services.

Hospitals participating in the PPO are Booth Memorial Hospital, Brentwood Hospital, Deaconess Hospital, Richmond Heights General Hospital, St. Alexis Hospital and University Hospitals of Cleveland.

More information is available on the Buckeye Health Network by calling 216-888-8585.

Dental plan changes

Delta Dental Plan (Dental Service of Massachusetts), is consolidating its administrative, marketing and customer services at a new headquarters.

The plan's services formerly were administered by Blue Cross & Blue Shield of Massachusetts. A spokeswoman said Delta Dental Plan felt after a two-year study that it could offer subscribers more flexible benefits and competitive prices by taking over the administrative services.

In addition, the plan is moving into new headquarters in Medford, Mass., and, beginning March 1, it will officially drop Dental Service of Massachusetts from its name.

Delta Dental Plan provides dental benefit plans to more than 550,000 individuals.

The new headquarters for the Massachusetts plan is Wellington Business Center, 10 Cabot Road, P.O. Box 9104, Medford, Mass. 01255; 617-391-2700.

New offices

Employees Insurance Representatives Inc. has moved to 12087 Old Hammond Highway, Baton Rouge, La. 70816; 504-273-1471. The new mailing address is P.O. Box 40015, Baton Rouge, La. 70835.

North American Reinsurance Corp. has moved its Los Angeles office to 10 Universal Plaza, Suite 2660, Universal City, Calif. 91688-1897.

Giraffe Group Ltd., which provides financial guarantees to syndicators, partnerships and investors, has moved to 7125 Orchard Lake Road, Suite 300, West Bloomfield, Mich. 48003; 313-851-4499. ■

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Liquor liability

Continued from page 1

hotels and restaurants—has virtually dried up in the 26 states that, according to the Insurance Services Office, have adopted tough dramshop liability stadards (see story, page 57).

For example, brokers and others estimate that as many as 70% of the bars, taverns and restaurants in Michigan are without liquor liability insurance.

Establishments in other states that have been able to buy coverage soon may face coverage problems as more states either enact dramshop liability statutes or establish common law through court decisions, say attorneys specializing in liquor liability.

Brokers also note that establishments that can find the coverage face rate increases that can exceed 1,000%.

While bars and taverns across the country have a tough time purchasing coverage, establishments like hotels and restaurants whose liquor sales do not exceed 25% of their total receipts can find coverage if they are located in states without tough dramshop liability laws, brokers say.

Available limits generally do not exceed $500,000, with limits of $100,000 to $300,000 common. A year ago, liquor liability limits of $1 million were common.

"The standard market responds to restaurants, clubs—we don't find a collapse in the market there," said J. Michael Hammer, senior vp with Fred S. James Co. of New York. However, "We find almost no market for cabarets, bars and taverns. The smaller operators are having difficulty."

"We can't find any coverage for bars and taverns," says Susan Mattia, vp-commercial accounts in the Cambridge, Mass., office of ISU/Hastings-Tapley Insurance, though she noted markets are available for establishments whose liquor sales account for less than 25% of total receipts.

Surplus lines insurers, which in the past have written the bulk of liquor liability policies, also are no longer writing much business, says Mr. Lanning.

"The special lines market will be a very limited source through 1986," he said. "With the shrinkage of capacity, they're getting submissions on what in other times would be standard business" and are not writing liquor liability coverage.

Some bars and taverns located in large cities with mass transit systems still can obtain coverage, according to Bill Richardson, executive vp with Frank B. Hall & Co. of New York. He explained that in an area with mass transit service, bar patrons are less likely to drive home, thus reducing the establishment's liquor liability exposure for automobile accident injuries.

But, obtaining coverage for bars located in outlying areas is "impossible," he said.

Still, the liquor liability marketplace is not bone dry. Limited coverage is available in some regions.

For instance, $100,000 in coverage for all types of liquor-serving establishments is available through the Britamco Underwriters Inc. syndicate on the Illinois Insurance Exchange in Chicago. Britamco will write coverage on a claims-made basis for establishnents in Alabama, Louisiana, Mississippi, North Dakota, Ohio, Pennsylvania, Tennessee and Texas, said Myron Burdge, the syndicate's vp and underwriting manager.

Rates vary according to the state and the type of establishment covered.

Syndicates on the Insurance Exchange of the Americas in Miami will write up to $500,000 in liquor liability coverage for establishments located in Florida, Texas and Georgia through Davis Marine Insurance Agency, according to Bob Davis, the agency's owner.

"If someone comes to us from a state we don't know about, we ask them to get a legal opinion on whether it's a dramshop state," Mr. Davis said, referring to whether the state has tough dramshop liability laws.

The coverage has been offered on an occurrence basis, but Mr. Davis expects that the syndicates will switch to a claims-made form in January.

Monticello, N.Y.-based Frontier Insurance Co., an affiliate of Rhulen Agency Inc., provides up to $100,000 in coverage "for many types of establishments" in New York state on an occurrence basis, said Robert Wasserman, assistant vp and underwriting manager.

However, Frontier will not write the coverage for establishments that cater primarily to 21- to 23-year-olds. And, it charges establishments whose liquor sales exceed 50% of their total receipts an

Continued on next page

CITY OF CARBONDALE
REQUEST FOR PROPOSALS

1) Sealed proposals will be received by the City of Carbondale, in the office of the Purchasing Agent, 609 E. College Street, Carbondale, Illinois until 2:00 p.m., January 31, 1986, for City Employee Health Insurance Program Coverage(s). The program contains three primary health care plans:

Plan I A standard health plan with 100% hospitalization and 80/20 major medical coverage.

Plan II A comprehensive health plan with HMO benefits.

Plan III A catastrophic health plan with 80/20 coverage, high deductible and out-of-pocket expense.

The specifications allow for alternative health insurance plan proposals including self insurance and preferred provider organization plans.

2) Proposals shall be submitted on forms furnished by the City which may be obtained at the Office of the Purchasing Agent (618/549-5302) and shall be submitted in an envelope endorsed "RFP/56-34, Health Care Insurance Proposals."

3) The right is reserved to reject any and all proposals.

BY ORDER OF THE CITY COUNCIL
Robert Hisgen, Purchasing Agent

J&H INFOLINE

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As a leading GIC consultant, Johnson & Higgins thinks that sponsors should first examine the possibility of a rise in interest rates, since no guaranteed product looks bad when rates are falling.

To avoid getting locked into an unfavorable rate of return, employers should also look for the best guaranteed rate available for the shortest term possible.

Sponsors of large programs will find that they can maximize GIC returns by instituting an annual bidding strategy to select the most competitive insurance company product. Some advantages of annual bidding:

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- Employer bargaining power with incumbent carriers is increased.
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For more information, call your J&H office. Or J&H consultants Murray Becker and Kathleen Rooney, 212-701-8529.

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Liquor liability

Continued from previous page

additional 25% premium.

Also, a policyholder must pay a special $10,000 deductible if it is held liable in a dramshop case involving an assault, he says.

However, Frontier will reduce by 30% the rates of establishments that implement a program offered by a Syracuse, N.Y.-based risk management service. Under the program, alcoholic beverage servers are trained to prevent patrons from becoming intoxicated (see story, page 58).

Frontier is not currently looking for additional liquor liability business in New York, but it is seeking licenses from the Vermont and Connecticut insurance regulators to write liquor liability as well as other coverages in those states, Mr. Wasserman said. Frontier currently is not licensed in either state.

Allied Fidelity Insurance Co. of Carmel, Ind., offers limits of $300,000 to bars and taverns and $500,000 in coverage to establishments like restaurants and hotels, but it does not write the coverage in states with strict dramshop laws. The coverage is written on a claims-made basis, usually on a separate policy form from an establishment's other liability coverages.

The newest two markets for liquor liability coverage are in Massachusetts and California.

The Massachusetts Insurance Department is in the final stages of establishing a liquor liability joint underwriting association, which will offer establishments that serve liquor policy limits of $1 milllion per occurrence and $500,000 per person, says Peter Robertson, the department's acting general counsel.

The JUA will be "up and going as soon possible," Mr. Robertson said.

Coverage will be available on either an occurrence or claims-made form. Rates have not yet been established.

All 250 property/casualty insurers licensed in the state are required to participate in the JUA.

To obtain coverage through the Massachusetts JUA, liquor-serving establishments must prove they cannot obtain coverage through the commercial marketplace, though the department does not require establishments to submit a specific number of declinations to show that the coverage was unavailable.

Commercial hosts—companies that sponsor events like softball games or office Christmas parties at which liquor is served—also are eligible to buy liquor liability coverage from the JUA. However, brokers and insurers note that most companies' comprehensive general liability policies cover host liquor liability exposures.

The JUA, modeled after the department's 10-year-old medical malpractice facility, is scheduled to operate for two years. However, Mr. Robertson pointed out that the medical malpractice JUA program, which also originally was conceived as a two-year program, has been renewed five times.

In California, AIM Insurance Co. of Anaheim will provide up to $100,000 in liquor liability coverage with no deductible to all types of establishments for a flat premium of $250 a year. The coverage is written on a special multiperil policy with an occurrence trigger.

The insurer also has applied for licenses in Arizona and Nevada.

Until this summer, AIM was a managing general agency that catered to the food and beverage industry. In June, however, Midland Insurance Co. of New York canceled AIM's entire book of business midterm, said AIM Chairman Richard Newby.

AIM was licensed on Oct. 31 with $3 million in capital, the minimum required under Califronia law.

Brokers note that even if an establishment can secure some liquor liability coverage, it probably will not have all the coverage it needs if it is hit with a large dramshop liability judgment.

Ed Lunney, president of Rollins Burdick Hunter of Pennsylvania, explains that most buyers will probably have a gap of several hundred thousand dollars between the limits of its primary coverage and the attachment point of its umbrella liability coverage.

"The umbrella carriers are not going to come in till $1 million, and they're going to be damn careful on whom they'll come in over," he said, adding "they might even exclude liquor."

While brokers and insurers do not expect the liquor liability insurance marketplace to remain dry indefinitely, most do not expect much relief until 1987. And, one insurer says that market conditions may get worse before they get better, particularly for hotels and restaurants.

"A difficult transition between occurrence and claims-made is ex-

Continued on next page

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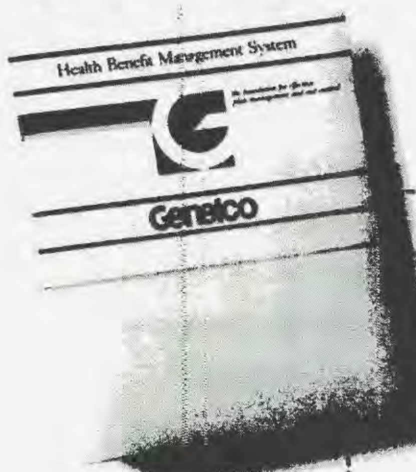

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Liquor liability

Continued from previous page

pected, so many insurers don't want a lot of liquor liability on their books," said Mikk Hinnov, assistant vp for Continental Corp. "Our reinsurers indicate they will cover us only on a claims-made basis, which means our reinsurance could be deficient."

Continental currently will write liquor liability coverage for establishments whose liquor sales do not exceed 33% of their total receipts, but it will not write in states with tough dramshop laws.

"Liquor liability is going to be a tight market for the next four years, but not like it is now," said Mr. Lanning. "As the standard market opens up for more standard lines, the specialty market will have to open up to the specialty lines" like liquor liability, he said.

However, Mr. Lanning does not expect to see much improvement in the liquor liability marketplace before 1987 "at the earliest."

Mr. Hammer of Fred S. James is more optimistic: "We look to 1986 to see more capacity in this area because of changes in the drinking ages and the awareness of owners and operators of these establishments to spot potential problems." For example, New York state increased the legal drinking age earlier this month to 21 from 18, he noted, joining a number of states that have also raised minimum drinking ages.

But, some brokers and insurers note that higher drinking ages and additional capacity may not affect the liquor liability capacity crunch until dramshop laws are reformed.

Even in states that have reduced dramshop liability through legislation, brokers and insurers say they will remain leery until the legislation is tested in court.

Missouri, South Dakota and Wisconsin this year granted immunity from civil suits to establishments

Continued on next page

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Dramshop liability laws assessed

The Insurance Services Office rates the severity of the dramshop liability legal climate in 47 states, plus the District of Columbia and Puerto Rico, on a four-letter scale.

The ratings are used by ISO to formulate advisory liquor liability rates for member insurers.

States assigned an A rating have neither statutory nor common dramshop laws. These states include Arkansas, Delaware, Idaho, Kansas, Maryland, Montana, Nebraska, Nevada, Oklahoma, Puerto Rico, South Carolina, Texas, Virginia and West Virginia.

States assigned a B rating hold a liquor-serving establishment liable for accidents caused by an intoxicated customer only under certain circumstances, like serving a visibly intoxicated person.

These states include California, Colorado, Florida, Georgia, Maine, Louisiana, Tennessee and Washington.

States assigned a C rating generally hold establishments at least partially liable for such accidents as long as the sale of liquor caused or contributed to the customer's intoxication.

States with a C rating include: Alabama, Alaska, Arizona, the District of Columbia, Hawaii, Indiana, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Dakota, Utah, Vermont and Wisconsin.

States assigned a D rating generally have standards as tough as those in the C classification, but the standards have some "unique ripples," according to an ISO spokesman. Therefore, ISO has devised separate advisory rates for each D-rated state.

D-rated states include Connecticut, Iowa, Michigan, Minnesota, New York and Pennsylvania.

ISO does not rate the dramshop liability laws in Illinois, Kentucky and Wyoming because by law it cannot file rates on behalf of member insurers in those states.

However, neither Kentucky nor Wyoming have statutory dramshop liability laws. Illinois has a dramshop statute, but damage awards are capped at $40,000 per occurrence and $20,000 per person.

While ISO assigns a C rating to the dramshop liability legal climates in Missouri, South Dakota and Wisconsin, legislation passed in all three states this year grant liquor servers immunity from dramshop liability.

The Missouri and Wisconsin laws, however, do not grant immunity in certain cases involving minors. The Missouri law further limits immunity in cases in which a liquor server serves a person who is obviously intoxicated. ■

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Liquor liability coverage

Continued from previous page

that sell, dispense or give alcoholic beverages to a person who subsequently injures another person while under the influence of alcohol.

In Missouri and Wisconsin, immunity will not be granted in certain cases involving minors. And, Missouri establishments serving an obviously intoxicated person will not be given immunity.

States can make changes in dramshop liability laws that could benefit both plaintiffs and defendants, suggests Alan Jay Kaufman, with the law firm of Kaufman & Payton in Farmington Hills, Mich. The firm specializes in liquor liability law.

Among the reforms Mr. Kaufman recommends are:

- Requiring that all establishments that serve liquor obtain liquor liability coverage and eliminating joint and several liability in dramshop cases.

Such laws would spread liquor liability risks for insurers. Currently, in many states, if a court rules that several establishments are liable for damages, the plaintiff may choose to recover from only those covered by insurance, Mr. Kaufman noted.

- Adopt the comparative negligence standard.

For example, the Michigan Court of Appeals has ruled that a court can determine what percentage of fault to place upon the plaintiff in a liquor liability case, Mr. Kaufman said. The judgment then can be reduced by that percentage.

- Reduce the plaintiff's judgment by the amount of compensation he or she receives from other sources, like medical insurance. In many states, information about such compensation is not admissible evidence in a dramshop case, Mr. Kaufman noted.
- Raise compulsory auto liability insurance limits to at least $100,000.

Not only would the higher limits shift some of the burden to compensate a victim of an alcohol-related accident from the involved liquor-serving establishment to auto insurers, they also would better protect victims in the event that a liquor-serving establishment does not have adequate liquor liability coverage.

According to the American Insurance Assn., only two states—Alaska and Hawaii—have compulsory auto liability limits as high as $100,000. Other states require limits between $20,000 and $50,000.

- Define "visibly intoxicated" in states that hold a liquor-serving establishment liable if they serve a visibly intoxicated person.
- Prohibit passengers injured in automobile accidents from collecting damages against an establishment if the passenger bought or otherwise provided the driver of the vehicle with liquor.
- Set caps on the amount of damages that victims of alcohol-related accidents may collect. ■

Program designed to cut dramshop exposures

By DAVE LENCKUS

A new program designed to keep bar patrons from driving drunk—and lessen the bar owner's potential liability—is getting high marks for its good intentions.

But, many dramshop liability experts doubt whether the program actually will provide much help if a bar owner faces claims because a patron was involved in an accident.

And, although one insurer is offering discounts to establishments that belong to the program, insurers say the program will not help solve liquor liaibility coverage affordability or availability problems (see story, page 1).

The program, called "I'm Smart," was designed by DWI Alternatives Inc. of Syracuse, N.Y. It currently is being offered only in Rochester and Syracuse, N.Y., but the company plans to offer it nationwide within a few months.

The program provides for documentation of an establishment's efforts to prevent a patron from driving under the influence of alcohol. And, DWI Alternatives President Martin Yenawine believes that documentation will help a defendant in a dramshop liability case prove it was not negligent.

Mr. Yenawine, who also operates an ambulance service, says, "With the service, we saw the most tragic side to DWI," referring to accidents caused by driving while intoxicated.

In 1984, there were at least 2.3 million alcohol-related motor vehicle accidents nationwide, according to conservative estimates by the National Transportation Safety Board and Allstate Insurance Co. of Northbrook, Ill.

The accidents resulted in more than 23,500 deaths—more than half of all highway fatalities—and 1.4 million injuries, according to the estimates.

And, the economic impact of the accidents was $24 billion, including property damage, hospital costs and lost productivity, according to a spokesman for Allstate, which does not write liquor liability coverage.

Mr. Yenawine said the "I'm Smart" program addresses the primary reasons people drive while under the influence of alcohol: They don't realize they are impaired, they are embarrassed to ask another person to drive and they want their cars home that night.

Establishments pay $365 a year to belong to the program, which has four components:

- Training. Servers are taught how to gauge a patron's blood alcohol concentration based on the size

Continued on next page

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Continued from previous page
of a patron and the amount of alcohol consumed over a specified time.

However, a server still may overserve a patron, especially if the patron had been drinking elsewhere. For those situations, the program teaches servers how to gracefully stop serving the patron and discreetly arrange transportation home.

"There's a whole window of time when you can intevene," Mr. Yenawine said. "It's easier to intervene when someone's judgment is still intact."

In addition, servers are instructed not to serve patrons who enter the establishment already impaired. And, servers are informed of their liability under state law for the injuries and damages subsequently caused by patrons under the influence of alcohol.

• Transportation. DWI Alternatives will transport both the impaired patron and his or her car to a residence or hotel for a fee of $18 or $23, depending on the location of the drinking establishment. The program's drivers are not uniformed and drive unmarked vehicles to avoid embarrassing the patron, Mr. Yenawine noted.

If the impaired patron refuses the service because of the cost, the establishment may decide to provide the transportation at its own expense.

• Documentation. If a patron refuses the transportation service, the establishment calls DWI Alternatives and, on a recording device that notes the date and time of the call, details the situation and the patron's car license number.

Such documentation also is useful when an already impaired patron enters the establishment and refuses the transportation service.

• Signs. Signs identifying the establishment as an "I'm Smart" member, along with the phone number for the transportation service, are posted throughout the establishment.

The program also teaches establishments other ways to prevent patrons from becoming intoxicated, such as providing some type of food, eliminating happy hours and providing free soft drinks or "mocktails" for the night to a person who has accepted responsibility for driving the other members of his or her party.

The program has transported approximately "700 high-risk people" from the few hundred "I'm Smart" member establishments in Syracuse and Rochester this year, Mr. Yenawine said.

DWI also offers a similar program to companies that sponsor events at which alcohol is served. The corporate program has an annual fee of $3 per employee, which includes employee awareness sessions and help in planning safe events.

In addition, employees are issued complimentary "I'm Smart" transportation service cards, which they can use anywhere, even if they are not attending a company-sponsored event. However, the transportation cost is $12 higher from an establishment that is not a member of the program. The corporation pays the transportation costs.

And, the corporate program offers employees confidentiality: The employer cannot trace the employees who use the service.

More than 75 companies with 17,000 employees in Syracuse and Rochester are members of the corporate program, according to Mr. Yenawine.

"The bottom line to the program is that all the steps they take. . .are all kept on file. So, in the event somebody does slip through the safety net, the licensed establishment has a third party that can come into the case that can discuss all the steps that the restaurant took to prevent the tragedy," he said.

"'I'm Smart' doesn't reduce your liability per se in New York state, but it gives you a whole lot to talk about," he said.

Mr. Yenawine said he is aware of only one case in which a patron of a member establishment was involved in an accident. However, the case has not reached the courts, and the establishment has gone out of business for reasons unrelated to the accident, according to sources.

Attorneys specializing in liquor liability cases generally agree the program will help prevent alcohol-related accidents. But, they said they were not certain how much good the program would do if an establishment is sued.

"It's a good service to have—I'm not so sure of how much weight it will carry," said Elliot M. Kroll of the New York law firm of Kroll, Tract, Pemerantz & Cameron.

"A good plaintiff's lawyer will claim the person was too drunk to understand it."

> **'It's a good service to have (but) I'm not so sure of how much weight it will carry,' said New York attorney Elliot M. Kroll. 'A good plaintiff's lawyer will claim the person was too drunk to understand it.'**

Alan Jay Kaufman, a partner in the Farmington Hills, Mich.-based law firm of Kaufman & Payton, said the program may carry more weight in states where common law, not statute, has established liability for serving intoxicated patrons.

However, courts in states with such negligence statutes probably would not look beyond the fact that the establishment served an intoxicated person, he said.

"I don't give it a lot of weight, but I give it some weight," he said.

However, he added that it would help establishments from ending up in court in the first place.

"It would reduce the number of lawsuits. When you offer him a ride home, you certainly have reduced your exposure," he said.

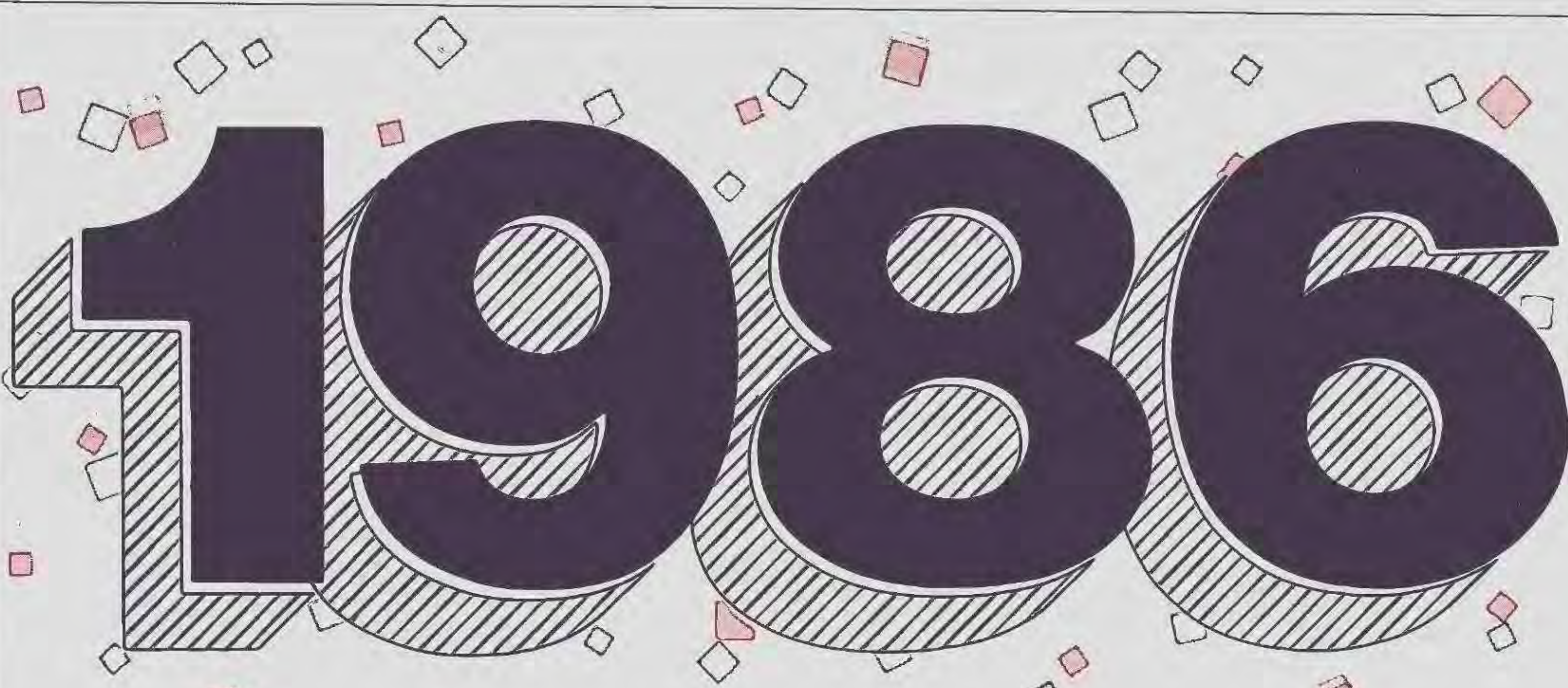
Ronald Beitman, a partner in the Falmouth, Mass., law firm of Kistin, Babitsky, Latimer & Beitman, and the editor of the Dram Shop and Alcohol Reporter, a journal on dramshop laws, said a court may not even consider the program relevant evidence in a dramshop case. "For example, a driver who had a high school driver's training course is now involved in an accident. Is that course relevant to the case now?" he asked.

But, if a court rules that the program is relevant, a liquor-serving establishment's chances of avoiding at least punitive damages probably would be greater, Mr. Beitman said.

One insurer that writes liquor liability coverage in New York gives a 30% discount on rates to "I'm Smart" member establishments.

"'I'm Smart' encompasses two criteria we credit: 15% for training servers and 15% for the drive-home program, which is kind of a Band-Aid approach, because the person is already intoxicated. But, given the realities of things, it's better than not having it," said Robert Wasserman, assistant vp and underwriting manager for Frontier Insurance Co. of Monticello, N.Y., a unit of Rhulen Agency Inc.

Other insurers that write liquor liability coverage for restaurants and hotels said they may consider offering similar rate discounts for programs like "I'm Smart," but only after the market softens. ■



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A.C.E. facility

Continued from page 1

including more clearly defined underwriting guidelines and an increase in the amount of A.C.E. stock that higher-risk policyholders are required to purchase.

A.C.E. also slightly altered its name after finding its original name—American Casualty Excess Insurance Co. Ltd.—was similar to that of another company already domiciled in the Cayman Islands.

M&M—which has no equity interest in A.C.E. and will produce business for it along with other brokers—developed the A.C.E. concept with investment adviser Morgan Guaranty Trust Co. of New York and the New York law firm of Cahill, Gordon & Reindel.

Most A.C.E. sponsors are Fortune 500 corporations and include Weyerhaeuser Co., The Dow Chemical Co., Eastman Kodak Co., Johnson & Johnson Products Inc., Shell Oil Co., U.S. Steel Corp., The Goodyear Tire & Rubber Co., International Business Machines Corp., PPG Industries Inc., Union Pacific Corp., Emerson Electric Co., Federated Department Stores Inc., Hallmark Cards Inc., General Electric Co., Santa Fe Southern Pacific Corp., E.I. duPont de Nemours & Co. and Public Service Co. of New Mexico.

Other known sponsors who could not be reached or would not confirm their participation include Air Products & Chemicals Inc., Avon Products Inc., Eli Lilly & Co., Merck & Co. Inc., SmithKline Beckman Corp., Upjohn Co. Inc., Tenneco Inc., Security Pacific Corp., Gulf & Western Industries Inc. and MCA Inc.

Though A.C.E. sponsorship is now closed, several other companies—including Chase Manhattan Corp.—still have options to become sponsors and are considering the possibility.

A.C.E. expects to have 30 to 40 corporate sponsors.

While A.C.E. originally had intended each sponsor to contribute $10 million in capital, the requirement was later reduced to $5 million to attract additional sponsors.

Among those contributing $5 million, sources say, are Weyerhaeuser, Air Products, Avon and Goodyear.

In addition, Hallmark and Federated Stores have jointly become A.C.E. sponsors, contributing $2.5 million each, according to Woodrow Anderson, vp-risk management for Federated Stores.

"When you start talking about a $10 million capital requirement, that's far more than we would be interested in putting up," Mr. Anderson said.

While other sponsors will each have one representative on A.C.E.'s board of directors, Federated and Hallmark will share a seat, he said.

The A.C.E. program offers sponsors and non-sponsor policyholders general liability coverage with limits of $100 million ultimate net loss—including defense costs—in excess of $100 million per occurrence or the amount of underlying coverage, whichever is greater.

A.C.E. is limiting its risk on each policy, though, to 25% of its net worth and unearned premium reserves, net of reinsurance. The insurer currently has no reinsurance in place, and its net worth of about $260 million therefore allows for a current policy limit of $65 million.

A.C.E. is issuing policies with the full $100 million limit, but with an endorsement restricting actual coverage based on the 25% formula. The amount of actual coverage offered on each policy is expected to increase each month as additional capital is added, until the full $100 million limit is reached.

Coverage is on a claims-made form designed for A.C.E. It will respond only to claims made during the policy period that occur after the policy's retroactive date.

In the first year of A.C.E. coverage, the retroactive date is the same as its inception date; in later years, the retroactive date is the inception date of the first A.C.E. policy.

The form includes an aggregation clause that defines all losses arising from the same cause or event as a single occurrence for purposes of applying the policy limit.

If coverage is terminated for any reason other than non-payment of premium, the form also provides for an "open-ended" discovery period for reporting of claims stemming from incidents that occurred before termination of the policy. An extra annual premium is charged for this tail coverage.

The A.C.E. form excludes aircraft products liability, workers compensation, professional liability, gradual pollution and nuclear liability risks.

Coverage for punitive damages is included to the extent that such coverage is allowed by state law.

A.C.E. also plans to write directors and officers liability coverage with a $50 million aggregate limit excess of $50 million or the amount of underlying D&O coverage, whichever is greater.

However, if $50 million in underlying coverage isn't available, A.C.E. will write D&O limits equal to one times the amount of underlying coverage, with a minimum attachment point of $25 million. The minimum coverage, then, would be $25 million excess of $25 million.

The D&O coverage also will be written on a claims-made form.

If a single occurrence triggers claims under both the excess liability and D&O sections of a policy, the policy's combined single limit would be $100 million.

A.C.E. is also trying to arrange clash reinsurance to protect its assets in case a single event leads to claims under more than one A.C.E. policy. If such losses occur without reinsurance, though, the A.C.E. policy could limit payments to:

- The net worth of the insurer during the first year of operation.
- $100 million per policyholder or the net worth of A.C.E., whichever is less, after the first year.

A.C.E. will divide its policyholders into six risk classes based on size of their operations, loss history and loss potential. Classes 1 and 2 are considered "low risk," 3 and 4 are considered "medium risk" and 5 and 6 are considered "high risk."

To achieve a spread of risk, A.C.E. plans to write four policies for low and medium risk companies for every one high-risk policy it writes.

Because so many of A.C.E.'s sponsors fit into the high-risk category, though, this 4-to-1 rule is expected to temporarily prevent A.C.E. from writing policies for high-risk non-sponsor companies. Many of these companies may have to wait for A.C.E. to write a number of low-risk accounts before binding coverage for them.

The six risk classes also will be used to determine the amount of capital that non-sponsor policyholders must contribute to A.C.E.

While A.C.E. originally planned to require all non-sponsor policyholders to buy A.C.E. shares equal to their first year's premium, the share requirement now varies by risk class. Companies in Classes 1 and 2 are required to buy A.C.E. shares equal to 100% of their first year's premium; Classes 3 and 4 equal to 150%; and Classes 5 and 6 equal to 200%.

A.C.E. will underwrite each risk separately, and premiums will depend on a company's size, the amount of underlying coverage, loss experience and the type of industry it represents.

The minimum premium is $100,000 for the general liability coverage and $150,000 for the general liability and D&O coverages combined. The minimum required investment in A.C.E. shares is $150,000.

The average annual premium for A.C.E. sponsors is expected to be $800,000 to $900,000, while the average premium for non-sponsors probably will be less.

Risk managers for several A.C.E. sponsors expressed relief at the stability the program brings to an otherwise turbulent renewal season.

"Having to piece together small layers gets very expensive both from a premium standpoint and from an administrative standpoint," Federated's Mr. Anderson said. "This way, once you get to $100 million, you've got another $100 million, so you have a pretty sizable block that's going to stay around."

The A.C.E. coverage does not drop down if an A.C.E. policyholder has gaps in layers below $100 million, though, and completing those lower layers is a problem for several of the risk managers.

"It's becoming more and more difficult to get to $100 million," said Richard Heydinger, Hallmark's risk management director. He suggested, though, that even with gaps in lower layers, any excess coverage helps.

"To me, it's still catastrophe insurance. It's the only thing available at that level and is still protection for your company."

One chemical company risk manager, who asked not to be identified, said he is still trying to complete the first $50 million in excess limits for a Jan. 1 renewal of his company's general liability program. The risk manager said he may consider both A.C.E. and CASEX, another excess liability facility being proposed by a chemical industry group that would provide limits of $50 million excess of $50 million.

"If we are successful in placing the first $50 million, then and only then will we think about going into CASEX and A.C.E.," he said.

But another risk manager, who also requested anonymity, suggested that he wouldn't wait to complete his underlying coverage before applying to A.C.E.

"Your job is to protect your corporation for what is available," he said. "You may never get the underlying $100 million." ▪

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Bermuda lowers stamp duty

HAMILTON, Bermuda—Bermuda is lowering its stamp duty on international insurance company capitalization to attract new giant insurers and to encourage others to increase their capital.

Effective this month, Bermuda's stamp duty of one-quarter of 1% of insurance capitalization is now capped at a maximum duty of $25,000. Therefore, capital in excess of $10 million won't be taxed.

Bermuda officials deny that the incorporation of A.C.E. Insurance Co. Ltd. in the Cayman Islands, where there is no stamp duty, instead of Bermuda prompted the reduction in the stamp duty.

"I can't deny that competitiveness of the jurisdictions is a contributing factor," said Bermuda's Financial Secretary Mansfield Brock. "But, if it were only ACE, we would not have made this change. We've been looking at it for a couple of years," he added.

Citing the development of very large offshore insurance companies to provide capacity that is not available in the current commercial marketplace, Mr. Brock said, "we want them to come in with the appropriate capital."

And, Bermuda wants to encourage its international insurers to increase their capital.

If A.C.E. had incorporated in Bermuda with its $260 million in capitalization, the additional cost to incorporate in Bermuda instead of Cayman would have been $650,000.

Bermuda-based insurers that have paid a stamp duty can apply it as a credit against duty due on additions to capital. ▪

Defense costs

Continued from page 1

An NAIC work group, chaired by Edward J. Muhl, Maryland's insurance commissioner and the newly elected vp of the NAIC, will meet with ISO officials in January to discuss the new proposal.

ISO presented the new defense cost proposal to the commissioners at its annual meeting before it publicly announced the change Dec. 12. The ISO session was heavily attended by commissioners and many questions were raised.

As part of the work group's planned examination of the defense-cost issue, commissioners will develop several different hypothetical situations in which a policyholder could find itself. ISO then will be asked to explain how the new defense cost amendment would respond in each situation.

The new proposal is "a step in the right direction, but it remains to be seen whether it is the total answer," Mr. Muhl concluded.

Most commissioners agree that holding down defense costs is a good idea, said John E. Washburn, director of the Illinois Department of Insurance.

"We can all get on board that concept," he says. "The question is what is the best system to accomplish this."

But, Lyndon Olson, chairman of the Texas State Board of Insurance, says he opposes the proposal not so much because of its provisions but because of its timing.

Dealing with the new claims-made form has been "complicated enough" without ISO "pouring salt in the wound" by filing the defense cost amendment, he said.

"I would rather commit my energies and time to the claims-made CGL than dealing with this dawg," he concludes.

Apparently, the defense cost issue is also not a top priority among insurers, which are more concerned that commissioners approve the new claims-made form.

"In my opinion, the sentiment is that gaining approval of the claims-made approach is by far more important than defense within limits," said John "Jack" Morrison, senior vp and chief underwriting officer at CIGNA Corp.

Some insurers have said pressure from reinsurers to contain defense costs within policy limits has eased and that insurers are concerned about the expense of administering the defense cost provision, according to Richard Taylor, president of the Independent Insurance Agents of America.

"Their claims people tell them that it would be expensive to set up and administer," he said, declining to name the insurers.

Insurers say they can live with ISO's newest defense cost proposal because it still gives them the ability to cap their expenses, especially in extraordinary situations.

ISO estimates that, on average, defending third-party liablity lawsuits costs about 34% of indemnity limits. Thus, most policyholders would never exceed the 50% defense cost cap contained in the new amendment.

But, the new proposal will "accomplish virtually the same thing as the original in terms of giving us an ability to limit defense costs and, therefore, give us the ability to know that we won't spend more than X amount on a given insured," said Mr. Morrison.

While the new ISO plan "may appear not to solve the problem, it deals with the extreme circumstances," said Phillip N. Ben-Zvi, senior vp with Continental Corp.

'Any kind of defense cost limitation. . .that enables you to put a cap or a fence around your ultimate liability means that you will be better able to price the risk. That's really the big advantage,' says Mr. Smith of Fireman's Fund.

Insurers are not concerned about defense costs for the average policyholder, he said. Rather, insurers want a cap in those situations in which defense costs run several times a policyholder's indemnity limits.

"Any kind of defense cost limitation, whether it's a percentage or a dollar limit, that enables you to put a cap or a fence around your ultimate liability means that you will be better able to price the risk. That's really the big advantage," said James C. Smith, a vp with Fireman's Fund Insurance Cos.

In fact, the latest proposal is more desirable than ISO's original defense cost proposal, he added.

When there is a separate limit for defense costs, both insurer and policyholder understand from the outset how much money is available for defense, he said. Therefore, the policyholder will be better able to structure an excess insurance program than under the original defense cost proposal.

Both Mr. Morrison and Mr. Ben-Zvi predict both the endorsement that caps defense coverage at 300% of a policy's indemnity limits and the endorsement that would include all defense costs within policy limits will be used "quite fre-

Continued on next page

ISO CGL form OK in 14 states

The revised Insurance Services Office claims-made form is approved or available for use beginning Jan. 1 in 14 states, ISO says.

Three states, however, have rejected the revised claims-made form: North Carolina, Michigan and Virginia.

The states that have approved the form for use are: Alaska, Kentucky, Louisiana, Mississippi, Montana, Maryland, Iowa and Utah.

ISO says the form will be available for use in the following states unless the state insurance department takes action to reject the form: California, Colorado, Indiana, Missouri, New Mexico and Tennessee.

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Defense costs

Continued from previous page

quently."

Mr. Ben-Zvi says that the new endorsements would typically be used at the request of the policyholder.

Corporations that know they have high defense costs would be likely to pay an additional premium for the endorsement that provides additional defense limits, he explains.

On the other hand, Mr. Ben-Zvi says, some policyholders may want to save on their premiums by including all defense costs within policy limits.

Insurers generally believe that most policyholders will not have to increase aggregate policy limits to cover defense costs under the standard 50% defense cost cap proposed by ISO.

"I would think that, based on the statistics that we have, that a defense limit equal to 50% of the indemnity limit would take care of most predicted defense costs," Mr. Morrison says.

However, Mr. Morrison notes that ISO has not yet had time to determine how this new proposal will work in conjunction with umbrella and excess liability insurance policies.

"Hopefully, it will dovetail," he says.

Meanwhile, the New York-based Risk & Insurance Management Society most likely will ask regulators to approve the defense cost amendment for use only with the new occurrence CGL policy form, according to Jon Harkavy, director of governmental affairs for the risk managers' group.

Including defense costs within the policy limits of the claims-made form "undermines the value" of the form's extended reporting period, Mr. Harkavy explained, because the tail coverage responds to incurred-but-not-reported claims where "all of the litigation is ahead of you."

Mr. Harkavy adds, however, that the revised amendment is a step in the right direction.

Representatives of the National Assn. of Insurance Brokers, the National Assn. of Professional Insurance Agents and the IIAA said their organizations plan to study the new defense cost proposal in more depth before taking a final position.

The defense cost proposal is the 'least onerous of ISO's proposals,' says Mr. Hayes of the NAIB.

The proposal is the "least onerous of ISO's proposals," said Raymond L. Hayes, the NAIB's first vp. The NAIB is more concerned about provisions in the claims-made form, he said.

Although the defense cost plan would further erode already diminished capacity available to buyers, "we can live with that one," he concluded.

The PIA has already endorsed the concept of a cap on coverage for defense costs, but the group has some reservations about the exact implementation of such a cap, according to Patricia Borowski, the PIA's vp of government and industry affairs.

She says the PIA's members are particularly concerned about the need for coordination between primary and umbrella insurers.

"If there is to be a finite limit on defense costs, there must also be a system to keep policyholders and agents up to date on the status of aggregate limits," Ms. Borowski explained.

IIAA officials recently discussed the new defense cost plan with ISO but so far the group has not changed its original position of opposition to the defense cost amendment.

The IIAA's board will take another look at the issue in January, Mr. Taylor says. But, he does not expect the board to support the new proposal.

In light of all the other changes ISO has made to the CGL form, it is too early to move forward with the defense cost amendment, Mr. Taylor commented. ■

Claims-made splits RIMS, agents

By STEVE TARAVELLA

RENO, Nev.—The Risk & Insurance Management Society is pressing its opposition to the Insurance Services Office's revised claims-made commercial general liability policy, while two leading insurance agents' organizations are now endorsing the controversial form.

RIMS outlined its opposition to the claims-made form at the National Assn. of Insurance Commissioners meeting in Reno earlier this month, presenting a six-page letter of explanation.

However, The National Assn. of Professional Insurance Agents and the Independent Insurance Agents of America announced support of ISO's controversial form, marking a shift by both producer groups, which previously had adopted positions of "non-opposition" to the form.

The RIMS letter of explanation stated: "Any solution that serves the interest of only one group, such as the ISO claims-made CGL form, will only make existing problems worse."

Jon Harkavy, RIMS' director of governmental affairs, added: "In effect, after helping to sink the ship, the insurers now wish to sell leaky lifeboats to the few policyholders that can afford them."

Of particular concern to RIMS are the timetable for implementing the claims-made form; the lack of a full definition of the term "occurrence" in the form; and the effect of claims-made coverage on businesses that must show certificates of insurance as proof of financial responsibility.

"ISO has, in effect, asked the regulatory community to end the debate, approve the form by ISO's self-imposed Jan. 1, 1986, deadline and deal with the consequences later," RIMS states.

"Why are you being asked to act in haste and repent in leisure?" Mr. Harkavy asked regulators at the meeting.

Approving ISO's modified occurrence CGL form as an interim solution would be wiser than following ISO's "lemminglike march into the claims-made abyss of coverage gaps, increased litigation and insurer lock-in," Mr. Harkavy said.

RIMS also proposes that a blue-ribbon panel of regulators, policyholders, insurers, reinsurers and attorneys meet to draft an effective definition of "occurrence."

Under one of the changes in the policy wording made by ISO in October, policyholders would receive automatic tail coverage for claims made within five years of the policy period that stem from occurrences reported to the insurer during the policy period (*BI*, Oct. 14).

However, RIMS maintains that ISO has yet to adequately define an "occurrence."

"The insured, wanting to secure coverage, may inundate the carrier with a large number of files and documents, all containing what it hopes are potential 'occurrences,'" Mr. Harkavy said.

He predicted that lawsuits would flourish over what constitutes an actual occurrence and what represents proper notification.

RIMS also speculates that general liability coverage written on the ISO claims-made form will harm businesses—like hazardous-waste haulers or asbestos removal firms—that must show certificates of insurance as proof of their financial responsibility.

"A certificate of insurance of claims-made coverage may not be worth the paper it is written on," Mr. Harkavy said. "Unless the insured perpetually renews coverage with the same carrier, purchases permanent tail coverage or has claims submitted against it within the policy year, there is no assurance of indemnification by the carrier."

The PIA and IIAA, however, told the insurance commissioners that they now endorse the claims-made form based on the changes made to the form by ISO in October.

The Alexandria, Va.-based PIA now supports the claims-made form as an option to the occurrence policy, according to a seven-page statement from the PIA presented by Patricia A. Borowski, the group's vp-government and industry affairs.

With the adoption and use of the claims-made form, the PIA believes the insurance industry "will better be able to respond to the changing nature of risks.

"The ability of the insurance industry to provide a general liability market for insureds may be permanently impaired if an acceptable alternative to the traditional occurrence-based general liability policy is not made available for these exposures," the PIA said.

However, the agents' organization maintains that occurrence coverage should be made available to policyholders "unless objective criteria are established to demonstrate the need for the claims-made form."

To alert risk managers to the different terms and conditions of claims-made coverage, the PIA advised state insurance regulators to require that insurers stamp an appropriate notice—in bold, red letters—on the policy's declaration page. Such a notice possibly could read: "This is claims-made coverage. Please read the entire policy carefully," the PIA suggests.

The IIAA, which represents 220,000 insurance agents, told the commissioners that the issues about which it had been most concerned had been resolved by the changes ISO made in October (*BI*, Oct. 21.).

the professional marketplace

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Business Insurance
Circulation Breakdown*
Commercial Consumers

Category	Count
Administrative:	
CEO's presidents and owners	2,531
Vice-presidents, general managers and other administrative personnel	2,547
Financial:	
Chief financial officers and vice-presidents of finance	2,075
Secretaries, treasurers, controllers and other financial personnel	6,886
Risk/employee benefits:	
Vice-presidents, directors, managers, and other related department personnel of insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,048
Sub-total	**22,087**
Associations	804
Government, unions and educational systems	1,030
Commercial Consumers Sub-total	**23,921**
Insurance agents and brokers	9,548
Insurance companies	6,089
Financial institutions	536
Actuaries, attorneys, adjusters, appraisers and consultants	3,464
Others allied to the field	1,320
TOTAL	**44,878**

* Source Business/Occupational breakdown of qualified circulation, May 6, 1985 issue, as submitted to BPA for June 1985 BPA Publisher's Statement.

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NAIC action

Continued from page 1

policy limit should be reinstated after voting down a suggested 50% limit.

The commissioners also rejected a resolution supporting a claims-made CGL form as an alternative to occurrence coverage. The recommended resolution died in committee for lack of support.

Opponents of the proposed claims-made commercial general liability policy are claiming victory on both counts.

Reinstatement of some portion of the aggregate limit with the purchase of tail coverage "still does not make it acceptable, but at least it offers some relief," remarks Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society in New York.

Raymond L. Hayes, first vp for the National Assn. of Insurance Brokers, calls the model policy language "a major step forward in reinstating policyholder rights."

Implementation of the model language will guarantee claims-made CGL policyholders the option of purchasing a reasonable amount of coverage under the extended reporting period endorsement if they go out of business or change insurers, he says.

"That's something we did not have under the original filing," he adds.

John E. Washburn, director of the Illinois Department of Insurance, says the model policy language is "an indication by NAIC of the sort of protections we think policyholders need."

Risk managers, agents and brokers repeatedly have criticized ISO's claims-made CGL policy form for not guaranteeing that adequate limits will be available for unlimited tail coverage that must be offered policyholders.

The unlimited tail coverage or extended reporting period can be purchased by a policyholder to cover claims that are reported after the expiration of the claims-made policy but stem from an incident that occurred during the policy period and before a new policy's retroactive date.

But, the model policy language resolution adopted by the NAIC only states that claims-made CGL policyholders who choose to purchase extended reporting period coverage be provided with a limit of liability equal to a specific percentage of the policy's original aggregate limit.

The resolution did not stand as passed by the Commercial Lines Property and Casualty Committee, which said that policyholders must be given 50% of the policy's aggregate limit or the amount of coverage remaining in the expiring policy, whichever is greater.

Edward J. Muhl, commissioner of insurance for Maryland and vp of NAIC, said the executive committee decided to leave the percentage of aggregate reinstatement up to individual states.

Several states were pushing for 100% reinstatement of aggregate limits, Mr. Muhl noted.

The model also requires insurers to give policyholders a 30-day period to decide whether to purchase tail coverage in the event the policy is canceled by the insurer.

Further, it requires insurers to provide policyholders within 30 days of any notice of cancellation or non-renewal:

- All information on closed claims, including date and description of occurrence, and amount of payments, if any.
- All information on open claims, including date and description of occurrence, amount of payment, if any, and amount of reserves, if any.
- All information on notices of occurrence, including date and description of occurrence and amount of reserves, if any.

Risk managers and brokers also declared victory when Kentucky Insurance Commissioner Gil McCarty failed to persuade the commercial lines committee to pass a resolution endorsing the claims-made CGL form as an alternative to the occurrence form. The resolution died when there was no second after about 30 minutes of debate and negotiation.

As first offered, the resolution specifically mentioned ISO but did not endorse ISO's policy per se. Nonetheless, "a quick reading might make it look that way," observed Pete Synnott, Virginia deputy insurance commissioner.

Virginia and Kentucky are two of nine states represented on the committee. The other states are Alaska, Arizona, Connecticut, Illinois, Maine, Maryland and Wyoming. Maine was the only state not present when the resolutions were addressed.

To avoid appearing to support ISO's claims-made form, the committee deleted specific references to ISO.

But even then, the commissioners suspected the resolution would be construed as supporting the ISO form, explained Connecticut Insurance Commissioner Peter W. Gillies.

Wording that might imply approval of ISO's version would "put commissioners that aren't prepared to endorse it in a position they wouldn't be comfortable in," Mr. Gillies says.

The Connecticut department is still reviewing ISO's form, but probably will approve it soon, Mr. Gillies says.

Mr. Washburn confirmed that committee members felt the resolution would appear to endorse the ISO claims-made policy. And, he says, while that policy form has come a long way from the original filing, many commissioners still have problems with it.

Mr. Muhl reported that several states are very adamant in their opposition to the claims-made CGL policy form and therefore "did not want the organization to come out in favor of the claims-made option."

Also, because ISO has revised the form so many times it could do so again, and commissioners felt "they did not know what they would be approving," said Oregon Insurance Commissioner Josephine M. Driscoll, newly elected NAIC president.

Alaska Commissioner John George said he received a round of applause when he declared that the regulators should choose between supporting ISO's claims-made form or rejecting it, but should not sidestep the issue with semantic delicacies.

The Wyoming Insurance Department did not support the resolution because Wyoming has scheduled a January hearing on ISO's filing and "didn't feel it would be appropriate for us to go around seconding things," explained Thomas E. Power, chief examiner and chief actuary in Cheyenne. ■

NAIC calls for reform

In addition to the model policy language for tail coverage, regulators also adopted a resolution endorsing an agenda of industry reforms presented jointly at the NAIC annual meeting by the Alliance of American Insurers, the National Assn. of Independent Insurers and the American Insurance Assn.

One of the chief recommendations of the trade groups is the creation of an information clearinghouse that commissioners can tap to learn which admitted or non-admitted insurers are willing to write which hard-to-find coverages and in which states (*BI*, Dec. 16).

The NAIC will operate the clearinghouse in cooperation with the insurance industry trade organizations. ■

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Tax-reform legislation

Continued from page 2

In addition, the Ways and Means Committee agreed to extend the tax-favored status of educational assistance benefits and group legal benefits through Dec. 31, 1987. Sen. Packwood also has a keen interest in retaining the tax-favored status of those two benefits.

But, lobbyists say, Sen. Packwood has not displayed much interest in the retirement and savings plan issues addressed in the House-passed tax bill.

And, there is some doubt whether anyone on the committee will fight the uniform non-discrimination rules for welfare plans, which threaten the tax-favored status of benefit plans for multiline employers that have too great a proportion of highly compensated employees concentrated in a particular subsidiary or corporate unit.

If plans fail the non-discrimination tests, they would be disqualified and highly compensated employees—generally those earning more than $50,000—would be taxed on employer contributions to the plans.

To prevent this from happening, companies would have to adopt uniform benefit plans for all their corporate units, a move that could interfere with their ability to tailor plans to meet the needs of their different divisions.

But, Sen. Packwood has advocated tighter non-discrimination rules for welfare plans, and thus he would be an unlikely ally to overturn those rules, lobbyists say.

And, some benefit experts worry that despite Sen. Packwood's opposition, the Finance Committee might even recommend new taxes on health and life insurance benefits.

For example, Senate Majority Leader Robert Dole, R-Kan., who also is on the Finance Committee, recently said the committee should consider taxing more benefits.

"Dole really was adamant about taxing benefits," said APPWP's Mr. Brahs.

During his tenure as Finance Committee chairman, Sen. Dole introduced legislation that would have taxed employees on a portion of employer-paid health insurance premiums.

And, benefit experts say that other Republican members who are worried that the bill takes away too many tax advantages for big manufacturers—the traditional bedrock support of the GOP—may try to restore some of those tax breaks the Democratic-controlled House took away by taxing more employee benefits.

"Taxing employee benefits is a logical starting point to look for revenues if other provisions are amended," said Mr. Rumack of Buck Consultants.

Still, experts say there is some chance that some benefit provisions in the tax bill could be improved when it is considered in the Senate.

For example, Finance Committee member Sen. John Heinz, R-Pa., might argue for new maximum pension benefit and contribution limits that are contained in legislation he and Rep. William Clay, D-Mo., introduced earlier this year, said Theresa Stuchiner, a partner with Kwasha Lipton in Fort Lee, N.J.

The Heinz-Clay bill calls for a defined benefit limit that would be double the Social Security taxable wage base and a defined contribution limit that is 50% of the wage base.

For 1986, that would produce a maximum defined benefit limit of $84,000, compared with the $77,000 limit in the House tax bill.

And, although the defined contribution limit in 1986 would be $21,000—compared with $25,000 in the House bill—the Heinz-Clay bill would increase the defined benefit and defined contribution limits each year to match increases in the taxable wage base.

The House bill, by contrast, freezes the defined benefit limit until 1991 and doesn't allow the defined contribution limit to rise until the defined benefit limit reaches $100,000.

Lobbyists were reluctant to predict what the Finance Committee would do to the property/casualty provisions in the tax bill. Those provisions would impose $4.8 billion in new taxes to be paid by property/casualty insurers, a move that could raise the cost of insurance (*BI*, Nov. 25).

"It's too early to say what could happen," said Steve Broadie, counsel for the Alliance of American Insurers in Washington.

But Mr. Broadie and others note that Sen. Dole has favored changes that would bar insurers from taking immediate full deductions on reserves established for losses to be paid in the future. ■

The Tax Reform Act of 1985

Employee benefits

401(k) salary reduction plans

- Lowers maximum annual salary deferral to $7,000 from $30,000.
- Reduces 401(k) deferrals dollar-for-dollar by contributions to Individual Retirement Accounts.
- Imposes new, more complex and stricter non-discrimination rules.
- Imposes a 15% excise tax on hardship withdrawals before retirement.

Maximum retirement benefits and contributions

- Cuts maximum annual benefits per participant under a defined benefit plan to $77,000 from $90,000; this limit is frozen until 1991.
- Cuts maximum annual contributions per participant under a defined contribution plan to $25,000 from $30,000; this limit is frozen until the defined benefit limit reaches $100,000.

Non-discrimination rules for welfare plans

- Imposes new non-discrimination rules for welfare plans requiring that they be available to at least 90% of employees. Also sets special rules for employers with different operating units.

Pension asset reversions

- Imposes 10% excise tax on reversions from terminated overfunded pension plans.

Other benefits

- Continues tax-favored status of educational assistance and group legal programs through Dec. 31, 1987. Continues $5,000 annual cap on tax-free educational assistance benefits.
- Indefinitely extends tax-favored status of dependent care benefits, but imposes $5,000 cap.
- Reduces tax advantages of Employee Stock Ownership Plans.

Insurance taxation

Blue Cross/Blue Shield plans

- Strips away the tax-exempt status of BC/BS plans.

Property/casualty tax increases

- Imposes a new minimum or alternative tax on property/casualty insurers equal to 20% of an insurer's net gain.
- Taxes insurers on a portion of their tax-exempt income, like interest from municipal bonds.
- Taxes insurers on a portion of their unearned premium income. The tax would begin at 4% and gradually increase to 20%.
- Bars companies that file a consolidated tax return that report a negative number on Line 18(b) of a property/casualty insurance unit's annual statement to use losses from the property/casualty unit to offset profits generated by other affiliates.
- Increases to 4% from 1% the federal excise tax on casualty reinsurance premiums paid to foreign reinsurers.
- Sets special tax rules for insurance income earned offshore.

Best's rating

Continued from page 2

says Fred Dawson, president and chief executive officer of the Beneficial Insurance Group unit.

Policyholders surplus dropped to $92 million on Sept. 30 from $125 million on Dec. 31, 1984, he said.

"My conclusions, as the CEO of the company, are very straightforward. . . .I would rather appropriately focus on the reserve strengthening that's required and have a B-plus rating, than not strengthen the reserves, and maintain an A (contingent)," Mr. Dawson said.

Atlanta International, whose not-assigned rating was lowered to omitted, stopped writing all new and renewal business earlier this year, noted a spokesman for the insurer's parent, Alexander & Alexander Services Inc. (*BI*, May 20).

The decision to stop writing followed Best's decision not to rate Atlanta International because a substantial portion of its reinsurance is placed with reinsurers that are either unlicensed in the United States or are not rated.

Paramus, N.J.-based Integrity, whose rating was also changed last week to omitted from not assinged, was earlier downgraded from an A because of a large amount of reinsurance placed with Mission Insurance Co. and Northwestern National Insurance Co., says Integrity Chairman Christian C. Yagen.

Mr. Yegen attributed the decision to give Integrity an omitted rating to Mission's takeover by the California Insurance Department (*BI*, Dec. 2). "We think they may have jumped a step too soon as far as we are concerned," he says of Best's decision.

Excluding any future liabilities, Mission owes $6 million to Integrity, while Northwestern—whose rating was omitted by Best earlier this year and has since received a capital injection from parent Armco Insurance Group—now owes $5.5 million, he says.

Mr. Yegen says it now appears Integrity will collect most of what Mission owes. In addition, he says Integrity has worked out a "loss commutation" program with Northwestern, under which Northwestern gives Integrity the cash it needs to buy back its reinsurance.

Pine Top President Glenn G. Herbst said Best gave the insurer an omitted rating after it was reacquired by Greyhound Corp. two weeks ago.

He said Greyhound reassumed control of Pine Top because its acquisition by New York-based Whitney Financial Group was contingent on Whitney's performance of certain obligations, which it did not fulfill (*BI*, April 8).

Best was concerned about the change in ownership because of Pine Top's recent results, he said.

Pine Top's surplus deteriorated to $7 million as of Sept. 30 from $12.7 million in December 1984 because of-loss reserve development, he said. However, he said he is confident Pine Top will receive a higher rating "once we can get clear to them what Greyhound will do in the future."

An official for Universal Underwriters Insurance Co., the Zurich-American affiliate placed on the watch list, said Best's decision was based on Universal's declining policyholders suprlus. The insurer had $75 million in surplus as of Sept. 30, compared with $100 million as of Dec. 31, 1984.

The deterioration, he said, was caused by stockholder dividends, reserve strengthening and "bad luck. We had some bad losses."

Zurich-American's decision to transfer all shares of Omaha, Neb.-based Empire Insurance Group to Universal also contributed to Best's decision, the official said. Empire currently has an omitted rating.

The official predicted Universal's surplus would be at least $100 million at the end of 1985 and that it would be taken off the watch list. ■

Conference committee OKs spousal benefits

WASHINGTON—Agreements reached last week by a House-Senate conference committee will require employers to extend group health insurance benefits, pay higher premiums to the Pension Benefit Guaranty Corp. and make it harder to terminate an underfunded pension plan.

These provisions are contained in a comprehensive budget reconciliation bill, H.R. 3128. The conferees were rushing to complete the whole bill last week so it could be sent to the full House and Senate for final approval before Congress adjourned for the year.

On the health care side, the conferees agreed to require employers to extend their group health care programs for three years to an employee's widowed, divorced or separated spouse and dependent children.

In addition, group health care coverage would have to be extended for 18 months to employees who quit, are laid off or fired.

Employers could charge spouses and former employees up to 102% of the cost of coverage.

But, these provisions would apply only to employers with at least 20 full-time employees. And, for most employers, this extension of coverage would have to begin by July 1, 1986.

This new benefit mandate will cause administrative problems for employers who will have to try to collect premiums from and process claims for people with no employment relationship with a company, said Linda Lanam, executive Washington representative for Blue Cross/Blue Shield.

In addition, experts say that only those who expect to use health care services would opt for continued coverage, creating adverse risk selection.

The conferees also agreed to require employers to extend their group health care plans as primary coverage to employees and spouses age 70 and older. These older workers now receive their primary health care coverage from the federal Medicare program.

That provision would take effect March 1, but it also would apply only to companies with at least 20 full-time employees.

On the pension side, the annual premium that employers with defined benefit plans pay the Pension Benefit Guaranty Corp. would rise to $8.50 per plan participant, up from the current $2.60.

In addition, employers would have to fund all vested benefits before they could terminate a pension plans.

Special liability rules would be set for employers who have to terminate pension plans because of "financial distress."

Also, terminations of overfunded plans could be delayed for up to three months if 10% of the plan participants or 200 participants, whichever is less, file objections with the PBGC. However, the provision allowing the three-month delay would expire on March 1, 1986. ■

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Largest U.S. reinsurers' nine-month 1985 results

(All amounts in thousands of dollars) (Ranked by net reinsurance premium written)

Reinsurers	Policyholders' surplus (reinsurers only)	Net reinsurance premiums written 1985	Net reinsurance premiums written 1984	Net reinsurance premiums earned	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1985	Combined ratio 1984
General Re	$1,009,166	$1,098,311	$777,694	$922,827	$793,000	85.9%	$293,943	26.8%	112.7%	119.5%
Employers Re	520,912	496,198	343,475	420,934	380,268	90.3	122,307	24.6	114.9	114.7
American Re	232,666	493,741	316,353	392,963	327,620	83.4	175,374	35.5	118.9	121.6
North American/Swiss Re	260,944	404,097	359,471	363,202	289,530	79.7	153,372	38.0	117.7	127.3
Prudential Re Group	259,147	364,751	281,243	352,733	332,401	94.2	127,062	34.8	129.0	165.6
Munich Re Group	116,960	307,844	181,634	262,267	205,538	78.4	97,440	31.7	110.1	121.5
Kemper Re	136,689	185,167	131,019	168,392	168,170	99.9	40,887	22.1	122.0	122.6
INA Re	119,925	166,081	148,304	158,710	148,505	93.6	56,092	33.8	127.4	130.1
New York Insurance Exchange	178,093	157,201	154,454	156,640	175,984	112.3	58,892	37.5	149.8	138.8
Skandia America Group	76,383	154,151	168,721	150,298	148,276	98.7	47,236	30.6	129.3	133.8
National Re	66,567	143,299	84,338	126,114	119,374	94.7	31,648	22.1	116.8	129.1
Continental Re Corp.	71,402	136,435	87,473	134,567	115,765	86.0	36,579	26.8	112.8	N/A
Buffalo Re	97,205	125,215	72,200	116,269	116,041	99.8	29,271	23.4	123.2	113.9
Transatlantic Re	83,533	117,249	100,292	107,952	107,379	99.5	33,530	28.6	128.1	130.7
St. Paul Re	N/A	115,512	44,180	84,134	78,181	92.9	33,324	28.8	121.7	N/A
Constitution Re	72,394	101,096	100,250	97,021	78,876	81.3	29,809	29.5	110.8	116.7
Constitution State Management	N/A	89,809	58,968	77,568	71,642	92.4	23,794	26.5	118.9	116.2
Winterthur Swiss	68,246	85,658	45,692	73,389	63,653	86.7	30,383	35.5	122.2	117.7
Fremont Re	43,073	84,559	77,726	78,225	77,367	98.9	22,157	26.2	125.1	116.3
Metropolitan Re	49,892	65,815	42,311	57,052	55,305	96.9	19,650	29.9	126.8	147.0
Totals for top 20	**3,466,320**	**4,892,169**	**3,575,798**	**4,301,257**	**3,852,872**	**89.6**	**1,462,770**	**29.9**	**119.5**	**121.9**
Total for all companies	**4,272,886**	**6,059,493**	**4,403,277**	**5,324,596**	**4,774,605**	**89.7**	**1,793,581**	**29.6**	**119.3**	**127.0**

Source: Reinsurance Assn. of America

Reinsurer results

Continued from page 2

main unsatisfactory, and one can expect continued pressure on rates and conditions," says Mr. Bunaes, whose company's combined ratio improved to 110.8% in the first nine months of 1985 from 116.7% in a year earlier.

Edward J. Jamison Jr., chairman and president of Buffalo Reinsurance Co. in Woodland Hills, Calif., says he anticipates no more than a five-point improvement in the industry's combined ratio in 1986.

"I think an awful lot of people have an awful lot of reserve increases and re-evaluations to do," he says, noting underwriting results could improve dramatically in 1987.

"I think 1986 will be a profitable year, but not one that one would want to consider satisfactory, particularly in light of all the string of bad years that we recently had," says LeRoy Simon, senior vp of Prudential Re Group in Newark, N.J.

"I also think 1986 will reveal some interesting things about companies who did not let their reserve levels fall behind during the bad part of the cycle, and those companies who faced up to the bad results as they went along."

Mr. Simon also notes "it is our estimate that rate levels at this time are back to where they were in 1981 or 1982, which is still far from a rate level that allows a proper rate of return for a reinsurer. Therefore, there's no doubt, in my understanding, that rates are going up in this December renewal season and on into 1986—and probably for a few years to come."

Pru Re posted a 129% combined ratio for the nine-month period, compared with 165.6% in the same period last year.

"We expect to see substantial improvement in 1986," says Donald Cole, president and chief executive officer of Constitution State Management, a management company that is owned by and assumes property/casualty reinsurance for Travelers Corp.

"We're just happy to see the entire reinsurance industry getting back to a more reasonable pricing and underwriting posture."

1985 results are "a reflection of what we all knew—it would take time before the improvement in terms got through to the bottom line," says David B. Mathis, president of Kemper Reinsurance Co. in Long Grove, Ill.

But, while he says it is "definitely true" that recovery has been slow, "we expect significant improvement next year."

"We think that 1986 will be a test year on issues like tort reform and the move to claims-made forms," says Frank Haftl, president and chief operating officer of Metropolitan Reinsurance Co. in New York, a unit of Metropolitan Life Insurance Co.

Pointing to Met Re's 126.8% nine-month combined ratio, an improvement over a 147.0% combined ratio last year, Mr. Haftl explains Met Re has tended to retain a large amount of risk relative to the amount of volume it was able to write during the soft market because of the size of its parent.

Since the market has turned, Met Re can write more business at better rates, improving the combined ratio, he says.

N. David Thompson, president and chief executive officer of North American Reinsurance Co./Swiss Reinsurance Co. in New York, says "the trend is moving in the right direction, but it's not moving as fast as we would like."

Mr. Thompson adds that North American/Swiss Re's 117.7% combined ratio is "not as good as it needs to be." However, it is a significant improvement over its 127.3% combined ratio in the first nine months of 1984.

Donald E. Reutershan, president and chief executive officer of the New York Insurance Exchange, says he wishes results "were a lot better."

The aggregate 149.8% combined ratio posted by NYIE syndicates in the first nine months was the worst combined ratio among the 20 largest reinsurers and was worse than the 138.8% combined ratio the exchange reported in the first nine months of 1984.

"I think that what we're seeing is the fact that many segments of the business have not really fully turned the corner yet. They're getting close, but they've a little ways to go yet," Mr. Reutershan observes.

Despite vast underwriting improvements in 1985, the reinsurers' aggregate underwriting results still trail the primary insurance industry's. For instance, 26 major commercial insurers surveyed by *Business Insurance* posted an aggregate combined ratio of 117.4% for the first nine months, compared with the 119.5% combined ratio posted by the 20 largest reinsurers (*BI*, Dec. 2). ■

BI Industry Stock Report

December 18, 1985 12/13/85 thru 12/18/85

Brokers

Company	Exchange	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	33.75	6.3	0.0	1.00	3.0	33.75*	32.13	643.2
Baldwin & Lyons Inc	OTC	67.00	8.1	14.8	0.80	1.2	72.00	67.00	6.3
Corroon & Black Corp	NYSE	57.00	-1.3	77.0	1.00	1.8	57.88	57.00	94.6
Crump E H Cos Inc	OTC	21.00	2.4	22.6	0.25	1.2	21.00*	20.75	100.2
Emett & Chandler Cos Inc	OTC	17.50	1.4	30.2	0.00	0.0	18.00	16.38	31.1
Gallagher Arthur J & Co	OTC	48.00	-0.5	23.5	0.28	0.6	49.00	47.50	13.0
Hall Frank B & Co Inc	NYSE	25.00	-3.8	0.0	0.00	0.0	26.25	25.00	463.8
Marsh & Mclennan Cos Inc	NYSE	81.75	1.7	19.5	2.70	3.3	83.00	80.63	416.6
Poe & Assoc Inc	OTC	13.50	0.0	0.0	0.80	5.9	13.50	13.50	23.8
				=====		=====			
AGENTS/BROKERS	AVERAGE			148.2		1.9			

Conglomerates & Holding Cos.

Company	Exchange	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
American Express(Fireman's Fd)	NYSE	53.38	1.7	17.1	1.36	2.5	54.25*	52.63	5,654.1
Anderson Clayton(Ranger/PanAm)	NYSE	53.00	8.7	36.8	1.32	2.5	53.00*	49.00	189.2
Armco Inc	NYSE	9.13	-1.4	0.0	0.00	0.0	9.25	9.13	917.3
Berkley W R Corp	OTC	31.50	2.4	98.4	0.32	1.0	32.00*	31.00	231.3
CIGNA Corp	NYSE	61.75	-0.4	30.0	2.60	4.2	63.00*	61.75	1,136.7
CNA Finl Corp (CNA)	NYSE	63.25	-0.8	19.8	0.00	0.0	63.88	62.25	330.9
General Re Corp	NYSE	103.00	-1.2	112.0	1.56	1.5	105.00*	103.00	607.0
ITT (Hartford Group)	NYSE	36.25	3.6	11.4	1.00	2.8	37.00*	35.63	8,340.6
Sears Roebuck & Co. (Allstate)	NYSE	39.38	-3.4	11.0	1.76	4.5	40.88*	39.38	7,002.0
Teledyne Inc (Argonaut)	NYSE	301.00	0.7	6.5	0.00	0.0	301.00*	296.00	265.5
Transamerica Corp (Occidental & Fred S. James)	NYSE	34.50	0.4	16.7	1.68	4.9	35.88*	34.50	590.8
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			12.1		1.5			

Insurers

Company	Exchange	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Aetna Life & Cas Co	NYSE	52.25	1.5	19.6	2.64	5.1	52.38	51.50	2,448.8
American General Corp	NYSE	34.25	5.4	10.4	1.00	2.9	34.63	32.75	2,592.9
Amern Heritage Life Invt Co	NYSE	39.00	1.3	11.2	1.20	3.1	39.75*	38.63	5.4
American Indty Finl Corp	OTC	20.75	9.9	0.0	1.12	5.4	21.13	19.00	96.6
American Intl Group Inc	NYSE	107.25	0.5	26.7	0.44	0.4	109.00*	104.50	515.4
Aneco Reins Ltd	OTC	0.75	-25.0	0.0	0.00	0.0	0.88	0.75*	16.3
Avemco Corp	NYSE	36.38	-2.0	14.4	0.60	1.6	37.38*	36.38	10.9
Business Mens Assurn Co Amer	OTC	31.75	-0.8	8.9	1.04	3.3	32.00	31.50	47.5
Chubb Corp	NYSE	55.25	-3.3	20.0	1.56	2.8	57.00	55.25	334.1
Combined Intl Corp	NYSE	51.50	1.7	9.4	2.16	4.2	51.50	50.38	257.0
Continental Corp	NYSE	46.13	-0.8	22.8	2.60	5.6	47.88*	46.13	804.3
Crown Life Ins Co	OTC	255.00	-5.6	15.4	0.00	0.0	270.00	255.00	0.0
Durham Corp	OTC	40.00	2.6	7.4	1.28	3.2	40.00	39.25	77.1
Farmers Group Inc	OTC	69.38	1.5	11.7	1.76	2.5	69.88	68.75	379.2
Fireman Fd Corp	NYSE	32.88	3.5	0.0	0.30	0.9	33.38*	32.25	1,503.2
Fremont Gen Corp	OTC	23.75	0.0	2.3	0.48	2.0	23.75	23.75	368.3
Great West Life Assurn Co	OTC	490.00	4.3	12.6	1.60	0.3	490.00	480.00	0.0
Home Group Inc	AMEX	25.25	9.2	0.0	0.00	0.0	25.25	23.63	1,504.9
Hanover Ins Co	OTC	51.50	1.0	53.6	0.56	1.1	51.63*	50.75	27.2
Hartford Steam Boiler Insptn	OTC	62.00	1.2	14.6	2.00	3.2	62.25*	61.00	24.0
Kans City Life Ins	OTC	30.00	1.7	11.8	0.87	2.9	30.25	30.00	12.7
Kemper Corp	OTC	72.13	10.5	20.8	1.80	2.5	72.13*	65.50	839.1
Liberty Corp S C	NYSE	34.63	2.2	15.0	0.72	2.1	35.38*	34.63	22.5
Lincoln Natl Corp Ind	NYSE	51.00	0.2	12.0	2.00	3.9	52.25	51.00	336.2
Mission Ins Group Inc	NYSE	2.75	-4.3	0.0	0.00	0.0	2.75	2.75	378.3
Monumental Corp	OTC	35.13	-1.7	11.9	1.40	4.0	35.25	35.00	17.5
Nobel Ins Ltd	OTC	12.00	4.3	15.8	0.25	2.1	12.00	11.50	126.0
Northwestern Natl Life Ins	OTC	25.38	0.5	6.6	0.80	3.2	25.75	25.38	232.6
Ohio Cas Corp	OTC	69.38	-1.9	23.4	2.80	4.0	70.50	69.38	99.7
Old Rep Intl Corp	OTC	35.13	-0.4	9.5	0.74	2.1	35.38	35.13	114.3
Orion Cap Corp	NYSE	31.38	-0.8	0.0	0.76	2.4	31.63	31.00	71.9
Protective Corp	OTC	22.00	4.8	8.2	0.66	3.0	22.00	20.75	78.2
Provident Life & Acc Ins Co	OTC	28.25	1.3	7.6	0.76	2.7	28.50*	27.75	427.2
St Paul Cos Inc	OTC	81.88	2.3	0.0	3.00	3.7	81.88	79.63	879.1
SAFECO Corp	OTC	45.88	-0.3	16.3	1.60	3.5	46.00	45.75	620.2
Sri Corp	OTC	17.25	-4.2	575.0	0.80	4.6	18.25	17.25	136.9
Seibels Bruce Group Inc	OTC	20.00	-7.0	4.1	0.80	4.0	21.25	20.00	215.1
Statesman Group Inc	OTC	4.56	4.3	0.0	0.05	1.1	4.63	4.38	191.2
Tokio Marine & Fire Ins Co	OTC	219.50	0.9	41.3	1.05	0.5	222.75	219.00	13.6
Torchmark Corp	NYSE	23.88	-1.0	9.4	0.60	2.5	25.13	23.88	552.1
Travelers Corp	NYSE	47.38	1.3	11.5	2.04	4.3	47.75	46.50	2,727.4
United Fire & Cas Co	OTC	30.00	7.1	14.0	1.20	4.0	30.00*	28.25	5.8
United States Fid & Gty Co	NYSE	39.88	2.6	0.0	2.20	5.5	40.75*	38.25	1,352.6
Uslife Corp	NYSE	37.38	-6.0	8.4	1.12	3.0	39.13	37.38	299.4
Washington Natl Corp	NYSE	26.75	5.4	9.3	1.08	4.0	26.75	25.38	102.6
Zenith Natl Ins Corp	OTC	24.00	5.5	0.0	0.68	2.8	24.25	23.00	250.9
				=====		=====			
INSURANCE COMPANIES	AVERAGE			17.5		2.0			

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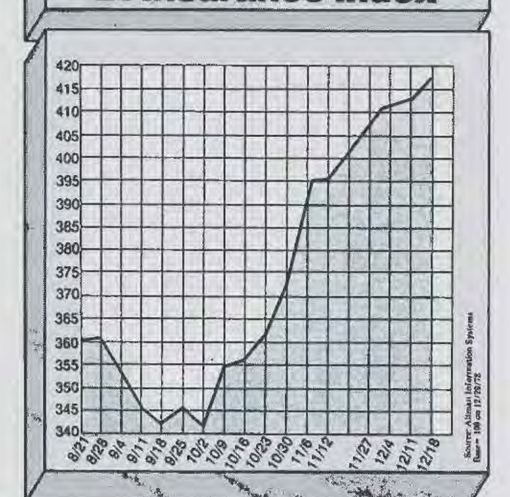
BI Insurance Index



Bulls on Wall Street continued to buy insurance stocks as the *Business Insurance* stock index rose 4.2 points to 417.2 on Dec. 18 from 413.0 on Dec. 11. It was the index's 10th consecutive increase. Thirty-five issues gained, 19 stocks declined and three were unchanged. The largest increases were posted by Kemper Corp., up 10.5%; American Indemnity Financial Corp., up 9.9%; The Home Group Inc., up 9.2%; Baldwin & Lyons Inc., up 8.1%; and United Fire & Casualty Co., up 7.1%. The largest declines were reported by: Aneco Reinsurance Co. Ltd., down 25.0%; USLIFE Corp., down 6.0%; Crown Life Insurance Co., down 5.6%; SRI Corp., down 4.2%; and Frank B. Hall & Co. Inc., down 3.8%. The *BI* index rose 1.0%, which trailed the increases in the major market averages.

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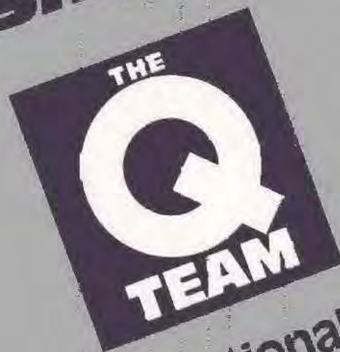

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